

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.

If you sell or have sold or otherwise transferred all of your Ordinary Shares you should send this document and the accompanying form of proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding, you should retain these documents.

Schroder UK Mid & Small Cap Fund plc

(Incorporated and registered in Scotland – No. SC082551 – an investment company under section 833 of the Companies Act 2006)

Proposed change of the investment objective and policy of the Company and change of name to

Schroder UK Mid Cap Fund plc

and

Notice of General Meeting

Notice of a General Meeting of Schroder UK Mid & Small Cap Fund plc to be held at 31 Gresham Street, London EC2V 7QA at 11.30 a.m. on Wednesday, 26 January 2011 is set out at the end of this document. The form of proxy for use at the meeting accompanies this document and, to be valid, should be completed and returned in accordance with the instructions set out thereon as soon as possible but in any event so as to reach Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZR not later than 11.30 a.m. on 24 January 2011. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the General Meeting, should they so wish.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of forms of proxy	11.30 a.m. on 24 January 2011
General Meeting	11.30 a.m. on 26 January 2011

Note: Reference to times in this document are to London time unless otherwise stated.

PART I

LETTER FROM THE CHAIRMAN

Schroder UK Mid & Small Cap Fund plc

(Incorporated and registered in Scotland – No. SC082551 – an investment company under section 833 of the Companies Act 2006)

Directors:

Peter Timms (*Chairman*)
Rachel Beagles
Malcolm Coubrough
Chris Jones
Maxwell Packe

Registered Office:

C/O Tods Murray WS
33 Bothwell Street
Glasgow G2 6NL

30 December 2010

Dear Shareholder

Proposed change of the investment policy of the Company and change of name to Schroder UK Mid Cap Fund plc

Introduction

Your Board has announced today proposals to change the investment objective and policy and the name of the Company to focus on mid cap equities rather than mid cap equities and small cap equities.

These proposals are conditional upon the approval of Shareholders in general meeting. The purpose of this document is to provide details of these proposals and to seek the approval of Shareholders.

Change of investment policy

Your Board is proposing to change the investment objective and policy of the Company to reflect a focus on mid cap equities (broadly, equities issued by companies falling within the FTSE Mid 250 Index. In other words, the 250 companies whose capitalisation is immediately below the FTSE 100 Index, which covers the 100 largest quoted companies in the UK) rather than mid cap equities and small cap equities (broadly, equities issued by companies in the FTSE All-Share Index whose capitalisation falls under those in the FTSE Mid 250 Index).

The Investment Manager has conviction that the FTSE Mid 250 Index contains many specific and attractive investment opportunities. Examples of attractive investment opportunities include Forth Ports plc (the only quoted UK port owner), Dignity plc (the only quoted UK funeral service business and crematoria owner) and Wellstream Holdings plc (one of the only three manufacturers of deepwater flexible oil pipe in the world).

The UK stock market is open and transparent and well regulated under its Takeover Code and other regulations. Over the years there has been a great deal of acquisition activity in the mid cap space, from both UK and overseas buyers, with the premia received for change of control enhancing shareholder returns. Indeed, since December 2009, there have been a dozen bid approaches for constituents of the FTSE Mid 250 Index, of which the Company has owned six.

The specific reasons why your Board believes that the proposed change to the Company's investment objective and policy is in the best interests of the Shareholders are as set out below.

First, mid market capitalisation companies are usually more liquid than small capitalisation companies. Therefore this should allow the Investment Manager to make, and exit, investments without unduly adversely affecting the investee companies' share prices.

Second, although past performance is no indication of future performance, the FTSE Mid 250 Index has out-performed the FTSE All-Share Index over 1 and 3 years (to 23 December 2010), with a slight under-performance over 5 years (to 23 December 2010), as the below table illustrates.

	<i>FTSE Mid 250</i> %	<i>FTSE All-Share</i> %
1 year	29.8	28.3
3 year	25.5	18.6
5 year	44.0	44.5

FTSE Mid 250 and FTSE All-Share total returns over 1, 3 and 5 years (to 23 December 2010). Past performance is no indication of future performance (Source: Datastream).

Third, there are a number of closed-end investment funds pursuing a strategy of investing in small capitalisation companies. However, the Board is only aware of one investment company with a specific strategy of investing in mid capitalisation companies.

The Board believes that pursuing the amended investment objective and policy should attract market support for the Company's shares.

Risk associated with the change in the investment objective and policy

Shareholders should note that their approval of the proposed change to the investment objective and policy will narrow the scope of the Company's investment objective and investment policy and could lead to reduced diversification of the Company's portfolio. However the Board believes that any such reduction is outweighed by the larger capitalisation and greater international exposure of mid cap equities, which could help to diversify the portfolio of the Company.

