

SHAREHOLDERS' RIGHTS DIRECTIVE (SRDII) REPORT TO 31 DECEMBER 2023



FTF Martin Currie Emerging Markets Fund

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 Global Emerging Markets investment team

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

We manage high-conviction equity portfolios for our clients and seek opportunities for growth across the emerging markets of Asia, Europe, Latin America and the Middle East & Africa. We believe that superior performance in emerging markets can be achieved by actively managing portfolios constructed exclusively from stocks where the underlying company's long-term growth prospects are not yet reflected in its stock price.

Our primary investment belief is that over the long term, share prices are chiefly determined by cash earnings. By understanding how a company generates its earnings and successfully forecasting how these will grow in the long term, we believe we can identify that company's inherent value. We put our philosophy into practice through a disciplined and sustainable investment process.

We seek to generate the majority of outperformance from our bottom-up, research-driven approach. We are long-term investors and can look through short-term market volatility.

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 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
TSMC	Technology	9.92	6.74	3.19	1.3	1.5
Samsung Electronics	Technology	9.63	4.12	5.51	2.8	2.5
Tencent	Communications	5.45	3.55	1.90	2.5	2.8
HDFC Bank	Financials	4.19	0.82	3.37	1.5	2.0
SK Hynix	Technology	3.95	0.85	3.10	2.3	2.3

Source: Martin Currie as at 31 December 2023. FTF Martin Currie Emerging Markets Fund. Index: Martin Currie Emerging Markets Index (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) 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. Given that fresh water plays a pivotal role in semiconductor manufacturing, its availability is of paramount importance. To address this challenge, TSMC has implemented industry-leading water recycling and conservation initiatives. These efforts have resulted in a significant reduction in water consumption per unit manufactured, with a targeted aim of replacing over 60% of water resources with reclaimed water by 2030. Additionally, TSMC has achieved an impressive 86% recycling rate for process water. In alignment with its commitment to environmental sustainability, TSMC has set ambitious targets, including achieving net-zero emissions by 2050. Furthermore, the company will be in a position to consider committing to the Science-Based Targets initiative within the next two years. Throughout the years, TSMC has made significant strides in enhancing its use of renewable energy sources, with over 10% of energy now sourced from renewables across its fab operation sites. Notably, its overseas subsidiaries have already achieved 100% reliance on renewable energy sources, showcasing TSMC's unwavering dedication to the RE100 initiative.

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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. While Samsung Electronics continues to excel in its market position and technological advancements, we acknowledge several sustainability risks inherent to its operations. Through ongoing engagements, we have witnessed notable progress in addressing these concerns. Notably, Samsung is a signatory of the RE100 initiative, with renewable energy accounting for 31% of its total electricity consumption. Additionally, the company has set a commendable net-zero emissions target covering scope 1 and 2 emissions, with plans underway to incorporate scope 3 emissions in the near future. Given its status as a semiconductor giant, Samsung Electronics recognises the significance of water scarcity and has demonstrated a proactive approach in addressing this issue. By focusing on expanding water reuse initiatives, Samsung aims to maintain water intake at 2021 levels, achieving a remarkable 66% increase in absolute water reuse volume since 2020. Moreover, the company has enhanced its supplier audit standards in 2023 and established its Global Human Rights Principles in February 2023, reflecting its commitment to ethical practices across its supply chain.

Tencent Tencent is a leading Chinese internet company with long-term growth opportunities across its product portfolio. Notably, it holds a significant position in the global video game market, operates one of the world's largest social media networks, and offers cutting-edge domestic payment and cloud infrastructure services. Despite navigating a stringent regulatory environment, Tencent has consistently thrived through continuous innovation. However, regulatory risk remains a primary concern, particularly within China's gaming sector, which has witnessed significant changes in recent years. In December 2023, China introduced new draft regulations targeting the gaming industry, including restrictions on in-game rewards and user recharges. Yet, subsequent actions by regulators, such as positive state media coverage and a commitment to reassess proposed changes, suggest a potential softening of their stance. Another risk stems from allegations against Tencent regarding its involvement in assisting the Chinese government with censorship and surveillance of ethnic minorities. Consequently, Tencent has been placed on the UNGC watchlist by MSCI. Despite these challenges, we have engaged consistently with the company and gained confidence in its robust data protection policies and practices. Furthermore, Tencent's membership in the UNGC since August 2023 reaffirms its commitment to upholding the Ten Principles on human rights, labour, environment, and anti-corruption. On the environmental front, Tencent's emissions reduction targets, validated by the Science-Based Targets initiative (SBTi) in 2023, underscore its commitment to sustainability. With a base year of 2021, Tencent aims to achieve 100% annual sourcing of renewable energy, reduce absolute scope 1 and 2 GHG emissions by 70%, and decrease scope 3 emissions by 30% by 2030.

HDFC Bank HDFC Bank stands as a leading private sector bank in India, positioning itself as a frontrunner in the market, particularly in the realm of new loans, bolstered by challenges faced by undercapitalised public-sector banks in the country. The bank boasts a robust retail deposit base, contributing to its competitive edge through low funding costs relative to peers. Furthermore, its prudent management is evidenced by its relatively low non-performing loan balance, underscoring the quality of its lending practices.

