

MARCH 2024

1. Introduction

As an active manager of long-term concentrated portfolios, stewardship sits at the heart of our approach. We are motivated by a belief that this helps to both protect and enhance the risk-adjusted return on our clients' capital. Ultimately, we want to ensure that the interests of company management teams 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, Sustainability & Impact 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 policies and documents, which apply across all regions, are reviewed annually, to ensure that we stay abreast of developments and best practice.

2. Portfolio commentary - Martin Currie Asia investment team

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

Asia is a dynamic region with GDP growth rates which exceed those available globally. This strategy seeks to capture nominal Asia ex Japan GDP growth, which is not always reflected in stock market returns. This is done by investing in businesses that are able to grow with the region, but which more importantly can translate that growth into good returns for shareholders when acquiring them on a reasonable valuation, based on an in-depth assessment of their long-term potential.

These opportunities are scarce and when we find one, we aim to make a long-term capital commitment to minimise costs and maximise the positive effect of compounding high returns from good businesses.

The strategy is unconstrained by any benchmark and typically consists of between 20-40 high quality stocks held for the long term. Governance and sustainability analysis is integrated into our approach with our analysis focusing on the factors that are potentially material to the investment case. We conduct a detailed accounting review for companies held so as to gain assurance over the returns and governance profiles we are attracted to. 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 maintain a strong understanding of their mandates and prospectus investment guidelines. We also use an investment restriction system called Bloomberg CMGR to monitor portfolio compliance with mandate and regulatory restrictions. This includes ongoing assurance around the use of permitted instruments and exposure and is overseen by the compliance team to ensure assets are being managed appropriately. Any prescribed client or regulatory limits are monitored on an ongoing basis. Mandate compliance also forms a key part of our internal risk framework whereby we undertake periodic reviews to ensure products are run in line with objectives, risk appetite, and in accordance with the stated investment process.

2.1. Commentary on specific Fund investments

Our aim when producing our proprietary governance and sustainability risk ratings is to provide fundamental insight into material factors that can influence long-term returns for companies, to assess where the companies in which we invest can have a material impact on key common issues such as climate change, human rights, cyber security and workers' rights and to highlight potential areas for engagement. The level of research and engagement varies depending on region, sector and, critically, the materiality of the issues in question. The overarching aim is to assess the extent to which governance and sustainability factors will contribute to, or detract from, the long-term value creation of a firm.

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

Stock name	Sector	Fund weight %	Index weight %	Active Weight %	Governance Risk Rating	Sustainability Risk Rating
Samsung Electronics	Technology	9.79	4.79	5.00	2.0	3.0
TSMC	Technology	9.78	7.83	1.95	1.0	3.0
Tencent	Communications	7.91	4.13	3.78	2.0	3.0
HDFC Bank	Financials	7.49	0.95	6.54	1.0	2.0
Singapore Telecommunications	Communications	5.03	0.25	4.78	1.0	2.0

Source: Martin Currie as at 31 December 2023. FTF Martin Currie Asia Unconstrained Fund. Index: MSCI AC Asia ex-Japan Index (Net) (GBP). 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 portfolio where we feel warranted.

Samsung Electronics Samsung Electronics is one of the world's leading semiconductor and consumer electronics brands, including smartphones and display technologies. A significant portion of Samsung's profit comes from memory semiconductors, where it benefits from an oligopolistic market structure with substantial entry barriers. The company is well positioned to benefit from the growth of AI, cloud computing and 5G technology and is also the only player to have turnkey manufacturing solutions for high bandwidth memory (from design to production to advanced packaging).

There are several sustainability risks which we have identified in relation to the company, and we are seeing progress on these fronts through our engagements. The risks include its governance profile, geopolitical risks and water management practices. On the governance aspects, the company restored its board to an independent majority last year, and there was no significant shareholder dissent to the directors' re-election at the latest AGM indicating shareholder satisfaction with the board's performance. It continues to lead in raw material sourcing initiatives among global peers, and on its water consumption, it aims to maintain water intake at 2021 levels by expanding water reuse and has increased usage of reused water by 29% in 2022. Finally, it disclosed its new environmental strategy in late 2022, which includes the investment of over W7tr in its environmental activities by 2030 and its commitment to achieving net zero by 2050.

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Taiwan Semiconductor Manufacturing Company (TSMC) TSMC is the largest semiconductor foundry in the world with its primary business being the manufacture of integrated circuits used in computer, communications, consumer electronics, automotive and industrial equipment industries. Demand for semiconductors has been strong and TSMC has been gaining market share at each new technology node. The company has been able to use this enviable market position to price its services appropriately to make a good return on capital. TSMC should benefit from the continued growth of the semiconductor market, especially the requirement for faster and less power-hungry chips.

