

MARTIN CURRIE GLOBAL ALPHA FUND



James Fairweather



Neil Robson

WHY GLOBAL?

Diversity – Global portfolios attempt to reduce risk through diversification. By investing in companies across a wide range of markets and sectors, the correlation of performance between individual stocks is lower.

Opportunity – With a larger universe, there are more opportunities - and a greater chance of finding compelling investment cases. For example, our portfolio managers are able to select the best pharmaceutical companies in the world, rather than just the best domestic ones.

Perspective – Global sector effects have been increasing at the expense of country effects. This is being driven particularly by multinational companies, and by integration between national economies. Having a global perspective means a manager can compare stocks across regions and sectors, identify the best stock opportunities, and deliver superior performance.

FUND HIGHLIGHTS

- High conviction equity portfolio of the 30-45 best investment ideas we identify globally.
- Performance target of MSCI World index +4% per annum, gross of fees.
- Unconstrained by any sector or country restrictions, the fund's aim is to provide superior long-term returns by investing in a concentrated portfolio of primarily large- and medium-sized companies.
- Managed by James Fairweather, head of global equities, and Neil Robson, investment director in the global equities team.
- 41 investment professionals in total are involved in the process, with stock recommendations generated by Martin Currie's highly-rated regional and sector research teams.
- Fully-integrated global investment process, employing fundamental company and sector research.
- Martin Currie has extensive experience of managing high alpha and unconstrained portfolios.

WHAT DEFINES AND DISTINGUISHES US

- **We deliver genuine conviction portfolios**
This means a highly focused stock list of the best ideas from across our investment team.
- **We have a fully-integrated approach**
We don't 'bolt together' different regional portfolios. Our investment process supports this by focusing on the factors which have a proven impact on share price performance - quality, value, growth and change.
- **We can evaluate competing stock ideas on a global basis**
This is facilitated by our 'common language' of quality, value, growth and change and supported by our single investment location in Edinburgh and a high level of communication across our teams.
- **We manage risk at every level**
The management of risk is absolutely central to our investment process. It enables us to be confident we are taking sufficient, but not excessive, risk to meet the objectives of our clients.
- **Our organisation and decision-making structure**
As 'The Big Boutique' our investment managers are highly motivated to perform for our clients. We link remuneration to investment performance in a direct and transparent way and our employee ownership enables our managers to take a significant stake in the business. We also have ownership and accountability at every stage of our investment process, from sector research and the input of the regional teams to the selection of stocks by the global equities team.

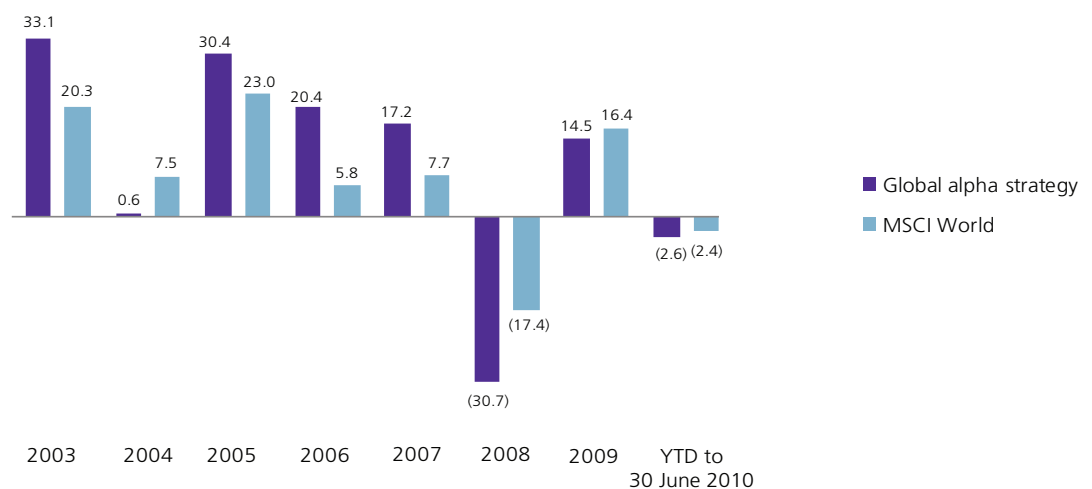
PERFORMANCE OF THE FUND

We launched the Martin Currie Global Alpha Fund Oeic on 2 June 2006.

