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REPORT TO 31 DECEMBER 2021

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 Stewardship and ESG team. 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.

The strategy invests in a diversified portfolio of quality developed and emerging Asia Pacific ex Japan listed Real Asset securities (such as REITs, infrastructure and utilities) whose growth is driven more by demographic themes rather than being pegged to the business or economic cycle. We also favour Real Assets with strong pricing power or inflation linked revenue streams.

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:

- Highly resilient income with growth potential
- Above average dividend yield
- Lower-than-market total risk outcome

Importantly, the strategy addresses the common problems inherent in indices, such as concentration, through disciplined portfolio construction, and avoids costly and inefficient derivatives for income generation or capital protection.

Martin Currie's Real Income 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 region is highly exposed to the key demographic themes that drive Real Assets – all at a faster rate than the rest of the world.

- the total population is growing significantly,
- the consumerist middle-class is expanding,
- urbanisation trends are leading to city-based population growth, and
- infrastructure spend is increasing

As a result, Real Assets in the region are well positioned to meet client needs for stable and growing income streams.

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 fund 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
Guangdong Investment	Utilities	5.0	0.9	4.1	4	2
Power Grid Corporation of India	Utilities	5.0	2.0	3.0	4	1
Link REIT	Real Estate	4.8	7.5	-2.7	2	1
Embassy Office Parks REIT	Real Estate	4.6	0	4.6	4	2
Digital Telecommunications Infrastructure Fund	Communication Services	4.5	0	4.5	4	2

Source: Martin Currie as at 31 December 2021. Legg Mason Martin Currie Asia Pacific ex Japan Real Income Fund. Index: The composite index is comprised of 50% MSCI AC Asia Pacific ex Japan REITS (Net Dividends) Index and 50% MSCI AC Asia Pacific ex Japan Utilities (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).

The information provided should not be considered a recommendation to purchase or sell any particular strategy/fund/security. It should not be assumed that any of the security transactions discussed here were or will prove to be profitable.

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

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.

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 of Guangdong and Hong Kong region provides pricing power.

Guangdong Investment has a strong sustainability rating as it is an important supplier of water for Hong Kong and the Guangdong province, in support of UN SDG #6: Clean Water and Sanitation. One of the 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 a 56% stake, Governance risks are a key focus. We see room for improvement in various areas of Governance and have shared with the company our perspective that its Governance profile. The Board could be improved in a number of ways, including adding more independent directors, refreshing directors with a tenure 10+ years (to encourage true independence) and having an independent Chairman with less executives and more females on the board. While this feedback was taken on, we note that SOE change can be slow from a governance perspective. However, we have been encouraged by what the company has achieved for shareholders and the Guangdong government's substantial investment and reputation does create alignment with shareholders.

Power Grid Corporation of India. Power Grid is the leading regulated power transmission company in India and one of the largest globally. The group has over 85% market share and an effective monopoly over many interstate power line routes. The regulatory structure is attractive, and we expect it to remain in place over the long-term providing highly consistent cash flow. India's strong population growth and emerging middle class have been driving strong structural growth in India's electricity consumption with power demand growth of 5% p.a. for the past 30 years.

Power Grid's dividend is well supported given its cash flows and regulatory structure. It should continue to grow over time with the group's ongoing regulatory asset base growth.

Power Grid has a strong sustainability rating. Its transmission lines are low impact and play a key role in a sustainable future, as while they do transport power generated by companies using coal, they are facilitating a 'greener' future by building more connections and capacity for renewable power. Importantly, they also connect poor areas to power helping to alleviate poverty. There has been controversy around appropriate compensation for land acquisition in various transmission projects historically, however this is an industry issue and not specific to Power Grid, and we note recently that payments to farmers for the use of their land for transmission lines have increased.

Power Grid's board have appropriate experience and are of a reasonable quality, with Board and CEO performance satisfactory over time. However, we see the need for better independence and female representation and have recently expressed our views on this to the company. As a majority government owned company board remuneration, composition and benefits are decided by the Department of Public Enterprises, highlighting a large government influence in the management of the company.

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 consistent distribution growth over time. The key attractions for the group are that it is internally managed, has an attractive tenant mix with well-located assets, and its large retail footprint ensures it will benefit from further 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 the Hong Kong protests. Whilst the yield is not high, its consistent growth remains attractive.

In terms of sustainability, Link REIT is rated highly with strong progress and ongoing efforts on sustainability as well as minimal harm from its rent collecting model focused on convenience retail and everyday needs. Link REIT have implemented several initiatives including "Vision 2025" which involves reducing CO_2 emissions (-25% since 2010), reducing energy consumption (-35% 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 implements rent increases in a mindful way. Assets and tenants were well managed during the protests and COVID-19 from an occupancy standpoint. We have no issues around Governance and/or board workings and salaries seem reasonable.

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Embassy Office Parks REIT. Embassy is India's largest office REIT by floor space, mainly owning business parks in key information technology hubs. A key attraction is its exposure to Bangalore (70%> of AUM), which is a key hub for Indian IT outsourcing and a high office demand city. The REIT's key drivers are its overall floor space, market rents and ultimately office demand / supply. It has a high quality and large multi-national tenant base with high retention rates, combined with base rent growth of 3-5% p.a. and a meaningfully under-rented portfolio, all holding strong appeal.

We are positive towards Embassy's Indian office exposure as it provides an attractive yield and structural growth tailwinds from global outsourcing towards India, in addition to strong population growth.

