SHAREHOLDERS' RIGHTS DIRECTIVE (SRDII) REPORT TO 31 DECEMBER 2020

LEGG MASON MARTIN CURRIE ASIA PACIFIC EX JAPAN REAL INCOME FUND

MARTIN CURRIE

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1. Introduction

As an active manager of long-term concentrated portfolios stewardship sits at the heart of our approach to investment. We are motivated by a belief that this both helps protect and enhance the risk-adjusted return on our clients' capital. Ultimately, we want to ensure that the interests of company managements are aligned with their shareholders (our clients), and that the former take this into account when making decisions. We place a particular emphasis on governance, strategy and capital allocation, and pay significant attention to material 'sustainability' (environmental or social) issues that might influence long term value creation. Our stewardship activity manifests itself principally in monitoring and engagement – both privately or in collaboration with other investors – and our voting activity. With regards to the former we build strong relationships with investee companies, ensuring that our engagement is not constrained by our clients' minority-shareholder status. Nonetheless, we will join collaborative efforts, particularly when deemed likely to be more efficacious than acting alone. Our voting policy is determined by our internal guidelines, with an expectation that companies will comply with (local) best practice or explain why this is not the case. Where clients assign us proxies, we will vote with their best interests in mind. When voting against management we endeavour to inform them of our rationale for doing so in advance of the vote so as to allow due time for a response. All resolutions are reviewed in this context, with the responsibility for initial proposals residing with the investment team with oversight by our independent Head of Stewardship and ESG, David Sheasby. As well as our internal research, we utilise the services of proxy advisor Institutional Shareholder Services (ISS), which provides its own research on resolutions presented for company meetings. We use their platform to instruct the votes. Our governance and oversight documents, which apply across all regions, are reviewed annually, to ensure that we stay abreast of developments and best practice.

2. Commentary – Martin Currie Asia Pacific Ex Japan Real Income investment team

How do the main elements of the investment strategy contribute to the medium to long-term performance?

The Legg Mason Martin Currie Asia Pacific ex Japan Real Income Fund is designed for investors looking for a high, stable and growing income stream, with lower volatility than the broader equity market.

Income investors face challenges from the current global environment of low economic growth, high debt and low interest rates, leaving few sound high-income options. Alternatives for high-income each have their shortfalls and can often make investors feel uncomfortable about being exposed to growth assets. By putting the income needs of clients at the heart of the product design the Legg Mason Martin Currie Asia Pacific ex Japan Real Income Fund can provide investors with:

- a high, stable and growing income stream;
- exhibit less volatility than the wider market or sector specific strategies;
- through disciplined portfolio construction, address the common problems that indices face with concentration and income impairment and inflation protection, and direct-investing or unlisted funds face with diversification, liquidity and transparency;
- without the use of costly and inefficient derivatives for income enhancements or capital protection.

The strategy aims to achieve this by investing in a diversified portfolio of quality listed Real Asset securities (such as REITs, infrastructure and utilities) from developed and emerging Asia Pacific ex Japan countries. This approach is premised on the philosophy that the performance of Real Assets is driven by their leverage to the key demographic themes of population, urbanisation and middle-class growth. As a result, quality listed Real Asset securities can sustain dividends, grow distributions to match a rising cost of living and are likely to be less volatile than the wider equity market.

The Asia Pacific (ex Japan) region's population is growing significantly, the consumerist middle class is expanding, urbanisation continues, and infrastructure spend is increasing at a faster rate than the rest of the world. Real Assets have a unique leverage to these demographic themes and can provide a stable and dependable income that few other asset classes can match.

Governance and sustainability analysis is integrated into our approach with our analysis focusing on those factors that are potentially material to the investment case. We engage with companies both to build our understanding and to focus on change where we identify potential risks or an opportunity for improvement.

This strategy aims to generate significant real returns over the longer term and is unsuitable for investors who want short-term outperformance relative to an index.

How is the Fund managed in-line with the Prospectus?

The investment team maintains a strong understanding of their mandates and prospectus investment guidelines, and they are the first line of defence in our 'three lines of defence' model. The second line of defence is our Risk and Compliance team which uses a monitoring system called Bloomberg CMGR to code investment guidelines where possible. The third line of defence is internal audit which conducts periodic review and assessment of mandate compliance controls within the first and second lines. Portfolio managers receive regular daily portfolio positioning data generated from Bloomberg AIM, allowing them to monitor compliance with fund investment restrictions.