	YTD	One year	Two years % p.a.	Since inception p.a.*
Martin Currie Global Alpha (%)	(3.3)	15.6	(8.4)	(2.4)
MSCI World (%)	(2.4)	21.9	2.3	2.1
Difference (fund/MSCI World)	(0.9)	(6.3)	(10.7)	(4.5)
Sector average (%)	(2.6)	20.4	0.4	1.3
Quartile	3rd	4th	4th	4th

Source for all performance: Lipper Hindsight. Bid to bid basis with net income reinvested over periods shown to 30 June 2010. These figures do not include initial charges. If these were included, performance figures will be reduced. †Fund performance relative to the benchmark. *Launch date 2 June 2006. Performance of 'A' shares (retail class) in sterling. Please note that this fund is unconstrained by a benchmark. For illustrative purposes we compare the fund to MSCI World. Sector is IMA Global Growth. Past performance is not a guide to future returns.

We began managing the Global Alpha strategy as a segregated portfolio on 31 December 2002. The following chart shows the performance of the strategy on a calendar year basis since launch on that date.

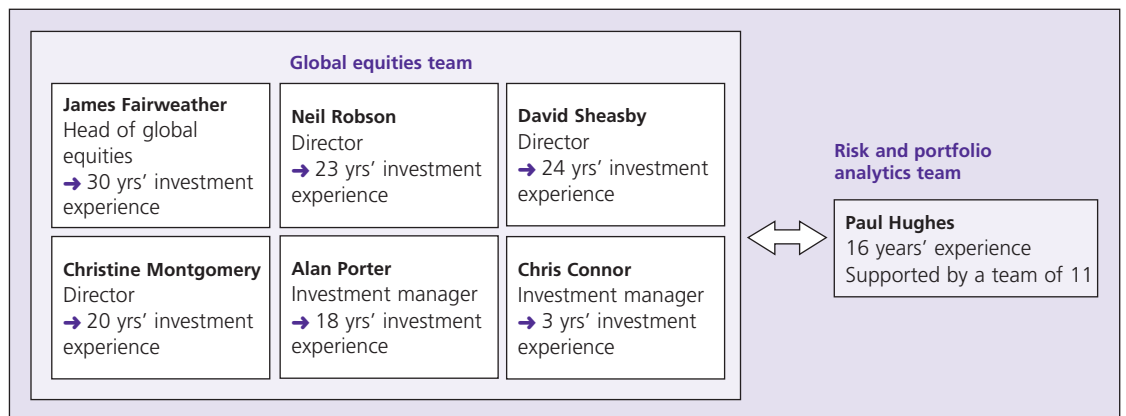


Source: Martin Currie in £. Gross of fees to 30 June 2010. Please note that this fund is unconstrained by a benchmark. For illustrative purposes we compare the fund to MSCI World. The performance of the fund is subject to an annual management charge, initial charge, dealing charges and other expenses. Past performance is not a guide to future returns.

MANAGER AND TEAM

Our global portfolios are co-managed by the head of global equities James Fairweather and investment director Neil Robson. The global portfolios are further strengthened within the global equities team by investment managers Alan Porter and Chris Connor. Additional support is provided by the remainder of the team; investment directors David Sheasby and Christine Montgomery. The entire team has combined experience of 118 years, and manages £2.7 billion in global portfolios for clients around the world.

As the diagram overleaf illustrates, the team works closely with our experienced regional and sector research teams, and our risk and portfolio analytics team, led by Paul Hughes.



Regional and sector research

Japan
→ Keith Donaldson, director, head of Japan team
→ 30 years' investment experience
→ Team of six

Asia ex Japan
→ Jason McCay, director
→ 18 years' investment experience
→ Team of seven

Global emerging markets
→ Dariusz Sliwinski, director
→ 15 years' investment experience
→ Team of three

China
→ Chris Ruffle, head of China
→ 23 years' investment experience
→ Team of 12 in Shanghai

