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

LEGG MASON MARTIN CURRIE GLOBAL UNCONSTRAINED FUND

MARTIN CURRIE

MARCH 2021

1. Introduction

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

2. Commentary – Martin Currie Global Long-Term Unconstrained investment team

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

The Martin Currie Global Long-Term Unconstrained (GLTU) strategy targets long-term capital appreciation with outperformance of the MSCI ACWI over rolling five-year periods.

Our investment philosophy is that proprietary fundamental research can identify long term value-creating companies undervalued by the market. We elaborate on this below:

- The market is myopic and fades returns of quality growth companies too fast
- Our proprietary fundamental research framework is able to identify these companies
- Value creating companies compound returns over the long-term

Our objective is long-term capital appreciation, in delivering this return we would expect to outperform the MSCI ACWI over rolling five-year periods.

Returns are driven by stock selection and as an unconstrained strategy we have no limits on regional or country allocations. Risk management is embedded at every stage of the process providing full visibility on all aspects of the portfolio and the delivered outcome.

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

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

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

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

2.1. Commentary on specific Fund investments

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

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

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

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

Stock name	Sector	Fund weight %	Index weight %	Active Weight %	Governance Score	Sustainability Score
Taiwan Semiconductor Manufacturing Company	Technology	5.20	0.78	4.42	3.2	3.1
Masimo Corp	Health Care	4.46	0.02	4.44	3.0	2.3
Microsoft Corp	Technology	3.94	2.70	1.24	2.3	2.0
Wuxi Biologics	Health Care	3.87	0.07	3.80	2.7	2.4
Moncler SpA	Consumer Goods	3.84	0.02	3.82	2.3	2.1

Source: Martin Currie as at 31 December 2020. Legg Mason Martin Currie Global Long-Term Unconstrained Fund. Index: MSCI AC World Net Dividends Index (USD). 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. With the growth of fabless semiconductor design, Taiwan Semiconductor Manufacturing Company (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 and, in particular, the requirement for faster and less power-hungry chips. TSMC currently scores well on our proprietary scoring system, with good transparency on overall operations and strong reporting practices. More broadly, the extent to which artificial intelligence is rapidly being adopted to answer many sustainability issues will be beneficial to TSMC as a leading chip manufacturer. Pertinent risks from an ESG perspective include water scarcity – because of the quantities of water required in its production process – as well as exposure to potentially rapidly changing regulatory and geopolitical environments, specifically because its production base in Taiwan. Elsewhere, the recruitment and retention of a highly skilled workforce and robust protection of intellectual property are also potential ESG-related risks to the investment case.

Masimo Corp. A manufacturer of non-invasive patient monitoring technologies, Masimo boasts high barriers to entry and 50% market share, with strong recurring revenues growing in double digits. We expect a group revenue compound annual growth rate (CAGR) of 12% over the next five years. We expect the core business to grow at twice the market's growth and in high single digits, with ~20% growth from new growth products such as hospital automation making the difference (growing from 19% of the business to 30%). Because of strong leverage in the business and cost efficiencies we expect cost of goods sold and operating costs to come down to 30% and 40% respectively, ultimately driving operating margin up to 30%. Notable ESG strengths, in our view, are strong management and the company culture based on our analysis. However, the strength of management is also a risk in our view with key-person risk centring around Joe Kiani, the founder and CEO. We have had numerous interactions with the company and we have seen an improvement over the years in terms of compensation practices, key-person risk and disclosure.

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Microsoft Corp. Microsoft is set to benefit from an increased share of growing technology intensity and IT spend globally; for example, through integrated offerings such as 'Azure' (preferred in the hybrid environment) and collaboration software 'Teams'. In security, Microsoft is also going for the end-to-end user integration. Competitive pressures, however, remain in cloud computing. Generally, the Software as a Service (SaaS) landscape continues to evolve, with new disruptive business models emerging. The market has also been questioning whether a continued margin improvement is going to enhance Microsoft's growth algorithm. Meanwhile, we are cognizant of an M&A risk, for example in the consumer arena, where Microsoft has a mixed track-record and so far, has stayed clear of the social networks. ESG strengths, in our view, are strong management and a relatively diverse board. We note Microsoft's positive contribution to tackling climate change and social issues with such initiatives as 'AI for Earth' and various educational programmes. There has been some incremental positive change to executive compensation, but remuneration and broader human capital management practices are the main ESG risks we continue to monitor.

