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

LEGG MASON IF MARTIN CURRIE EUROPEAN 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?

Legg Mason IF Martin Currie European Unconstrained fund targets long-term capital appreciation with outperformance of the MSCI Europe ex UK index 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 Europe ex UK index 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 (within its investable universe). 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
ASML Holding	Technology	7.55	2.71	4.84	2.0	1.7
Moncler SpA	Consumer Goods	6.92	0.16	6.76	2.3	2.1
Ferrari	Consumer Goods	6.85	0.38	6.47	3.1	3.1
Kering	Consumer Services	5.83	0.72	5.11	2.4	2.1
Adidas	Consumer Goods	5.79	0.91	4.88	2.3	2.6

Source: Martin Currie as at 31 December 2020. Legg Mason IF Martin Currie European Unconstrained Fund. MSCI Europe ex UK Net Dividends 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.

ASML Holding. ASML has established an unparallel franchise in the leading-edge lithography equipment (in particular, for EUV machines). As Moore's Law (an expectation that the speed and capability of our computers to increase every couple of years although the cost decreases) is continuing, even if at a slower rate, more sophisticated lithography machines enable innovation across the value chain. The key risk to the operational delivery is progression of the technological maps at customers. Typically this risk manifests itself more so during a step-change in the underlying technology, which is going to be from 2nm and beyond with an introduction of high-NA EUV machines (it is currently targeting 2023 for R&D purposes and 2025–26 for high-volume manufacturing). Otherwise, a key challenge to ASML's value claim within the ecosystem could potentially emerge as more meaningful innovation starts coming through from such back-end activities as packaging. Notable ESG strengths, in our view, are strong management and the board, customer trust, and responsible supply chain management. Taxation risk is one of the major ESG risks within common factors that we are monitoring. We are also focusing on cyber security as a risk factor, given a high amount of intellectual property in ASML's operations and business practices.

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.

Ferrari. With an average selling price of around US$340k, Ferrari is the iconic premium luxury sports car brand. Management continues to seize the opportunity for higher profitability that its Special Series and Icona launches present. Ferrari's enviable pricing power is best illustrated by the fact that invitations to buy Icona cars are rarely (if ever) declined. Greater personalisation offers further opportunity. On this basis it is likely that the mix impact on profitability will continue to surprise to the upside. The Chinese market has yet to be cracked. The launch, by the end of 2021, of the Purosangue SUV is Ferrari's attempt to do just that. The greatest challenge facing Ferrari and the industry is the shift to electrification. Leveraging off its own Formula 1 team's R&D on hybrid engines, in 2020 Ferrari launched the first of its hybrid models, the SF90 Stradale. This model, for which there is already a very long waiting list, produces CO_2 emissions which are 47% lower than its internal combustion engine predecessor. Emissions regulations will continue to tighten globally. To comply, hybrids and ultimately fully electric models will form an increasing portion of the brand's line-up. In the meantime, Ferrari is calculating its carbon footprint on a subset of products and processes, an essential step in addressing its long-term goal of carbon neutrality.

Kering. Kering is one of small group of luxury brand portfolio businesses which are taking share in an ever-more digital landscape driven by authentic brand heritage and investment to connect effectively with the consumer across generations and different geographies. Gucci remains the dominant brand in the portfolio, with strong traction in key cohorts like millennials and Chinese customers. The brand is able to drive traffic directly to owned distribution, which is increasingly the way that customers are choosing to purchase, with a target of 90% of sales through owned retail, controlled concession and first-party e-commerce for this brand. Positive margin drivers are pricing power and premiumisation, plus geography, product and channel. Income growth in China and a structural tailwind in quality over quantity supports the luxury industry in the medium term. Beyond Gucci, we see Yves Saint Laurent, Bottega Veneta in multi-year growth mode supported by the Gucci infrastructure and learnings. Kering has spearheaded attempts to improve ethical and environmental standards, with chairman and CEO François-Henri Pinnault leading the 'Fashion Pact'.