2.1. Commentary on specific Fund investments

All of our work on ESG/Governance and Sustainability is focused ultimately on the economic success of the underlying business – essentially understanding how these factors may influence the ability of the company to generate sustainable returns (over the long term). We also express these views in our Governance and Sustainability ratings.

We assess the material Governance and Sustainability issues at an individual holding and portfolio level using a combination of primary research and secondary resources which can be both qualitative and numerical.

In assessing Governance and Sustainability risks, we consider the materiality of identified issues, their impact on a company, and management actions (taken and proposed) to address them.

The top five holdings in the fund on an absolute basis and their respective Governance and Sustainability risk scores are as follows:

Stock name	Sector	Fund weight %	Index weight %	Active Weight %	Governance Score	Sustainability Score
CapitaLand Integrated Commercial Trust	Real Estate	5.24	0.09	5.15	3.0	2.0
Guangdong Investment	Utilities	4.84	0.06	4.78	3.0	2.0
Link REIT	Real Estate	4.25	0.23	4.02	2.0	1.0
APA Group	Utilities	4.22	0.11	4.11	2.0	3.0
Charter Hall Retail REIT	Real Estate	4.18	–	4.18	5.0	1.0

Source: Martin Currie as at 31 December 2020. Legg Mason Martin Currie Asia Pacific ex Japan Real Income Fund. Index: MSCI AC Asia Pacific ex Japan Net Dividends Index. We use a range of quantitative and qualitative inputs to identify each company's potential exposure to ESG risks as well as its management of ESG risks. This ESG risk analysis helps us form a company specific rating for Governance and Sustainability (environmental and social) respectively. We apply a risk rating from 1 (low risk) to 5 (high risk).

Below we summarise the key ESG risks across the top five holdings and provide further commentary from the fund where we feel warranted.

CapitaLand Integrated Commercial Trust. Was formed out of the merger of CapitaLand Mall Trust and CapitaLand Commercial Trust in 2020, and traces back its history as the first and largest REIT listed in Singapore. Its assets focus mainly on discretionary and non-discretionary shopping centres.

We see the REIT as a high-quality business with a high degree of pricing power. While it has been impacted by the COVID-19 social restrictions, foot traffic and tenant sales data are improving rapidly. At the current share price the valuation and forward yield is attractive and the group will also see strong growth as it recovers from COVID-19. The underlying assets continue to benefit from their strong position in key catchment areas within Singapore. These areas are seeing population growth and have an attractive consumer profile with low unemployment & strong consumer spending power given rising incomes.

We rate the company highly on Sustainability, as has limited common factor social risks, with the biggest issue being emissions which are being managed. It provides significant net benefits to society with conveniently located office and retail properties, so it is a strong contributor for UN SDG #3: Good Health & Well-being and #8: Decent Work and Economic Growth. The company is looking to continue to improve their environmental performance regarding resource utilisation and waste management, with targets of 20% reduction of usage of energy and water by 2020.

The external nature of its asset management (outsourced to CapitaLand Mall Trust Management Limited, which is a wholly owned subsidiary of CapitaLand Limited), does mean that there is little disclosure on governance matters such as salaries and incentives. Elsewhere, labour management and tenancy relations are also potential ESG-related risks to the investment case.

Guangdong Investment. A Hong Kong-listed Chinese utility/infrastructure conglomerate, providing water to Hong Kong, Shenzhen, and Dongguan. It has four main divisions – Water, Property, Hotel, and Infrastructure – with the Water business the main driver of overall profits. The Water and Property segments are attractive – being the sole supplier of water to Hong Kong with rolling 3-year fixed price contracts as well as having strong property assets in Guangzhou.

The group remains an attractive income stock and has a solid growth profile going forward. The business remains very low risk with earnings dominated by its water segment and property assets. Higher income growth is possible from further acquisitions and the ongoing urbanisation in the Guangdong and Hong Kong region provides pricing power.

Guangdong has a strong sustainability rating as it is a vital contributor for Hong Kong region's to support UN SDG #3: Good Health & Wellbeing. Our focus on key Sustainability issues is around water availability and quality. Here at Martin Currie we are encouraging the Group to increase transparency around water usage/leakage. Clean and sustainable water is a key management focus, and they are using capex and technology to improve the sustainability of the water supply. This water is critical to sustain local population of HK and Southern China, and Guangdong Investment supplies a quality essential service that is better than alternatives (such as Desalination) both from a price and environmental impact.

