

MARCH 2024

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, 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 documents, which apply across all regions, are reviewed annually, to ensure that we stay abreast of developments and best practice.

2. Commentary - Martin Currie Japan investment team

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

The ideology of the 'New Japan' has now been reverberating through Japanese society for multiple decades. Acknowledging the complex challenges presenting themselves to the nation, this programme of structural reform targets economic growth through technological progress and resource mobilisation within efficiently operating sectors. The emergence of new growth industries, new products, and innovative means of employment are a culmination of the powerful tailwinds propelling companies exposed to this dynamic.

This structural socio-economic shift presents a significant opportunity to invest in profitable and growing companies. The Japan Equity strategy applies this practically by screening the investment universe for alignment to 3 distinct 'New Japan' sub-themes: ageing society, technology, and new dynamics. We believe that by investing in line with these societal drivers we can capture growth in the Japanese market.

The strategy is unconstrained by any benchmark and typically consists of between 30-50 high quality stocks held for the long term. These stocks are typically trading on reasonable ratings to avoid a 'growth at any price' mentality.

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 leverage data and technology to reduce the investment universe, enabling us to allocate resource wisely in the team. We conduct detailed research and analysis of companies held and prospective investments 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.

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
GMO Payment Gateway	Communication	5.70	0.06	5.64	2.5	3.0
OBIC	Communication	5.39	0.24	5.15	2.7	2.8
Baycurrent Consulting	Services	5.20	0.11	5.09	2.2	1.8
SMS	Services	5.18	0.03	5.15	1.8	2.2
Fujifilm	Chemicals	4.83	0.47	4.36	1.7	2.6

Source: Martin Currie as at 31 December 2023. FTF Martin Currie Japan Equity Fund. Index: TOPIX. 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.

GMO Payment Gateway is a payment services company expanding domestically as digital payments gain share both on and offline. Given the data which the company holds, credit card information, addresses, emails etc., data security is clearly a key risk for the company. The company has a number of certifications to attest to the standards to which they operate as well as conducting suitable staff training programmes. The business itself is beneficial to productivity, something needed by Japan for future development, however as Japan adopts digital payment systems, consumer and business awareness of fees does risk becoming an issue of controversy. From a governance perspective the main issue is that the parent company, GMO Internet, owns over 40% of the shares and has directors on the board, so the oversight for a minority shareholder could in theory be compromised.

OBIC is a provider of ERP (Enterprise Resources Planning) software services to mid-size companies. Their business is benefiting from the growth of Digital Transformation projects in Japan. These projects are being driven by Japan's aging population and the resulting requirement for businesses to operate more efficiently and with higher productivity. While accounting staff are particularly in shortage among small and mid-sized companies in Japan due to the requirement of legal and tax expertise, OBIC's software provides systematic solutions to reduce manual work and to integrate accounting with underlying businesses of client companies in a productive manner. From a Governance perspective, the main issue is that the board lacks diversity from a gender perspective.

Baycurrent Consulting is a consulting company focused on their domestic market and growing as they employ more consultants able to satisfy the increasing demands for projects from their clients. Their business is benefiting from the growth of Digital Transformation projects in Japan. These projects are driven by Japan's aging population and the resulting requirement for businesses to operate more efficiently and with higher productivity. Additionally, although still relatively small, the company has been winning consulting work to help companies develop their own ESG strategies including decarbonisation strategies. As a consulting company, it relies heavily on highly skilled labour and higher turnover is something we monitor at a time when the competition for such workers is growing. From a Governance perspective the main issue is that the board lacks diversity both from a gender perspective and from an industry one. This lack of diversity extends to the overall workforce which is predominantly male.

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SMS is a provider recruitment services for long-term care and medical nurses. The company is well positioned to provide solutions to Japan's growing aging population which result in high demand for care givers and nurses. Mr Shuhei Morofuji, the largest shareholder owning 18% of outstanding shares, has entirely retired from SMS' business in 2014 and does not present any governance issue. Since July 2022, SMS has one female director (20% of total) and the female ratio at the manager level is 40%, which showcases solid diversity. As a recruitment services provider, it is material for the company to warrant personal data security. It appears the data security initiatives are in line with those of industry peers.

Fujifilm engages in wide business lines including Healthcare, Material Solutions, Business Innovation and Imaging. Healthcare and Material Solutions are the earnings drivers. The Healthcare business is well positioned to provide solutions to aging population in developed markets which result in high demand of medical equipment (CT/MRI, IVD etc.) and contract development and manufacturing organisation (CDMO). The Material Solutions business is driven by semiconductor materials used for technologically-advanced electronic hardware and software, which contribute to higher productivity around the globe. From a Social perspective, the company depends on highly skilled professionals to support its key growth businesses of Healthcare and Material Solutions. This exposes the company to recruitment and retention challenges.

3. Fund review of turnover and turnover costs

Turnover %	32.00	<i>Lesser of (purchases or sales)/Average fund size x 100</i>
Portfolio transaction costs (GBP)	(179,137.09)	<i>Total brokerage and execution charges</i>

Source: Martin Currie as at 31 December 2023. FTF Martin Currie Japan Equity 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	GMO Payment Gateway	Medical Data Vision	Goldwin
Company descriptor	A provider of cashless payment services via both online and offline channels, as well as affiliated financial services.	A provider of databases and systems for the medical industry in Japan.	A manufacturer and retailer of sporting and casual clothing, including the North Face brand in Japan.
Issue	Lack of Board independence.	Lack of Board diversity.	Statutory Audit member and committee lacks independence.
Governance, Environmental or Social	Governance	Social and Governance	Governance
Objective	To increase the independence of the GMO Payment Gateway Board from their parent company. Many board members sit on both companies' boards.	To improve diversity on the Board. Specifically, we are concerned about the lack of female directors.	To improve independence of the Audit Board. Japanese companies often employ a separate Audit Board structure. Members are responsible for oversight, but not for strategic decisions. Independence is therefore important. In this case the member in question used to work at a bank which is both a significant shareholder and lender. Additionally other members of the Audit Board have affiliations with suppliers.
Scope and process (of relevant engagement)	We have raised the issue of Board members sitting on both GMO Payment Gateway and the parent company board with the company in a meeting during 2023. The company acknowledged the issue, although have yet to suggest a change.	We emailed the company who acknowledged receipt and passed the details onto management. We have since sold the funds' position in this company.	We have emailed the company explaining our views.

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4.1. Significant votes (cont)

Company Name	GMO Payment Gateway	Medical Data Vision	Goldwin
(Voting) outcome	We voted against the Chairman. Whilst this was in line with ISS it was for a different reason. (ISS considered the board to lack 1/3rd independence and therefore voted against the top management. We disagree on some of the individual assessments after further research.) We voted against as we would prefer more independence from the parent company. However as we consider the board to have fulfilled the 1/3rd independence target, as well as the importance of the CEO, we voted For the CEO and Audit Committee member which was against the ISS recommendation.	We voted against management. In the case of the President of the company this was in line with ISS, holding top management responsible. However, we also voted against the Chair of the Nomination Committee, against ISS recommendation.	Voted against management, against the appointment of Audit Board candidate, with ISS.

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.