Small capitalisation companies may out-perform mid capitalisation companies. However, the Investment Manager would have the ability to invest a proportion of the Company's funds outside the benchmark index so as to maintain limited flexibility to invest in small capitalisation companies which may drop out of the benchmark index due to underperformance, or which the Investment Manager believes to have strong prospects which will lead to their promotion to the FTSE Mid 250 Index.

Effect on the performance fee

Under the investment management agreement between the Company and the Investment Manager dated 31 July 2003, the Investment Manager is entitled to a performance fee of 0.1% of average net assets (calculated as a simple average of opening and closing net assets) for each 1% outperformance of the Company's net asset value total return over the FTSE All-Share Index over and above 0.8% calculated annually. The performance element of the fee payable in any year will be capped at 1% of average net assets.

Subject to approval by Shareholders of the proposed change to the Company's investment objective and policy, the FTSE All-Share Index will be substituted with the FTSE Mid 250 Index (ex-Investment Companies) in calculating performance fees for the period commencing 1 April 2011.

Shareholder approval of the change in the investment policy

Under the Listing Rules the Company is required to seek the approval of Shareholders for any material change to its investment policy. Set out below is information about the Company's proposed change.

Company's existing investment objective and policy

Investment objective

The Company's investment objective is to invest in mid and small cap equities with the aim of providing a total return in excess of the FTSE All-Share, ex Investment Companies, ex FTSE 100, Total Return Index.

Investment policy

The strategy is to invest only in the investment universe associated with the FTSE All-Share Index though the Company may invest in other collective funds where desirable.

The Manager has adopted a unique and consistent investment process, taking a stock specific approach with an emphasis on growth companies. Sector weightings play a secondary role, resulting naturally from stock selection. Fundamental research forms the basis of each investment decision taken by the Manager, who carries out its own research with numerous company contacts. When analysing stocks, the Manager looks for companies with strong management teams with a proven record, good future prospects and a strong business franchise within their markets.

Gearing

In applying the investment objective, the Board expects the Company to be fully invested and has authorised borrowings of up to 25% of total assets when appropriate.

Spread of investment risk

Risk in relation to the Company's investments is spread as a result of the Investment Manager monitoring the Company's portfolio to ensure that the portfolio retains an appropriate balance to meet the Company's investment objective. The Board has imposed a number of restrictions on investment by the Investment Manager, the key elements of which include:

- no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company;
- no more than 10% of the value of the Company's gross assets may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed investment companies;
- no more than 15% of the Company's total net assets may be invested in open-ended funds;
- no holding may represent 20% or more of the equity capital of any company; and
- no more than 15% of its gross assets may be invested in other listed investment companies (including listed investment trusts).

Company's new investment objective and policy

The Directors propose to change the Company's investment policy as follows (changes are highlighted in bold):

Investment objective

The Company's investment objective is to invest in **mid cap equities**, with the aim of providing a total return in excess of the **FTSE Mid 250 Index** (ex Investment Companies).

Investment policy

The strategy is to invest principally in the investment universe associated with the benchmark index, but with an element of leeway in investment remit to allow for a conviction-driven approach and an emphasis on specific companies and targeted themes. The Company may also invest in other collective investment vehicles where desirable, for example to provide exposure to specialist areas within the universe. Therefore the Company may hold up to 20% of its portfolio in equities and collective investment vehicles outside the benchmark index.

The Manager has adopted a unique and consistent investment process, taking a stock specific approach with an emphasis on growth companies. Sector weightings play a secondary role, resulting naturally from stock selection. Fundamental research forms the basis of each investment decision taken by the Manager, who carries out its own research with numerous company contacts. When analysing stocks, the Manager looks for companies with strong management teams with a proven record, good future prospects and a strong business franchise within their markets.

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- no more than 15% of the Company's total net assets may be invested in open-ended funds;
- no holding may represent 20% or more of the equity capital of any company; and
- no more than 15% of its gross assets may be invested in other listed investment companies (including listed investment trusts).

Change of name

Subject to and conditional on Shareholders approving the proposed change to the investment objective and policy of the Company, the Directors consider that it is appropriate to change the name of the Company to reflect the proposed change to the investment objective and policy of the Company. A special resolution to change the name of the Company to Schroder UK Mid Cap Fund plc is set out in the notice of General Meeting. Following the change of name, share certificates issued in the present name of the Company, or in any of the Company's previous names, will remain valid.

General Meeting

Set out at the end of this document is a notice convening a General Meeting of the Company to be held at 31 Gresham Street, London EC2V 7QA at 11.30 a.m. on Wednesday, 26 January 2011 at which resolutions will be proposed to:

- (i) change the investment objective and policy of the Company; and
- (ii) change the name of the Company to Schroder UK Mid Cap Fund plc.