Wuxi Biologics. The Chinese contract development and manufacturing outsourcer (CDMO), benefits from the shift of increasingly complex drug development and drug production which is favouring the life-science and tools sectors. We see structural growth (i.e. 10+ years) in bioprocessing and within that, single use technologies (SUT). Wuxi has a leading share in early stage clinical trials with its leading discovery platform and the largest SUT platform to quickly scale new drugs. With combined tailwinds from biologics, SUT penetration, CDMO outsourcing and China-specific growth, we see Wuxi Biologics as being in a sweet spot over the long term. Notable ESG strengths are strong management and the company culture. In particular, Wuxi Biologics's technology infrastructure utilises SUT which saves a significant amount of water, energy and chemicals in the manufacturing process when compared with stainless steel. Some weaknesses in ESG include a board that is not independent or diverse; however, we have engaged with the company several times on this issue and it is taking steps to improve this.

Moncler SpA. Moncler has undergone a radical period of growth and investment in brand equity. It is the only focused outdoor luxury brand, built on superior functionality and high design/fashion, Italian and sports heritage. The brand is forensically focused on creating demand for its deliberately scarce, full-price product and cementing this with great customer experiences enhanced by progressive investments in digital and people. One of the key challenges it faces is traceability of supply, particularly on goose down – in this area it has led the market, creating clear and transparent protocols. By store, it is underpenetrated, especially in the Asia Pacific region, which means it is under indexed with the China consumer, the fastest-growing cohort. It is also increasing sales densities, moving into adjacent categories including knitwear, childrenswear, shoes and leather accessories. In December 2020, Moncler announced the acquisition of Stone Island. This brand has many of the traits of Moncler a decade ago and can leverage the global and digital infrastructure that Moncler has built during that time, while bringing with it a discreet brand equity and management team.

Additional commentary

Kingspan. Kingspan is a stock we bought into the weakness brought by concerns around the Grenfell enquiry in late November/early December. The stock fits well into greener buildings initiatives, as a leader in insulation materials for the construction industry – we rate this stock highly on the Sustainability front as a result. The Grenfell inquiry brought up some controls and monitoring issues in relation to Kingspan's UK business. Although Kingspan had no role in the design or planning of the cladding system used in the Grenfell tower, its K15 product constituted 5% of the rainscreen insulation boards ordered for use on Grenfell Tower. We understand that Kingspan did not have in place any controls or monitoring of where its products were being distributed beyond the Wholesalers it used. Further, Kingspan admitted to "process shortcomings" in the historic testing of K15 and offered a full and sincere apology. We engaged extensively with management are satisfied that the substantial changes they have made – full traceability of products and management change at the UK and executive levels to name a few – are addressed at preventing a repeat of these events. The company also hired external consultants to assess the UK operations' governance and bring additional recommendations to the company. Furthermore, tighter UK regulation requiring more detailed product safety characteristics labelling should also further tackle some of the issues related to fitting wrong products in terms of safety characteristics to specific buildings. With the rapid steps that Kingspan has taken to tackle its Governance shortfalls, we took the view that the Governance risk is no higher than what we had rated during our initial analysis.

3. Fund review of turnover and turnover costs

Annual turnover %	25.35	*Lesser of (purchases or sales)/Average fund size x 100*
Fund transaction costs (GBP)	82,024.90	*Total brokerage and execution charges*

Source: Martin Currie as at 31 December 2020. Legg Mason Martin Currie Global Long-Term Unconstrained Fund.

