SHAREHOLDERS' RIGHTS DIRECTIVE (SRDII)
REPORT TO 31 DECEMBER 2021

FTF Martin Currie Asia Unconstrained Fund

MARTIN CURRIE

MARCH 2022

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. 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 those 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 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
TSMC	Technology	9.72	7.95	1.77	1	1
Tencent Holdings	Technology	7.10	4.90	2.20	3	3
Samsung Electronics	Technology	5.41	4.57	0.84	2	2
HDFC Bank	Financials	5.14	0.00	5.14	1	1
United Overseas Bank	Financials	4.99	0.34	4.65	1	1

Source: Martin Currie as at 31 December 2021. 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 fund where we feel warranted.

Taiwan Semiconductor Manufacturing Company. TSMC is the largest semiconductor foundry in the world with its primary business in the manufacture and market of integrated circuits used in computer, communications, consumer electronics, automotive and industrial equipment industries. The growth of fabless semiconductor design has been a major tailwind and TSMC has been taking 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 is reducing consumption of water per unit manufactured, and its recycling rate of water is roughly 88%. The main development in 2021 for the company was industry-wide; supply chain issues driven by the global pandemic impacted the market outlook for the company and its competitors. The supply chain pressures have since eased though we continue to monitor the situation closely.

Tencent Holdings. Tencent is a leading Chinese internet company with long-term growth opportunities across its product portfolio. It has a significant global video game business, one of the largest social media networks in the world as well as offering leading domestic payment and cloud infrastructure. Despite an increasingly challenging regulatory backdrop, the company has thrived through continuous innovation and the strategic pivot towards enterprise solutions is the next step in that journey. 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 risk for the company and the influence of this factor has escalated over the past year. The gaming sector in China has been subject to regulatory changes in recent years. Most notably, the approval process for games has been overhauled and there are restrictions around what type of content is suitable for gamers. Furthermore, gambling proxy games do not fill the criteria for approval any longer. There is also sensitivity in China around the risks of gaming addiction for minors. As a result, 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 these were further tightened in 2021. They have also added underage modes to key apps and parental guidance controls across the ecosystem to limit screen time and advertising exposure to youngsters.

Samsung Electronics. Samsung Electronics is one of the world's leading semiconductor and consumer electronics brands, including smartphones and display technologies. Following the boom in smartphones at the beginning of this decade, Samsung earned significant returns 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. 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 labour relations. Progress on the ESG front has been made by splitting the CEO/Chairman role, revamping the board, identifying material sourcing and lowering water consumption per unit. A key area of focus is with regards to labour conditions. Although there has also been progress with better labour workforce monitoring, it is non-unionised and remains a priority area of engagement for further improvement. The ESG rating of the company was upgraded in June from BBB to A by the MSCI. In the technology hardware segment, MSCI has not rated any companies AAA so this means that Samsung Electronics has entered into the top third of firms in its industry segment.

HDFC Bank. HDFC Bank is a leading private sector Indian bank and has been gaining market share in new loans due to struggles at India's poorly capitalised public-sector banks. It has a strong retail deposit base giving it low funding costs compared with peers and its relatively low non-performing loan balance underlines the quality of its lending. Sector-leading operating efficiency metrics should persist as the bank continues to enjoy the benefits of its expanding scale and also leverages its digital banking infrastructure. HDFC Bank had three IT issues in three years which led to intervention from the Royal Bank of India (RBI) in December 2020 via the imposition of curbs on the sourcing of new credit card customers and new product/service launches under the bank's 'Digital 2.0' programme. In August 2021 the ban on new credit card issuance was lifted. However, RBI is yet to approve the launch of HDFC Bank's products under its new digital strategy, so this remains a key sustainability risk. Additional ESG risk areas include increased linkage of goals to compensation and widening the scope of/introducing more hard goals on the governance side.