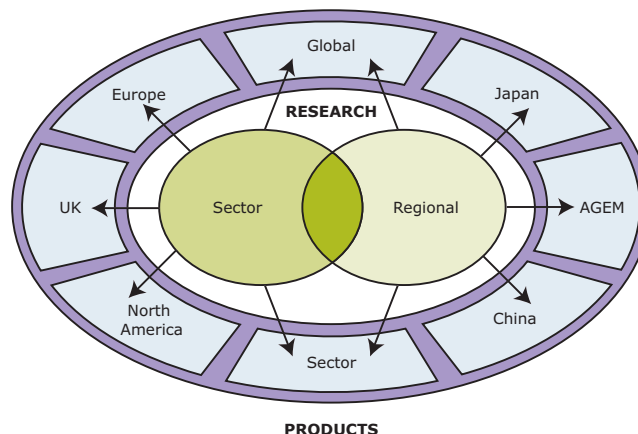
Sector managers			Experience
→ Chris Butler	Team head and resources		20 yrs
→ Duncan Goodwin	Resources		15 yrs
→ Ruairidh Stewart	Resources		12 yrs
→ Joseph McGann	Resources		3 yrs
→ Donald Barlow	Utilities		11 yrs
→ Ken Hughes	Industrials		16 yrs
→ Bruce MacDonald	Industrials		16 yrs
→ Rahul Sharma	Consumer		15 yrs
→ Amanda Whitecross*	Consumer		16 yrs
→ Rachel Nimmo	Consumer		13 yrs
→ Giovanna Carollo	Consumer		8 yrs
→ Paul Sloane	Financials		16 yrs
→ Len Riddell	Financials		13 yrs
→ Jamie Mariani	Technology, media and telecoms		12 yrs
→ Jane Coull	Technology, media and telecoms		17 yrs
→ Luca Fasan	Technology, media and telecoms		10 yrs

*Amanda Whitecross currently on maternity leave – Mark Love has joined the team in her absence

The way we organise our research team is influenced by how we view the world. Independent research and our experience in the market supports our regional and sector approach as the optimal structure for researching global companies.

RESEARCH - OUR COMPETITIVE EDGE

The engine room of our investment process is the research team. We structure research on a common platform identifying quality, value, growth and change. The sector research team is led by Chris Butler and covers the investment opportunity from a developed markets perspective; the US, Canada, the UK and Continental Europe. In Asia and global emerging markets (AGEM), Japan and China, investment opportunities are researched for us by the teams for those regions. The following diagram illustrates how we organise our research to provide the optimum blend of sector and regional factors.



Clustering the sectors - the optimal structure

We organise our sector research team into five MSCI sector super-clusters (resources, industrials, financials, technology, media & telecoms and consumer), which we believe enables themes and ideas to emerge more clearly. The clusters promote better communication within the team, fostering informed debate and more compelling stock recommendations.

Our sector managers provide Martin Currie with three broad research advantages:

- **Experience and judgement;** we have proven we can attract and retain investment talent; our 16-strong sector team brings together a deep and varied pool of buy side, sell side and industry experience. Our team are career sector managers, forging a real and equal partnership with portfolio managers. There are also opportunities to manage their own sector portfolios.
- **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.
- **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.

Regional research

In Asia and global emerging markets (AGEM), Japan and China, investment opportunities are researched by those regional teams, and communicated to the global equities team by the regional team heads. Here, investment candidates are consistent with the process across developed markets, researched on the platform of quality, value, growth and change. We recognise that in these markets, sectors – especially in AGEM – are less developed than elsewhere across the globe, and that specific country factors have a resonance that influence stock prices to a greater degree than in developed markets. As such, the regional teams assess investment opportunities using our common language of quality, value, growth and change, and overlay this analysis with an appreciation of country factors that may have an impact over our investment time horizon.