Resolution (ii) above is conditional on the passing of resolution (i).

Action to be taken

You will find enclosed with this document a form of proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting in person, you are asked to complete the form of proxy and return it to the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZR so as to arrive as soon as possible, but in any event so as to be received not later than 11.30 a.m. on 24 January 2011. Completion and return of a form of proxy will not preclude you from attending and voting at the General Meeting in person if you wish.

If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.

Recommendation

Your Board considers the Proposals and the Resolutions to be put forward at the General Meeting of the Company to be in the best interests of the Company and its Shareholders as a whole. Accordingly, your Board unanimously recommends that Shareholders vote in favour of the Resolutions, as they intend to do in respect of their own beneficial holdings which amount to, in aggregate, 76,321 Ordinary Shares (representing 0.2112 per cent. of the existing issued ordinary share capital of the Company as at 29 December 2010, the last practicable day prior to publication of this document).

Yours sincerely

Peter Timms

Chairman

PART 2

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“2006 Act”	the Companies Act 2006, as amended
“Board” or “Directors”	the board of directors of the Company
“Company”	Schroder UK Mid & Small Cap Fund plc
“FTSE 250 Mid Cap”	FTSE 250 Midcap Index (ex Investment Companies)
“FTSE All-Share”	FTSE All-Share ex-Investment Companies, ex-FTSE 100 Total Return Index
“General Meeting”	the general meeting of the Company to be held on 26 January 2011, notice of which is set out on page 9 of this document
“Investment Manager”	Schroder Investment Management Limited, 31 Gresham Street, London EC2V 7QA
“Listing Rules”	the rules and regulations made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000
“Ordinary Shares”	ordinary shares of 25 pence each in the capital of the Company
“Proposals”	the proposals described in this document to change the investment objective and policy and the name of the Company
“Resolutions”	the resolutions set out in the notice of General Meeting at the end of this document
“Shareholders”	holders of Ordinary Shares
“Takeover Code”	the City Code on Takeovers and Mergers

Schroder UK Mid & Small Cap Fund plc
(Registered in Scotland No. SC082551)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of the Company will be held at 31 Gresham Street, London EC2V 7QA, at 11.30 a.m. on Wednesday, 26 January 2011 for the purpose of considering and, if thought fit, passing the following resolutions, which will be proposed as to resolution 1 as an ordinary resolution, and as to resolution 2 as a special resolution:

RESOLUTIONS

1. THAT the proposed revised investment objective and policy set out in pages 5 and 6 of the Company's Circular dated 30 December 2010, a copy of which marked "A" and signed for the purpose of identification by the Chairman of the Meeting and produced to the Meeting, be and it is hereby approved and adopted with immediate effect as the Company's investment policy in place of the Company's existing investment policy.
2. THAT, subject to and conditional on the passing of the resolution numbered 1, the name of the Company be changed to "Schroder UK Mid Cap Fund plc".

Dated: 30 December 2010

Registered Office:
C/O Tods Murray WS
33 Bothwell Street
Glasgow G2 6NL

By order of the Board
Schroder Investment Management Limited
Company Secretary

Notes:

1. Ordinary shareholders are entitled to attend and vote at the meeting and to appoint one or more proxies, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting.

A proxy form accompanies this document. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 032 0641, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the General Meeting and voting in person.

On a vote by show of hands, every ordinary shareholder who is present in person has one vote and every duly appointed proxy who is present has one vote. On a poll vote, every ordinary shareholder who is present in person or by way of a proxy has one vote for every share of which he/she is a holder.

The "Vote Withheld" option on the proxy form is provided to enable you to abstain on any particular resolution. However it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZR, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID, Task ID and Shareholder Reference Number set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk and clicking on the link to vote under your (Client Name) holding details. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641.

If an ordinary shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

Shareholders may not use any electronic address provided either in this Notice of General Meeting or any related documents to communicate with the Company for any purposes other than expressly stated.

Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of procedures on corporate representatives.

2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.00 p.m. on 24 January 2011, or 6.00 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.00 p.m. on 24 January 2011 shall be disregarded in determining the right of any person to attend and vote at the meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com/CREST. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 19) by the latest time for receipt of proxy appointments.
5. As at 30 December 2010 (being the latest practicable date before printing this document), 36,143,690 ordinary shares of 25 pence each were in issue. No shares were held in treasury; accordingly, the total number of voting rights in the Company as at 30 December 2010 is 36,143,690.
6. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available to download from the Company's website, www.schroderukmidandsmallcapfund.com.

7. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the meeting any question relating to the business being dealt with at the meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