The most material ESG risk for TSMC is environmental – water scarcity. Fresh water is a key element in the semiconductor manufacturing process and therefore availability is crucial. TSMC has in place industry leading water recycling and conservation programmes. It aims to reduce unit water consumption by 30% by 2030 and has achieved a reduction of 2.6% in 2022, while its water recycling rate was ~86% in 2022. In addition, 2022 also marked the start of its water reclamation initiatives to develop diverse water sources, with the completion of its Tainan Science Park reclaimed water plant with a supply of 380k m3 of water by Dec 2022. Its 2nd water reclamation plant was completed in Anping, Tainan, in 2023 with an estimated supply of 10k m3 of water. These initiatives fall within its commitment to achieving net zero emissions by 2050. We continue to engage with the company on next steps and monitor their progress.

Tencent Tencent is one of the world's leading internet and technology companies and has a strong ecosystem in both consumer and enterprise internet. Its primary business segments are games, fintech & business services, online advertising and social networks. It has clear long-term growth trajectory driven by video account business, overseas game business and SaaS ecosystem and fintech business. Profit growth is expected to outpace revenue growth driven by the structural shift in the revenue mix towards higher-margin businesses. Tencent continues to enhance shareholder return through share buybacks, cash & stock dividends, offsetting the large shareholder disposal impact. There are also opportunities brought by AI in the medium and long term for Tencent. As an internet services provider, Tencent relies on highly skilled employees and thus faces high exposure to operational risks linked with talent recruitment and retention. Tencent offers strong employee benefits packages, including various share option or bonus schemes which are open to virtually all its employees.

Regulatory risk remains the primary sustainability risk for the company. The gaming sector in China has been subject to regulatory changes in recent years. Most notably, China's approval process for games has been overhauled and there are restrictions around what type of content is suitable for gamers, also more sensitivity to the risks of gaming addiction for minors. The government has mandated curfews, time limits and spending limits for young gamers. Tencent had already implemented similar rules of its own ahead of these restrictions and added underage modes to key apps and parental guidance controls across the ecosystem, while increasing the portion of educational content. Internal data security controls have been improved, to mitigate the risks associated with privacy and data security. This has included employee training and acquisition of certification for select business lines. Tencent has also improved disclosures on developing healthy content. It has refined targets of its decarbonisation pathways based on the company's commitment to carbon neutrality by 2030 and set greenhouse gas emissions absolute reduction targets, which are consistent with the Paris Agreement and been validated by the Science-based Target Initiative.

HDFC Bank HDFC Bank is one of India's most trusted financial institutions. Its strong retail deposit franchise, with over 8,000 branches at the end of 2023, has given the bank access to low-cost funding which has fuelled lending growth over many years. Good credit underwriting has enabled HDFC Bank to expand market share while outperforming the industry on asset quality and credit costs. While the company has 93 million customers in India today, given that the country remains underserved and underpenetrated in terms of financial services, we believe there continues to be a long runway for growth. In 2023, the company merged with HDFC Limited, its parent company and one of the largest housing finance companies. Prior to the merger, only 2% of HDFC Bank's customers sourced their home loans through the bank so the enlarged company can now offer a wider range of financial products and services to an expanded customer base.

Sustainability risks are concentrated on social risk and climate transition risk. The latter is long tailed in nature and emanates from how the adjustment to a lower carbon economy might affect asset quality and the ability of industrial borrowers to service their debts and repay principal. HDFC Bank has confirmed that it employs a SEMS (social and environmental management system) framework to evaluate lending risk for large industrial and infrastructure projects. Social risks are wide-ranging and include compliance risks (regulatory and other applicable standards), reputational risk (covering the entire stakeholder estate) and technology risk (maintaining a high level of service availability, as well as cyber and data security). We believe the company has appropriate controls in place, however these issues are multifaceted and ongoing, so we look for evidence of ongoing process enhancements and ownership of the responsibilities associated with them. An important future engagement for us is on how HDFC Bank is able to manage its environmental risks, particularly in the lending book – in the wholesale lending business, while large corporations do have data on emissions that they disclose, such borrowers are only around 25% of that book of business, with the balance being SMEs with low or no disclosure.

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Singapore Telecommunications Singapore Telecom (SingTel) is the largest telecom service provider in Singapore and the 2nd largest in Australia through its 100% ownership of Optus. SingTel is also a major communications player in Asia via its strategic investments in four regional service providers (all associate companies): Indonesia's Telkomsel, India's Bhart Airtel, Thailand's Advanced Info Service and Philippines' Globe Telecom. SingTel is a government-linked company, with the Singapore Government's investment arm Temasek owning ~52%. SingTel is well placed currently, with expected simultaneous improvement in core (Singapore and Australia) and associate company performances. SingTel has embarked on a strategic pivot comprising reinvigorating the core, recycling capital and refocus on growth areas of ICT, regional data centres and fintech. Management has targeted a total of S\$6bn of capital recycling in the medium term and expects these moves to drive ROIC (ex-Optus goodwill) from 8.3% in FY23 to low double digits. To help track progress, we engaged with management to request increased disclosure around capital deployed in the growth initiatives.