United Overseas Bank. United Overseas Bank (UOB) is a Singaporean bank with a long-term mindset that emphasises customer service through a single unified brand across the ASEAN region, combined with a focus on sustainable growth, capital strength and conservative provisioning. It is a proxy for ASEAN economic growth. It is a conservative, well-governed bank with very good engagement with stakeholders. The key sustainability issues relate to crude palm oil exposure (no lending to new plantations), increased linkage between compensation and ESG targets, ethical issues (for example, money laundering) and social risks. We have seen progress in terms of compensation linkage, with a 5% ESG weighting in the KPIs of managers in its Wholesale Banking Division to have ESG conversations with clients. Board changes were also announced this year which have improved diversity (addition of one woman and one Vietnamese man), though gender diversity at board level remains low even with this change. The company aims to mitigate ethical risks with training and internal processes. Social risks are tough to judge, however UOB has balanced shareholder returns whilst supporting small business owners throughout the pandemic crisis. Good results during 2021 suggest that it is weathering this risk adequately for the present, though the growth of the Omicron variant has also impacted the company and ASEAN region more broadly, which remains sensitive to ongoing COVID-19 developments.

3. Fund review of turnover and turnover costs

Annual turnover %	24.04	*Lesser of (purchases or sales)/Average fund size x 100*
Fund transaction costs (GBP)	54,344.01	*Total brokerage and execution charges*

Source: Martin Currie as at 31 December 2021. 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 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	Hero Motocorp Limited	Alibaba Group Holding Ltd	Tongcheng Travel Holdings Limited
Company descriptor	India's largest motorcycle and scooter manufacturer.	China's largest eCommerce company, with extensive operations in many segments of the internet industry.	One of China's leading online travel agencies.
Issue	Votes related to appointment of 3 Directors. Two were new INEDs and one re-election of an NED, i.e. not independent. Under the company's definition of INEDs, post these changes the board would be 55% independent. However, we deem one sitting INED, Meleveetil Damadoran, to be non-independent by virtue of a 13yr tenure, thus board independence would be just 45% after the changes.	The election of two non-independent directors (Joe Tsai, co-founder and Executive Vice-Chairman, and Michael Evans, President). A vote in favour of both would have preserved the current Board split of 50:50 between independent and non-independent directors. Therefore, the removal of one non-independent director would shift the Board to an independent majority. We have engaged with the company in the past on the value of the latter.	Capital Stewardship. Board sought approval to issue shares without preemptive rights on two fronts: firstly, the standard 'Hong Kong general mandate' to issue new shares up to a limit of 20% of the outstanding amount of the relevant shares, with an unspecified discount limit (Hong Kong listing rules allow for a maximum 20% discount). Secondly, was approval for reissuance of repurchased shares of up to 10% of the outstanding amount.
Governance, Environmental or Social	Governance	Governance	Governance

4.1. Significant votes (cont)

Company Name	Hero Motocorp Limited	Alibaba Group Holding Ltd	Tongcheng Travel Holdings Limited
Objective	Only vote in favour of new NED if we have confirmation from the company that a replacement of long-tenured INED Mr Damadoran (term ends in May 2022 and will step down from the Board) would not be with another NED, to ensure a genuine majority independent board is preserved.	We chose to vote against Michael Evans as a way of sending a clear message that we continue to seek majority independence on the Board.	While we think it is important that companies have sufficient financial flexibility (including the issuance of shares) to transact ordinary business without incurring excessive cost, we also believe it is important to preserve the interests of existing shareholders. As a result, we think the ability to issue up to 20% of new shares without preemptive rights is excessive. We believe 10% is more reasonable and use our vote against excessive mandates to signal this.
Scope and process (of relevant engagement)	The company confirmed to us that Mr Damadoran will not be replaced with a NED. To us, this commitment was satisfactory. The move to appoint two new INEDs this year gives us confidence in this regard.	Disappointingly, the company was not responsive on this issue, hence our resorting to the use of a vote against the appointment of one director. We believe this was a proportionate response, given our objective of improving the Board structure.	This is a regular feature of many companies listed in Hong Kong and comes up every year (the duration of these mandates is for 1 year until the next AGM). While the companies themselves typically view this as a non-controversial issue, we disagree and vote against general mandates that exceed 10%. We will remind Tongcheng of our position on this at our next engagement with them.
(Voting) outcome	As a result of our engagement with the company, we decided to vote in favour of all three appointments, including the NED.	Vote against election of Michael Evans.	Vote against the general share issuance of up to 20% and additional 10% reissuance of repurchased shares. Combined, the potential scale of issuance without preemptive rights is excessive.

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.

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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.

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