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4. Proxy voting

ISS is our proxy voting advisor and provides voting recommendations for Martin Currie in accordance with their own policy which is closely aligned with our internal policy. As appropriate, they engage with public issuers, shareholders, activists, and other stakeholders to seek additional information and to gain insight and context in order to provide informed vote recommendations.

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

4.1. Significant votes

Company Name	EPAM	Nike	Kering
Company descriptor	Digital enabler within a broad IT services landscape	US based brand owner, designer and distributor of sports apparel and footwear globally	French luxury goods designer, manufacturer and distributor
Issue	Nomination process to the Board, linkage of pay to the long-term performance.	Two key items in their 2020 proxy. The first was ratification of named Executive Officers' Compensation. The second was the re-election of the Chairman of the Audit committee, who has been on the board for 17 years.	The company were looking to re-elect a non-exec with 12 years of experience on the board and who held the role of Chairman of the Audit committee. We had some concerns about the compensation for the Chairman, CEO and Vice-CEO. The company are reducing the number of shares necessary to be held by directors in order to hold office from 500 to 50.
Governance, Environmental or Social	Governance	Governance	Governance & Social
Objective	We wanted to understand the process for nominations to the Board and highlight the need for all types of diversity on the Board. Additionally, we voiced our preference for remuneration to be linked to the l-term performance.	We wanted to voice our concerns over the non-performance element of share-based awards which were specifically put in place around the transition of the executive team. New CEO, New CFO, New COO. We also believe that the Head of the Audit committee is a key position on the board for the protection of shareholders and should be held by a suitably qualified and categorically independent director.	We wanted to understand why the company was making these proposals and to voice our concerns about director independence, remuneration alignment and shareholder alignment with executive office.

4.1. Significant votes (cont)

Company Name	EPAM	Nike	Kering
Scope and process (of relevant engagement)	Having spoken to the head of IR, we learnt that the majority of Board appointments go through a formal process. One of the last appointments, however, was targeting a specific skill set that was missing. We also learnt that gender diversity had been improved in the recent years at the divisional level (not just the Board). Lastly, EPAM was looking into its remuneration and received our feedback about the pay ideally linked to the long-term performance. As a matter of fact, EPAM's CEO has lower remuneration than the (ISS) benchmark average. The nature of this engagement is ongoing, as changes to the remuneration structure might take the next few years, for example.	The company responded to our concerns pointing to the unusual circumstances of 2020 (performance-based pay was on track for high level of pay-out for the 9mths of the year pre-COVID. They do not believe that the Chairman of the Audit committee lacks independence.	We set out our concerns and then discussed these in detail with the company. On the re-election of the Non-Exec. On further discussion we established that the company had taken that step to create some continuity given a signif-icant increase in new members of the board, but had also taken the step of appointing a new Audit committee Chair and declaring the director a non-independent. Our concerns around the compensation for the Chairman, CEO and Vice-CEO were removed by this interaction given steps taken to increase the strin-gency of performance requirements, changes in required direct ownership and the cessation of any exceptional share awards post 2018. Lastly and interestingly, the company are reducing the number of shares neces-sary to be held by directors in order to hold office from 500 to 50. Kering argue that in doing so the financial com-mitment moves from c€250k to c€25k, they believe that this creates a much more level playing field in their quest to have representation from many different and diverse individuals at the highest levels, something that we at Martin Currie felt was something that should be supported given that it is validated by recent appointments.
(Voting) outcome	We voted against management on two nominations: one as a member of the compensation committee (failing to address the link to performance) and the other one to highlight the need for a rigorous selection process. Lastly, we voted against ratification of the executive compen-sation (highlighting the needed link to l-term performance).	We voted against the company on both issues. Whilst we understand the broader issue with COVID, we felt that the transition payments were excessive. We also believe that the head of the Audit Committee is over tenured at 17 years and this does compromise independence.	Having got clarification and reassurance on these items we were in a position to vote with the company on all items.

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5. Conflicts of interest

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

6. Securities lending policy

We do not participate in security lending for this fund.

IMPORTANT INFORMATION

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

MARTIN CURRIE

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