With a focus on operational efficiency, HDFC Bank continues to set industry benchmarks, fuelled by its expanding scale and robust digital banking infrastructure. This strategic advantage is poised to further enhance its operational performance in the foreseeable future. Along with other large Indian banks, HDFC Bank is required to dedicate a certain amount of the total loan book to priority sectors in India such as education, housing, infrastructure, renewable energy, and agriculture. There are penalties for any shortfall and the commitments are meaningful. This means that Indian banks' loan books are richer in terms of ESG opportunities around these sectors than virtually all emerging market peers. However, the bank faces notable ESG risks, particularly concerning environmental management, with specific emphasis on inventorying and managing financed emissions. While HDFC Bank has committed to achieving carbon neutrality by 2032 for scope 1 and 2 emissions, it has yet to disclose its financed emissions (Scope 3 - Category 15). Following our engagement with them at the beginning of 2023, HDFC Bank expressed interest in gaining further insight into this matter. In response, we provided them with a selection of case studies illustrating different stages of the journey towards addressing financed emissions, aiming to facilitate a deeper understanding of potential next steps. Moving forward, we remain committed to continued engagement with HDFC Bank on this topic, as well as assisting them in setting Net Zero targets in alignment with their sustainability objectives.

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SK Hynix As the world's second-largest memory semiconductor manufacturer, SK Hynix is strategically positioned to capitalise on the growing demand for AI and low-power semiconductor solutions. However, like other players in the semiconductor industry, SK Hynix faces significant sustainability-related risks. Chief among these is water scarcity, as well as transition to renewable energy, particularly in a Korean context (where it is domiciled). In response to these challenges, SK Hynix has implemented proactive measures, establishing a Water and Wastewater Reduction Task Force since 2018. The company has set ambitious water-related targets, including a 35% reduction in water intensity by 2026 and a cumulative conservation goal of 600 million tonnes of water by 2030, both against a 2020 baseline. Additionally, SK Hynix has adopted a comprehensive PRISM framework, outlining 2030 targets across all ESG topics. Demonstrating its commitment to environmental sustainability, SK Hynix has pledged to achieve Net Zero emissions by 2050 and is a signatory to the RE100 initiative. Moreover, the company unveiled a Biodiversity policy in April 2023, underscoring its dedication to safeguarding the environments in which it operates. Since 2018, we have maintained regular engagement with SK Hynix, providing support and guidance on their sustainability journey. Moving forward, we remain committed to accompanying them, with a particular focus on addressing their environmental impact and fostering sustainable practices throughout their operations.

3. Fund review of turnover and turnover costs

Annual turnover %	16.90	<i>Lesser of (purchases or sales)/Average fund size x 100</i>
Fund transaction costs (GBP)	(11,617.16)	<i>Total brokerage and execution charges</i>

Source: Martin Currie as at 31 December 2023. FTF Martin Currie Emerging Markets 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	PT Telkom Indonesia	Ping An Bank	Asian Paints
Company descriptor	Indonesia's leading telecommunications conglomerate.	Chinese bank	India's leading manufacturer and distributor of paints, coatings and related services
Issue	Management strategy - concerns were raised around a proposed government project and that there was a lack of information to make an informed voting decision.	Board independence	Board independence
Governance, Environmental or Social	Governance	Governance	Governance
Objective	The company sought approval for a proposed special assignment to the company by the President of Indonesia.	We believe that the proposed election of a non-independent director would decrease the board independence to 35%. Although this is higher than the requirements set by the Chinese Securities Regulatory Commission in 2001, we believe that the rate of at least 50% ensures that the Board acts consistently in the best interests of shareholders.	The company proposed the election of several non-independent directors. As the Board lacks an independent majority, we voted with the ultimate aim of achieving 50% independence on the Board, because we believe this ensures they act consistently in the best interests of shareholders.
Scope and process (of relevant engagement)	We met with the company and found out that this relates to the creation and administration of an electronic procurement system that will be used to enhance the transparency and accountability of government spending. We are comfortable that this unique project has commercial merit.	We reached out to the company via email, clarifying that our independence criteria were more stringent than theirs and that we were unable to support the appointment of a new non-independent director to a board that lacked a majority of independent members. While they were receptive to our feedback, they maintained that they were complying with Chinese regulations and that electing a non-independent director therefore posed no issue.	A few weeks before this vote, the company informed us that they had set up a plan to achieve a majority independent Board. We reached out to them via email to explain that we would still vote against the reappointment of those non-independent directors, but that we were looking forward to seeing the future development of the Board.

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4.1. Significant votes (cont)

Company Name	PT Telkom Indonesia	Ping An Bank	Asian Paints
(Voting) outcome	We voted against the ISS recommendation, for management. The vote passed with 78% of approval.	We voted against management, and against the ISS recommendation. The resolution was passed with over 99% support.	We voted against management, and against the ISS recommendation. The motions were passed with over 97% support. As promised by the company, after the retirement of some non-independent directors and the appointment of new independent ones, the Board reached majority independence in December 2023. We are pleased with this result and will continue to engage with the company and use our vote to maintain this level of independence.

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.

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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.