

MARTIN CURRIE EUROPEAN FUND



Dr Eric Woehrling



Pal Chidambaram

FUND HIGHLIGHTS

- Managed by Dr Eric Woehrling, investment director, portfolio manager and Pal Chidambaram, portfolio manager.
- The European equities team is supported by our deeply-resourced and highly-experienced team of 16 sector managers.
- We concentrate on fundamental company analysis - over 300 company visits a year
- We aim to outperform at all stages of the cycle and have no bias to value or growth
- The fund is available as an Oeic ('A' and 'B' class shares)

Fund codes	A shares	B shares
Bloomberg equity ticker	MTCEURI LN	MTCEURB LN
MexID	SUEA	SUEB
Sedol	3156018	3156029
ISIN number	GB0031560187	GB0031560294

CONVICTION PORTFOLIO CHARACTERISTICS

- Performance target index +4% per annum
- Typically 30-50 holdings
- Benchmark: FTSE World Europe (ex UK) index
- Large-cap focus
- No underweight positions; stock conviction range maximum of index +3%
- Country range of index +/-10%
- Sector range of index +/-7%

PERFORMANCE

The following table shows the fund's performance.

	YTD (%)	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	Since inception years (%) p.a.
Martin Currie European	(9.4)	13.1	(9.0)	4.7	9.8
Sector average	(10.2)	14.4	(6.2)	4.8	11.0
FTSE Europe ex-UK	(11.0)	15.9	(5.5)	5.7	—

Source: Lipper Hindsight. Bid to bid basis with net income reinvested over periods shown in sterling. As at 30 June 2010. Sector is IMA Europe ex UK. Launch date 6 May 1985. Past performance is not a guide to future returns.

THE PORTFOLIO MANAGEMENT TEAM

The portfolio is managed by Dr Eric Woehrling and Pal Chidambaram. Eric has 12 years' investment experience, while Pal has 13 years' experience.

They are supported by our sector research team, headed by Chris Butler. We organise our sector research team into five MSCI sector 'clusters'. This is the most effective way to apply knowledge and understanding across related sectors. It also enables us to focus our time and energy where we see the most meaningful change.

Sector managers are responsible for generating and evaluating stock ideas in the developed markets of Europe. Independent research supports our view that share prices in this market is driven more by factors relating to their sector than the country of listing.

We believe that our sector managers provide Martin Currie with three broad research advantages:

- **Experience and judgement.** Our 16-strong team brings together a deep and varied pool of buy side, sell side and industry experience;
- **A focus on what matters.** We are not in the business of producing volumes of maintenance research that serves no purpose. We concentrate on the factors that we believe move share prices, using a proven framework of quality, value, growth and change; and
- **A culture of communication.** Our single location and culture encourage numerous daily discussions across the investment floor. The investment community tends to operate in silos; we believe this creates opportunities, because information is not applied efficiently across sectors and regions. We purposely operate with broad sector remits and collaborate across the investment team so as to exploit these anomalies.



Chris Butler

Resources

Chris Butler
Head of sector managers
Experience: 20 years

Duncan Goodwin
Sector manager, energy
Experience: 15 years

Ruairidh Stewart
Sector manager, energy
Experience: 12 years

Joseph McGann
Sector manager, energy
Experience: 3 years

Consumer

Rachel Nimmo
Sector Manager, healthcare
Experience: 13 years

Rahul Sharma
Sector manager, consumer
Experience: 16 years

Amanda Whitecross*
Sector manager, consumer
Experience: 16 years

Giovanna Carollo
Sector manager, consumer
Experience: 8 years

Financials

Len Riddell
Sector manager, banks
Experience: 13 years

Paul Sloane
Sector manager, insurance
Experience: 16 years

Technology, Media and Telecomms

Jane Coull
Sector manager, technology, media and telecomms
Experience: 17 years

Jamie Mariani
Sector manager, technology, media and telecomms
Experience: 12 years

Luca Fasan
Sector manager, technology, media and telecomms
Experience: 10 years

Industrials

Donald Barlow
Sector manager, utilities
Experience: 11 years

Ken Hughes
Sector manager, industrials
Experience: 16 years

Bruce MacDonald
Sector manager, industrials
Experience: 16 years

* Currently on maternity leave, Mark Love has joined the team in her absence.