INVESTMENT PHILOSOPHY AND PROCESS

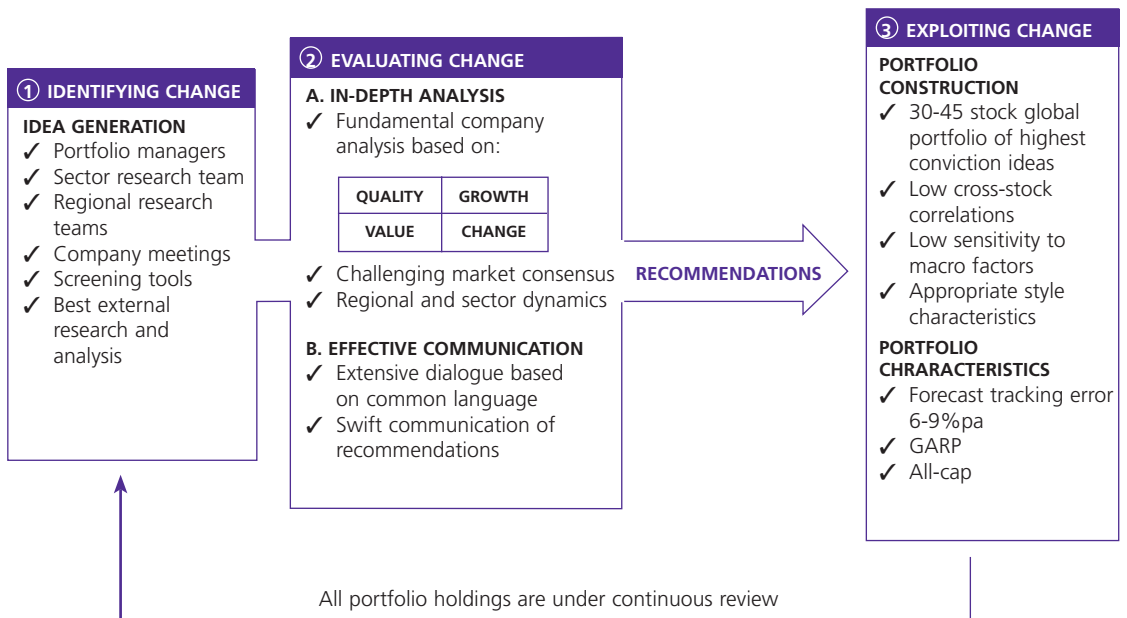
Our investment philosophy

We believe change is the central dynamic behind stock price movement. We recognise that the market tends to underestimate the extent and duration of change. By determining the impact of these changes we can deliver superior investment performance.

Our investment process is designed to identify, evaluate and exploit change for the benefit of our clients.

Our investment process

The chart below illustrates the process from screening our equity universe, focusing our research work, recommending stocks and, finally, constructing global portfolios.



Reflecting our investment philosophy of identifying, evaluating and exploiting change, there are three clear stages:

1 Idea generation – ‘identifying change’

Our portfolio managers are looking for processes of change that are material to share prices. They screen for new ideas through regular meetings with colleagues, companies and industry contacts, monitoring news-flow and using the best external research available from sell-side analysts.

Colleagues – Our investment team is located in an open-plan environment on a single floor of our Edinburgh headquarters. This, along with our collegiate culture, fosters short lines of communication and gives us distinct decision-making and implementation advantages over our competitors. Weekly meetings provide a forum to preview the week ahead, flag important events and meetings and, most importantly, to challenge and debate key investment themes. These are complemented by numerous ad-hoc interactions that enable us to share information quickly and make timely decisions.

Company visits – Meeting company management, both on-site and at our Edinburgh headquarters is an important part of our investment process. Our investment team as a whole typically meets 2,500 to 3,000 companies every year, and we always try to meet with a company both before we buy its stock, and on an annual basis thereafter. We also conduct conference and pre-close calls, speaking with senior management including CEOs, finance directors and, where possible, divisional heads. We make informational connections between different companies on a global level by ‘reading-across’ the findings from these meetings with colleagues across the investment floor.

External research – We generate approximately 80% of our research in-house. We obtain the balance from external sources such as stockbrokers and analysts whom we consider the best in their respective fields. In addition, we use research from the Gerson Lehrman Group, an independent network of international experts including former government officials and regulators, policy analysts, economists, academics, and journalists.

The generation of ideas in these various ways gets us from a research universe of some 2,000 liquid stocks to a group of around 200 stocks that warrant further interest.

2 Building the case – ‘evaluating change’

Our aim is to identify factors that change corporate profitability against consensus and evaluate the timing, significance, and sustainability of these changes. These views are swiftly communicated to the portfolio managers, to ensure we exploit change early.

Any stock idea, no matter how it is generated, will be subject to fundamental analysis using a framework based on the four key factors of quality, value, growth and positive change.