Adidas. Adidas is the second-largest player in a sporting goods industry which is underpinned by structural drivers. We continue to see increasing penetration of sportswear into more clothing occasions amplified by the shift to home working. Sports participation has risen across generations and categories as there is a greater focus on self-care and more awareness of the negative effects of obesity. Digital enablement is facilitating democratic access to sports trends allowing the industry to cater to a broader range of end customers. Adidas has strong brand equity, investing carefully in campaigns and brand ambassadors in a way that few companies can replicate. The company targets two key geographies: China, where these structural trends and increasing incomes drive the highest growth rates and increasing share for the largest players; and the US, where Adidas contends with a very dominant competitor, Nike. We consider authentic actions on climate and social awareness to be integral to the thesis of Adidas as brand equity is the key to growth and returns. The challenge is to stay at the leading edge of supplier and sub-supplier standards, traceability and audit, something that this industry has learnt through experience. We have also seen Adidas invest in key talent in diversity and inclusion and also in the circular economy.

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 %	29.39	*Lesser of (purchases or sales)/Average fund size x 100*
Fund transaction costs (GBP)	119,057.95	*Total brokerage and execution charges*

Source: Martin Currie as at 31 December 2020. Legg Mason IF Martin Currie European Unconstrained Fund.

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.

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	EQT	JDE Peets	Kering
Company descriptor	Swedish investment advisory group	Dutch coffee manufacturer	French luxury goods designer, manufacturer and distributor.
Issue	Executive director servicing on the audit and remuneration committees	Concerns regarding management compensation KPIs. Short term/cash compensation is linked to revenue, Ebit growth & working capital but Medium/LT compensation is opaque.	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	To address the issue of an exec-utive director serving on the audit and remuneration committees which is not in line with best practice where these committees are made up of independent board directors.	Management compensation linked to KPIs is an important metric. The objective of engagement has been to understand how compensation will be linked to various KPIs to enhance the company's ability to create shareholder value rather than simply focusing on growth. Metrics would include ROIC & ESG factors.	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	EQT	JDE Peets	Kering
Scope and process (of relevant engagement)	We laid out our concerns to the company explaining that when looking at governance structures, amongst other aspects, we pay particular attention to the composition of the key board committees. In particular we believe that while executives may be invited to the audit committee, best practice is that they are not permanent members of this committee. We wanted to better understand the rationale for proposing the appointment of this executive director to these 2 board committees.	We engaged with the company on this and while we understand the company's position about the valuable contribution that this INED makes to the GDI board, we believe his long tenure and overboarding need to be addressed.	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 significant 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 stringency 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 necessary to be held by directors in order to hold office from 500 to 50. Kering argue that in doing so the financial commitment 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, opposing the directors' election.	We voted against the amendments to directors' remuneration due to continued lack of details.	Having got clarification and reassurance on these items we were in a position to vote with the company on all items.

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.

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.

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.

The information contained in this document has been compiled with considerable care to ensure its accuracy. However, no representation or warranty, express or implied, is made to its accuracy or completeness. Martin Currie has procured any research or analysis contained in this document for its own use. It is provided to you only incidentally and any opinions expressed are subject to change without notice.

This document may not be distributed to third parties. It is confidential and intended only for the recipient. The recipient may not photocopy, transmit or otherwise share this document, or any part of it, with any other person without the express written permission of Martin Currie Investment Management Limited.

The document does not form the basis of, nor should it be relied upon in connection with, any subsequent contract or agreement. It does not constitute, and may not be used for the purpose of, an offer or invitation to subscribe for or otherwise acquire shares in any of the products mentioned.

Past performance is not a guide to future returns.

The distribution of specific products is restricted in certain jurisdictions, investors should be aware of these restrictions before requesting further specific information. The views expressed are opinions of the portfolio managers as of the date of this document and are subject to change based on market and other conditions and may differ from other portfolio managers or of the firm as a whole. These opinions are not intended to be a forecast of future events, a guarantee of future results or investment advice.

Please note the information within this report has been produced internally using unaudited data and has not been independently verified. Whilst every effort has been made to ensure its accuracy, no guarantee can be given. 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.

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**

Both companies are authorised and regulated by the Financial Conduct Authority.
Martin Currie Inc, 280 Park Avenue, New York, NY 10017 is also registered with the Securities Exchange Commission.
Please note that calls to the above number may be recorded.