SingTel Group handles large amounts of customers' data, and this is key sustainability risk. This was brought into focus in 2022 when Optus suffered a large cyber-security breach, and in 2023 when it suffered a 14-hour network outage (ultimately leading to the resignation of the Optus CEO). Optus has investigated the incidents thoroughly and putting in place improved defences and processes. A further ESG risk relates to SingTel's increased investment in regional data centres (DCs), which will increase its carbon emissions. Building DCs in tropical areas presents additional challenges for cooling, but SingTel is deploying the most advanced cooling technologies and building the highest spec "green" DCs. We recently visited a SingTel DCs in Singapore, as saw the strong physical security measures and cooling technologies in action. Despite the impact of DCs, SingTel recently brought forward its carbon net-zero target to 2045 from 2050.

3. Fund review of turnover and turnover costs

Annual turnover %	30.75	<i>Lesser of (purchases or sales)/Average fund size x 100</i>
Fund transaction costs (GBP)	(63,302.80)	<i>Total brokerage and execution charges</i>

Source: Martin Currie as at 31 December 2023. FTF Martin Currie Asia Unconstrained Fund.

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, Sustainability & Impact 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.

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4.1. Significant votes

Company Name	Taiwan Semiconductor Manufacturing Company (TSMC)	Minth	Guangdong Investment Limited (GDI)
Company descriptor	Taiwan's leading and world's largest foundry with market-leading technologies.	Leading Chinese supplier of auto parts for global automotive manufacturers.	Chinese water utility company with projects supplying Hong Kong and mainland China.
Issue	Potential increased risks to the company via increasing limit for endorsement/guarantees provided to group entities.	Request to reduce the notice period for Extraordinary General Meetings from 21 to 14 days, authorise the re-issuance of treasury shares or fresh equity at up to a 20% discount.	Dilution risk from renewal of a general mandate to issue new shares without pre-emption rights.
Governance, Environmental or Social	Governance	Governance	Governance
Objective	Purpose of the vote was to determine whether the additional guarantees were appropriate for the business growth needs and whether sufficient protections were in place.	Maximise protection of the interests of minority shareholders which could be harmed by underpriced share issuances and/or the impaired ability to appropriately understand or vote on resolutions in EGMs given the shorter proposed notice period.	To reduce unnecessary dilution risk.

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4.1. Significant votes (cont)

Company Name	Taiwan Semiconductor Manufacturing Company (TSMC)	Mint	Guangdong Investment Limited (GDI)
Scope & process (of relevant engagement)	<p>We wrote to the company to seek clarification on one agenda item (to increase the external guarantee limit provided by the company) that ISS recommended a vote “against”. The company emailed back referring us to detailed explanations which are provided by the company in the explanatory notes in the AGM agenda as well as published on its website, but ISS still recommended a vote against management as this will expose the company to unnecessary risks. Our engagement on this allowed the company to demonstrate that it explained the stringent controls which were in place before such endorsements/ guarantees are provided. Through our long-term investment with the company, we are confident management will be responsible when providing guarantees to its subsidiaries.</p>	<p>We emailed the company explaining our concerns and requesting further detail. The company indicated that they were seeking permission for the shorter notice period and 20% share discount in order to give the company the most flexibility within the limits of local law and regulation - although the company did indicate that the issue had been debated internally & that they understood the concerns. While the rationale provided is legitimate from the perspective of the company and there is no evidence of the company having behaved against the interests of minority stakeholders on these issues historically, we maintained that the removal of any such protections for minority shareholders are unlikely to be in their interests, so retained our vote against the proposals.</p>	<p>GDI sought renewal of approval to issue equity without pre-emption rights. This was an annual renewal and is usual practice for Hong Kong-listed companies at their AGMs. We support an annually-renewed mandate to issue up to 10% of outstanding shares. This provides a reasonable degree of flexibility and protects investors against the risk of excessive dilution without pre-emptive rights. We expect companies to state the maximum discount at which they might issue shares without pre-emptive rights. Hong Kong stock exchange listing rules allow a discount of up to 20% but we believe that in most circumstances this is excessive and encourage a lower maximum discount. We have communicated in the past with GDI on this matter and the company is well aware of our perspective, which was also consistent with the view of ISS. The company, while only seeking a mandate to issue up to 10% with or without pre-emptive rights, has not specified the maximum discount.</p>
(Voting) outcome	<p>Voted with management, against ISS. The proposal was passed with approximately 77% of votes cast in favour of the resolution.</p>	<p>Voted against management, in line with ISS recommendation. While all three of the relevant proposals were passed at the 2023 AGM, in all three cases there was a significant minority of shares were voted against the proposals (approximately 40-45% in each case) - demonstrating the strength of feeling amongst the broader investor base with regard to these matters.</p>	<p>Voted against management, in line with ISS. This company is majority owned by the Guangdong government, so all AGM proposals were passed. However, we believe it is important to communicate our opposition to such AGM items where insufficient controls are in place to guard against excessive dilution.</p>

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 2023.

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'), authorised and regulated by the Financial Conduct Authority. 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/ies do not necessarily target particular sustainability outcomes.

Risk warnings – Investors should also be aware of the following risk factors which may be applicable to the strategy shown in this document.

- Investing in foreign markets introduces a risk where adverse movements in currency exchange rates could result in a decrease in the value of your investment.
- This strategy may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the strategy's value than if it held a larger number of investments.
- Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.