<p>Quality</p> <ul style="list-style-type: none"> → Balance sheet structure/franchise value → Industry position and product strategy → Vision and execution → Management → Quality of accounts 	<p>Value</p> <ul style="list-style-type: none"> → Cash flow multiples, PER, EV/EBITDA → Return on investment/cost of capital → Return on equity, price to book
<p>Growth</p> <ul style="list-style-type: none"> → Earnings upside/downside or surprise → Solid sustainable earnings and cash flow → Comparison of prospects to consensus expectations 	<p>Positive Change</p> <ul style="list-style-type: none"> → Management → Product/regulatory → Earnings revision/momentum → Restructuring

We use this analytical framework to identify mispriced assets with improving or deteriorating fundamentals. Using the framework of quality, value, growth and change provides us with a common language to evaluate stock opportunities across regions and sectors on a consistent basis.

The research process constantly identifies stock candidates for the portfolio. If our analysis demonstrates the opportunity for a significant return, it becomes a conviction recommendation and will be recorded in a consistent format and communicated to the manager for consideration in portfolios.

3 Communicating ideas – ‘exploiting change’

Communication of ideas is vital to ensuring investment recommendations add value to our clients’ portfolios. Our single location and culture encourage numerous daily discussions across the investment floor. These informal interactions complement more regular forums and, where an investment case is formulated, then a formal stock discussion is called with all relevant portfolio managers. This provides the rigour and debate necessary to make informed decisions.

The discussion in all these forums is always carried out within the framework of quality, value, growth and change. In addition to new ideas, planned work is also shared so that colleagues have an opportunity to contribute at an early stage, as well as reinforcing recommendations previously made.

We have ownership and accountability at every stage of the investment process. Communication does not end with a recommendation. Investments are ‘owned’ and monitored by the research team from recommendations through to any eventual sale by the portfolio manager.

Portfolio construction and risk management – if our analysis demonstrates the opportunity for a significant return, it becomes a conviction recommendation and is considered by the global equity team for possible inclusion in portfolios.

The portfolio managers James Fairweather and Neil Robson are ultimately responsible for stock selection, so only stock recommendations with which they share the greatest conviction are chosen.

It is critical to be aware of the nature and type of risk inherent in the portfolio and to ensure that sufficient but not excessive risk is sustained in the portfolio to meet client objectives. We have a risk team that assesses the risk profile of the portfolio, monitoring the beta, alpha drivers, macro factor sensitivity, cross correlation and sensitivity of the portfolio to market styles. A formal monthly meeting is complemented by ad hoc discussions as required to ensure that awareness to portfolio drivers is calculated and understood.

All portfolio investments are compared against each other, and any new idea. A new idea has to bring something new to the portfolio to be considered and, as such, the optimal mix of investments is sustained according to our investment process. With just 30-45 positions available, portfolios are focused, meaning that every position held is an active risk against the market, supporting our best efforts to meet client expectations.

When considering a stock for potential inclusion in the portfolio, the following factors determine the decision to make an investment, and its initial weighting:

- Fit with overall portfolio construction
- Potential return
- Level of conviction
- Comparison with existing holdings

All new stock positions will enter the portfolio with an active index weight of minimum index +1%, with a maximum active position of +5%.

Sell discipline – a consequence of running relatively short ‘conviction’ stock lists is that each position is continually under review against opportunities elsewhere. Investment cases are continually tested against each other using the quality, value, growth and change framework.

We consider selling when:

On Quality we see: <ul style="list-style-type: none">→ Balance sheet deterioration→ Business model compromised	On Value we see: <ul style="list-style-type: none">→ Positive change fully discontinued→ Share price fully reflects our investment thesis
On Growth we see: <ul style="list-style-type: none">→ Pressure on a company’s earnings environment→ Weakening market environment	On Positive Change we see: <ul style="list-style-type: none">→ Positive change has run its course→ Negative revisions→ A change in strategy or management that we don’t agree with

The end result of our process is a committed and distinctive portfolio with no underweight positions which aims to meet the client’s return target with an appropriate level of risk.

Pooled fund information

Fund codes	A shares	B shares
Bloomberg equity ticker	MCGLBAA LN	MCGLBAB LN
MexID	SUGAA	SUGAB
Sedol	B142H55	B142JD4
ISIN number	GB00B142H557	GB00B142JD45

For further information go to www.martincurrie.com/oeic

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IMPORTANT INFORMATION

The source for all information is Martin Currie Investment Management Ltd as at 30 June 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 Global Alpha Fund relate to the Martin Currie Investment Funds - Global Alpha Fund, which is 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.
Martin Currie Unit Trusts Ltd is the Authorised Corporate Director of an open-ended investment company (Oeic).
Please note that calls to the above number will be recorded.