

11 August 2008

Dear Shareholder

I enclose the Notice for an Extraordinary General Meeting of the Company to be held at 11.00 a.m. on Tuesday, 2 September 2008 at 31 Gresham Street, London EC2V 7QA.

New Articles of Association

The purpose of the Extraordinary General Meeting is to ask shareholders to adopt new Articles of Association ("New Articles") for the Company to replace the Company's existing Articles of Association ("Current Articles") so as to incorporate changes brought about by the Companies Act 2006. The principal differences between the Current Articles and the New Articles are summarised in note 1 to the Notice of Meeting. Other changes, which are of a minor, technical or clarifying nature reflecting changes made by the Companies Act 2006, have not been summarised in the Notice of Meeting.

A copy of the New Articles, highlighting all the changes to be made to the Current Articles, will be available for inspection as described in note 1 of the Notice of Meeting.

Voting

A form of proxy is enclosed, together with a pre-paid envelope for submission of proxy form(s). Alternatively, proxies may be submitted electronically at www.sharevote.co.uk by entering the Voting ID, Task ID and Shareholder Reference ID set out in the enclosed proxy form. Shareholders who have already registered with Equiniti's Shareview service can appoint their proxy by logging onto their portfolio at www.shareview.co.uk and clicking on 'Company Meetings'.

Recommendation

The Directors believe that the proposed resolution, as set out in the Notice of Meeting, would promote the interests of the Company and recommends that shareholders vote in favour of the resolution as each of the Directors intends to do in respect of his or her own beneficial holding.

Yours faithfully

Peter Timms
Chairman

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial advisor duly authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your shares in Schroder UK Mid & Small Cap Fund plc, please send this document, together with the accompanying documents, 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 delivery to the purchaser or transferee.

Schroder UK Mid & Small Cap Fund plc

Notice of Meeting

NOTICE is hereby given that an Extraordinary General Meeting of Schroder UK Mid & Small Cap Fund plc will be held at 11.00 a.m. on Tuesday, 2 September 2008 at 31 Gresham Street, London EC2V 7QA to consider and, if thought fit, to pass, the following resolution, which will be proposed as a special resolution:

“That the Articles of Association produced to the meeting and initialled by the Chairman for the purposes of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles.”

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Office:
33 Bothwell Street
Glasgow G2 6NL

Registered Number: SC82551
11 August 2008

Explanatory notes including principal changes to the Articles of Association

1. Copies of the New Articles (as defined in the letter to Shareholders accompanying this document) detailing changes to the Current Articles (as defined in the letter to Shareholders accompanying this document) are available from the Company Secretary and will be on display at the registered office of the Company during normal business hours on any weekday (public holidays excepted). They will also be available for inspection by any person attending the Extraordinary General Meeting for at least 15 minutes prior to, and during, the Meeting.

The principal changes to the Current Articles are as follows:

Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Examples include provisions as to the form of resolutions, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below. A number of the provisions earlier inserted to address the requirements for electronic communications are now deleted for this reason.

Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being removed as the concept of extraordinary resolutions has not been retained under the Companies Act 2006 and the remainder of the provision is reflected in full in the Companies Act 2006.

Convening extraordinary and annual general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being removed in the New Articles because the relevant matters are provided for in the Companies Act 2006. In particular a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. The New Articles give the directors discretion, when calculating the time limits, to exclude weekends and bank holidays. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

Age of directors on appointment

The Current Articles refer to Section 293 of the Companies Act 1985 which contained a limit on the age at which a director could be appointed. Such a provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed in the New Articles.

Conflicts of Interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a

direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another investment trust (or other company) or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

Records to be kept

The provision in the Current Articles requiring the Board to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.

2. 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 is attached. 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 0871 384 2713, 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 Extraordinary General Meeting and voting in person.

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. In the case of a corporation, proxies must be given under its common seal or be signed on its behalf by an attorney or duly authorised officer, stating their capacity (e.g. director, secretary). 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.

3. 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 Extraordinary 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 2 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.

4. 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 31 August 2008, 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 31 August 2008 shall be disregarded in determining the right of any person to attend and vote at the meeting.
5. 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. 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 RA19) by the latest time for receipt of proxy appointments.
6. As at 8 August 2008, 36,143,690 ordinary shares of 25p each were in issue (no shares were held in treasury). Accordingly, the total number of voting rights of the Company as at 8 August 2008 is 36,143,690.