As a State-Owned Enterprise ("SOE") of the Guangdong government, which owns (56%), Governance risks are a key focus and we see room for improvement in various areas of Governance. However, we have been encouraged by what the group has achieved for Shareholders and the Guangdong government's substantial investment and reputation does create alignment with shareholders.

Link REIT. The largest REIT in Asia (ex-Australia) and the 6th largest REIT globally. The business was formed through an IPO in 2005 by the Hong Kong Housing Authority and is the largest owner of retail facilities and car parks in Hong Kong. It is primarily focused on mid-market, shopping malls with a non-discretionary focus.

Link REIT represents a best-in-class landlord with high and consistent distribution growth over time. The key attractions for the group are that it is internally managed, has an attractive tenant mix, its assets are well located, and its large retail footprint ensures it will benefit from further economic/population growth across Hong Kong. The company is lowly geared and has an impressive track record of margin improvement. It is also one of the most reliable and consistent dividend payers in Asia, having never cut its dividend – even during COVID-19 and HK protests. Whilst the yield is not high, its consistent growth remains attractive.

In terms of Sustainability, Link is rated highly with minimal harm from its rent collecting model focused on convenience retail and everyday needs. The portfolio is a key contributor to UN SDG #3 Good Health & Well-being. Link REIT have implemented several initiatives including "20/20 Vision" which involves reducing CO_2 emissions (-25% since 2010), reducing energy (-30% from 2010-2020) and a waste management program. They issue a comprehensive sustainability report annually which supports Link's understanding of ESG issues.

From a social perspective, many of its tenants provide essential services, and it offers rents below peers/market and implements rate rises in a mindful way. Assets / tenants were well managed during the protests and COVID-19. We have no issues around Governance and/or board workings and salaries seem reasonable.

APA Group. The largest Australian energy infrastructure business predominately in gas transmission. It also has divisions for gas distribution, and some contracted solar, wind and gas power stations.

APA Group has an attractive dividend growth track record that includes continued growth through both the GFC and COVID-19. APA Group revenue is circa 90% contracted (predominately long term take or pay with price escalators) and 10% regulated. As it sells pipeline capacity rather than gas itself, it has no exposure to volatile energy prices and revenue growth is more secure, pegged instead to population growth and rising energy consumption. Furthermore, due to the very long-term contract nature of its business, APA is one of the key beneficiaries of a lower for longer interest rate environment and falling debt costs.

APA Group has a neutral Sustainability assessment in our view, with gas facilitating energy transition and ensures power system stability as their network facilitates the long-term movement of gas. The main issue is carbon emissions of its gas products. However, gas is much cleaner than coal, it is a great transition and peaking fuel, which helps the reliability of power sector as well as reducing Australia's emissions. APA Group has also been active in transitioning the mining sector away from diesel towards gas which has significant sustainability and financial benefits.

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APA Group's climate change resilience report suggests that under the Paris agreement targets they may be negatively impacted in the long-term but blending hydrogen and/or bio methane into pipeline system will help alleviate pipeline carbon emissions in the future. APA is also combining solar / battery generation with gas in remote mines to reduce emissions and extend asset lives an exciting prospect for future growth. From a social perspective, APA Group provides an essential service, ensuring gas is available to Australian communities in an economical way versus alternatives such as bottled gas. It also facilitates regional jobs, critical to energy security and critical input into many industrial processes.

Charter Hall Retail REIT. Founded in 1995 an Invests in high quality Australian supermarket anchored convenience and community-based shopping centres, focussed more on everyday needs rather than discretionary spend.

Due to its everyday needs focused tenants, Charter Hall Retail REIT's cashflows are relatively defensive and less exposed to the shift to online shopping. Low occupancy costs have also meant affordable rent for tenants, which provided a defensive buffer in the downturn. The essential nature of key tenants saw assets remain trading with elevated foot traffic, while non-essential specialties were force closed.