In terms of Sustainability, Embassy rates well. The company is a key contributor to UN SDG #11 Sustainable Cities and Communities, through provision of office space, while reducing carbon emissions and adopting a waste management program with clear metrics. The company's green energy initiatives include Embassy Energy 100MW solar park that supplies power to Bengaluru assets, helping offset ~200mn kg of CO_2 annually and plans for 5GW of rooftop solar energy across properties. The company supports government schools, tribal schools and rural childcare and has projects in education, infrastructure, health, and hygiene. While there are no identified modern slavery issues, with new builds modern slavery risks are possible, and we believe more could be done and/or disclosed on human capital development.

Embassy is externally managed by Indian property developer Embassy Group and real estate manager Blackstone. Capital Group is now the largest non-sponsor shareholder (~15%). Management fees seem reasonable, the Board appears well qualified, although not majority independent, lacking female members and the Chair is not independent.

Digital Telecommunications Infrastructure Fund. First listed in 2013, Digital Telecom ("DIF") is the first and largest pure play telecommunications infrastructure fund in Thailand. It represents a sizeable, low-risk provider of telecommunications infrastructure across towers and fibre. Broadband is expected to continue to grow in the country given that penetration remains low and incomes are rising.

Digital Telecom offers an attractive yield, a solid growth outlook from rental escalation as well as spare capacity in its asset base. Its dividend is very reliable and while contracts vary, they are generally long-term (10 years+), have some escalation and should ensure stable distribution growth.

The Fund contributes to UN SDG #9 Industry, Innovation, and Infrastructure, providing capital to invest in infrastructure assets and helping millions of Thai citizens gain access to digital content and knowledge sources. The Fund provides telecommunications services to a developing country with a number of flow-on benefits including education, social interaction and improved job prospects.

Telecommunication towers do have some visual and radio wave pollution and potential product risks, however overall, this infrastructure provides a clear net benefit to society. The infrastructure is also vital to Thai tourism and developing manufacturing sectors.

There are few environmental impacts and so not a lot of scope to meaningfully make an improvement, however the companies governance has room for improvement. Digital Telecom is externally managed, with a largely independent board, although filled with current and ex-SCB Asset Management (the Fund's management company) employees, and there is some over boarding. We note that there is no direct link to the Fund's sponsor (True Corp) on the Board, which is a positive.

Other environmental risks in the Fund

Over the last year we have continued to see 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. This is particularly apparent within the Utility sector, where carbon emissions are a key risk, and we are seeing meaningful, positive actions by most of the Utilities in the fund around climate change, particularly around building renewable energy infrastructure or connecting new renewable energy projects to the grid that reducing societies reliance on carbon intensive and older thermal generation.

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 and increasing disclosure. A good example is Australian diversified property group Charter Hall Group, which we see as a leader in dealing with climate change in an integrated manner. In our most recent discussions with Charter Hall in December 2021, we were pleased to see alignment on one of the current big issues for their sector – construction /building, materials, and embedded carbon emissions and the decarbonisation of the supply chain. We are also pleased to see that Charter Hall are working with stakeholders, regulators and industry bodies (such as the Property Council of Australia) to seek solutions via an industry approach.

In terms of Governance, we believe the Asia region has more work to do and we continue to engage with our holdings on ways to improve Governance, including improving board composition, more female participation and increased disclosure.

3. Fund review of turnover and turnover costs

Annual turnover %	27	*Lesser of (purchases or sales)/Average fund size x 100*
Fund transaction costs (GBP)	18,140	*Total brokerage and execution charges*

Source: Martin Currie as at 31 December 2021. Legg Mason Martin Currie Asia Pacific ex Japan Real Income Fund. Index.

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. 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 our independent Stewardship and ESG team. 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	Transurban Group	Power Grid Corporation of India	Guangdong Investment
Company descriptor	Australian toll road operator	Indian regulated power transmission company	Hong Kong listed Chinese utility/ infrastructure conglomerate
Issue	Concerns over remuneration being too generous as it is too early to reward management given shareholders are still wearing the pain from the pandemic, with the share price still trading below pre-COVID-19 levels.	Concerns over a lack of independence and female representation on the Board. In addition, the Securities and Exchange Board of India disclosure requires that where a Chair is an executive, at least half the board should be independent and as such, the director nominations are not appropriate.	We see issues around the company's Board composition, which revolve around lack of independence and sponsor influence.
Governance, Environmental or Social	Governance	Governance	Governance
Objective	To improve the company's remuneration practises and ensure management are acting in the best interests of stakeholders and shareholders.	To see more independent directors on the Board as well as an increased level of female representation.	To facilitate improvements in the company's Governance profile through more independent directors on the Board.

4.1. Significant votes (cont)

Company Name	Transurban Group	Power Grid Corporation of India	Guangdong Investment
Scope and process (of relevant engagement)	We had a meeting with the Chair of Transurban.	We met with the company's Investor Relations.	We engaged with the company's Investor Relations to express our views.
(Voting) outcome	We voted against the Remuneration report. While the Chair noted that management had done very well with what they could control and suggested that the company would review the outcome of project delays over the coming years when they have more clarity around the true impact, we maintain the view that a generous incentive outcome was not yet warranted.	We voted against three director elections. The directors are not independent, they are all executives, and it would have led to a worsening in independence levels on the Board. The group has a high percentage of executives on the Board at present and there remains heavy links to the Government. These directors would also have worsened diversity of the Board.	We voted against a director election. While the company has taken on our feedback, we note that as a Chinese State-Owned Enterprise (SOE), change can be slow from a governance perspective, and we will be monitoring this through ongoing dialogues and engagements with Guangdong Investments.

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 2021.

6. Securities lending policy

We do not participate in security lending for this fund.

Important information

This information is issued and approved by Martin Currie Investment Management Limited ('MCIM'). It does not constitute investment advice. Market and currency movements may cause the capital value of shares, and the income from them, to fall as well as rise and you may get back less than you invested.

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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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