INVESTMENT PROCESS

Key features of Martin Currie European Fund include:

- Bottom-up – approach driven by stock selection through a narrow list of high conviction positions;
- Challenging consensus – actively challenging the market's views on sectors and individual stocks and, where the consensus is wrong, acting meaningfully. For example, many investors are influenced by a sector's historical premium or discount to the broader market. Others fall into the trap of making comparisons of valuations within sectors, rather than trying to compare companies across the whole universe. This leads to pricing anomalies that can be exploited; and
- Focused research – we analyse all stocks using the proven drivers of share price outperformance - quality, value, growth and change.

Our focus on change

We believe the market systematically underestimates the extent and duration of change. We seek to identify processes of change that are material to share prices, particularly of a company-specific nature, such as improving pricing power or the impact of corporate restructuring.

We identify change using a range of sources, including our European team; our sector research team; and the Dynamic Stock Matrix (DSM), our in-house numerical framework. Our focus is on identifying the direction and drivers behind positive change at a stock level.

Once identified, we evaluate the investment opportunity using a framework of quality, value, growth and change versus market expectations.

Quality Understand financial strength and cash generative capability	Value Assess from three perspectives – 'absolute value, relative value and cash value'.
Growth Re-work financial models to identify where our expectations differ materially from consensus.	Change Understand changes to earnings forecasts, share price momentum and insider dealing.

This process of challenging and stress-testing ideas, together with our detailed analytical work ensures that only the highest conviction ideas make it into the fund.

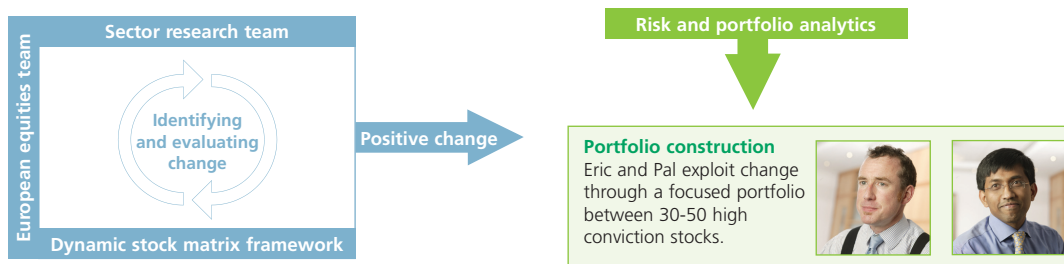
Portfolio construction

Eric and Pal are responsible for stock selection. Individual stock candidates for the portfolio and their weightings are determined by:

- Their potential return;
- Our level of conviction in the idea; and
- Correlation with market and existing holdings.

Our investment process ensures we naturally diversify risk. Choosing stocks on the basis of quality, value, growth and change ensures no bias to country or industries. We constantly monitor volatility, and that of the markets in which we invest. We also closely analyse and measure individual stock correlations.

We seek to identify stocks that can thrive and prosper despite the economic backdrop, not because of it. While we are comfortable with some macroeconomic sensitivity in the portfolio, we look to eliminate potentially damaging macro exposures. The portfolio managers meet with our risk management specialists regularly to ensure we are properly assessing all the risks in the portfolio.



Our process ends with a committed and distinctive portfolio between 30-50 high conviction stocks with an appropriate level of risk.

Sell disciplines

A consequence of running relatively short 'conviction' stock lists is that each position is continually under review against opportunities elsewhere. We consider selling in the following circumstances:

- A positive change catalyst comes to an end;
- Change occurs in a company's corporate strategy that we don't agree with;
- There is a superior competing idea; and/or
- There is a shift in the risk profile of the portfolio.

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WEBSITE

For further information about Martin Currie and the European Fund go to www.martincurrie.com/oeic

IMPORTANT INFORMATION

The source for all information is Martin Currie Investment Management Ltd as at 30 April 2010 unless otherwise stated. This information is issued and approved by Martin Currie Investment Management Ltd in its capacity as investment manager. It does not in any way constitute investment advice or an invitation or inducement to invest. Investments can only be made in accordance with the terms and conditions outlined in the Prospectus and Simplified Prospectus.

All references to the European Fund relate to the Martin Currie Investment Funds - European Fund, a subfund of an Oeic. Martin Currie Investment Management Ltd is the investment manager of the Oeic.

Martin Currie Investment Management Ltd, registered in Scotland (no 66107) **Martin Currie Unit Trusts Ltd**, registered in Scotland (no 104896)

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Both companies are authorised and regulated by the Financial Services Authority and are members of the Investment Management Association.

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