In terms of Sustainability Charter Hall Retail rates well with their assets playing a key role in contributing to UN SDG #3 Good Health & Well-being and #8 Decent Work and Economic Growth. The portfolio assets act as mini town centres, bringing the community together especially with social programs. In addition, on carbon footprint from building energy use, Charter Hall Retail have implemented a roof top solar program and initiatives such as LED lighting to reduce emissions of shopping centres. They have adopted a 100% scope 1&2 emissions reduction target; however, we note that this is for common areas of assets, not the full buildings. The business has also been active in the Property Council of Australia's initiative on modern slavery, particularly regarding third party cleaning contractors.

In terms of Governance, the REIT is externally managed by Charter Hall Group and Martin Currie have been pushing the group to improve disclosure. Pleasingly we are seeing progress from the Group in disclosures. As a market leader in externally managed REITs, we intend to leverage these improved disclosures by the company to improve the wider industry, as we strive for further advances in this area.

Other Environmental Risks in the Fund

Over the last year we have seen a significant improvement and increased focus on ESG and Sustainable Development Goals by Asia Pacific Real Assets across all the key subsectors of Real Estate, Utilities and Infrastructure. The highlight has been the Utility sector where carbon emissions is a key risk, we are seeing much positive actions by Utilities around Climate change, a few recent highlights has been Contact Energy in New Zealand which recently undertook a capital raising (supported by the fund) to build a clean energy Geothermal power station in order to significantly reduce carbon emissions as well as providing affordable energy for consumers earnings and dividend growth for investors once construction is complete in a few years. Another key holding CLP Holdings announced they will be bringing forward by 4 years the retirement/closure of the Yallourn Power Station one of their most carbon intensive power stations and investing more in battery storage. Manilla Electric and NHPC India continue moving forward with clean energy investments.

The Fund's Real Estate and Infrastructure holdings tend to have less ESG risks, however those sectors also continue taking positive sustainability actions such as reducing waste, reducing emissions, increased disclosure.

We believe the Asian region has more work to do on Governance and we continue to engage with our holdings on ways to improve Governance such as Board composition, increased disclosure etc.

3. Fund review of turnover and turnover costs

Annual turnover %	50*	*Lesser of (purchases or sales)/Average fund size x 100*
Fund transaction costs (AUD)	32,387	*Total brokerage and execution charges*

Source: Martin Currie as at 31 December 2020. Legg Mason Martin Currie Asia Pacific Ex Japan Real Income Fund.
*Turnover is expected to typically be 25% p.a. Turnover in 2020 at 50%, was well above the expected average of 25%, in order to navigate the significant COVID-19-induced market volatility and to reduced risk.

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4. Proxy voting

ISS is our proxy voting advisor and provides voting recommendations for Martin Currie in accordance with their own policy which is closely aligned with our internal policy. In addition, we use the services of Ownership Matters a specialist governance advisor. As appropriate, they engage with public issuers, shareholders, activists, and other stakeholders to seek additional information and to gain insight and context in order to provide informed vote recommendations.

Where clients assign us the proxies Martin Currie's starting point is to act in the best interests of our clients. Our voting decisions are informed by both our own internal work and that of our proxy advisor and specialist governance advisor. We assess voting matters on a case-by-case basis, taking into account a company's circumstances but are guided by our over-arching principles on good corporate governance. The assessment is carried out by the member of the investment team with responsibility for the stock in conjunction with the Head of Stewardship and ESG. We recognise that regulatory frameworks vary across markets and that corporate governance practices vary internationally. Where the recommendations of our advisors, both for and against proposals, are supported by our guidelines and our internal research we will generally vote in accordance with these recommendations.

4.1. Significant votes

Company Name	AGL	Guangdong Investment Ltd	Charter Hall
Company descriptor	Australian energy group	Chinese water distributor and property development company	Pan-Asian conglomerate primarily focused on consumer, real estate and industrial exposure
Issue	Concerns over remuneration being too generous, particularly in a falling profit environment.	Shareholder approval for the re-election of a potentially over boarded independent non-executive director (INED).	While we have a high degree of clarity on key personnel incentives and compensation at the parent group level, there was an information void for the Group's externally managed listed REIT vehicles.
Governance, Environmental or Social	Governance	Governance	Governance
Objective	Our aim was to improve this Australian electricity and gas retailer's remuneration practises and ensure management are acting in the best interests of stakeholders and shareholders. We engaged with the board in order to push for the company to raise Return on Equity (ROE) targets and to adopt Long-Term Incentives (LTI) rather than compensation that resets annually.	We were concerned that this INED is currently on the board of seven other companies, including China Mobile, China Resources Beer and Town Gas. We also noted that he is classified as an INED, but has been on the company's board since 1999.	We believe management alignment is critical to strong investment returns, and actively rate companies in this area. In this case, we were seeking improved disclosure on compensation and improved alignment outcomes for key related personnel for Charter Hall's externally managed REIT satellites. While we understand that some KPI's relate to the main Group and not solely to the externally managed vehicles, we believe increased disclosure here would be beneficial. Also, having management 'skin in the game" will better serve REIT shareholders.

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4.1. Significant votes (cont)

Company Name	AGL	Guangdong Investment Ltd	Charter Hall
Scope and process (of relevant engagement)	We met with the Chair, a Director and Investor Relations to follow up on our previous engagements that have focussed on remuneration. During our discussions, the Board said that it was hard to keep all shareholders happy as most favour a mix of measures instead of just Total Shareholder Return (TSR), which in this case is what we believe is preferable. However, the company did acknowledge our concerns and indicated that they would take on our feedback for next year, particularly around the structure and incentive hurdles.	We engaged with the company on this and while we understand the company's position about the valuable contribution that this INED makes to the GDI board, we believe his long tenure and over-boarding need to be addressed.	We have engaged with the Group on multiple occasions over the past few years, most recently with the Chair and a Director, seeking progress on this issue. We have also consistently voted against the election of the satellite's Directors given the lack of transparency and combined this with an open dialogue.
(Voting) outcome	We subsequently voted against the remuneration report and grant of performance rights to the CEO. We believe the ROE target for FY21 is too low and is below our assessment of the company's cost of capital, it also resets annually which means the ROE hurdle reflects changes in the forward electricity price curve. The forward curve is a key earnings driver for this company, and we want management to be focused, aligned and actively managing this, rather than having an annual reset that reduces the impact of the moving forward curve on management. We note that the remuneration report received >25% vote against, which led to the company receiving a 'first strike'. In Australia, if a 'second strike' occurs in the subsequent AGM, shareholders then vote to determine whether all the directors will need to stand for re-election.	We decided to vote against management for this item at the AGM.	Following both active proxy voting and specific requests from MCA to improve disclosures, the Charter Hall Group's management flagged to us their intention to increase disclosure on key personnel incentives and compensation in forthcoming annual reports. As a result of our active engagement, we now have clear disclosure on STI and LTI for Charter Hall's externally managed REIT senior management (effective CEO's). In addition, deferred compensation structure is planned to improve so as to invest into the satellite funds directly in future compensation. We are pleased with this progress and intend to leverage these improved disclosures by the Company, as a market leader in externally managed REITs, to improve the wider industry standards.

5. Conflicts of interest

A fundamental ethical principle of Martin Currie is to pay due regard to the interests of our clients and to manage potential conflicts of interest fairly. We take a holistic view of conflict risk and conflict mitigation and have policies, systems and controls in place to identify such potential conflicts between ourselves and our clients, as well as between one client and another, to achieve consistent treatment of conflicts of interest throughout the business. We aim to manage any conflicts of interest that may arise and to ensure, as far as practicable, that such conflicts do not adversely affect the interests of our clients. A robust conflict management process is in place which is owned by the Executive Risk Group (ERG). Activities which could create a potential conflict of interest are recorded on the conflicts register and are reviewed by the business regularly to ensure that controls in place remain adequate to mitigate any risk of a conflict arising. The output of this review is reviewed by the ERG. There were no conflicts of interest in relation to this fund during 2020.

6. Securities lending policy

We do not participate in security lending for this fund.

IMPORTANT INFORMATION

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The analysis of Environmental, Social and Governance (ESG) factors forms an important part of the investment process and helps inform investment decisions. The strategy does not necessarily target particular sustainability outcomes.

MARTIN CURRIE

Martin Currie Investment Management Limited, registered in Scotland (no SC066107) **Martin Currie Inc,** incorporated in New York and having a UK branch registered in Scotland (no SF000300), Saltire Court, 20 Castle Terrace, Edinburgh EH1 2ES

Tel: (44) 131 229 5252 Fax: (44) 131 222 2532 **www.martincurrie.com**

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