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

FTF Martin Currie US 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 Global Long-Term Unconstrained investment team

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

The US Long-Term Unconstrained strategy targets long-term capital appreciation 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.

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 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
Nvidia Corp	Technology	8.16	1.71	6.45	2.00	2.00
Masimo Corp	Health Care	7.54	0.04	7.50	2.67	2.40
Estee Lauder	Consumer Goods	7.19	0.20	6.99	3.17	2.00
Resmed Inc	Health Care	6.34	0.09	6.25	2.33	2.00
Microsoft Corp	Technology	5.40	5.58	-0.18	2.33	1.80

Source: Martin Currie as at 31 December 2021. Legg Mason IF Martin Currie US Unconstrained Fund. Index: MSCI USA Net Div 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.

Nvidia Corp. The company is a computing platform offering the AI hardware, software development kits and applications to its customers. More recently, the company has expanded beyond just core graphic processing units to several acceleration capabilities (including data processing units). We see long-term upside optionality in several secular growth areas, including AI, Cloud and Autonomous Vehicles. Nvidia is an attractive stock, with strong growth and high returns.

Overall, Nvidia rates strongly in our proprietary ESG risk assessment. It is a founder run company, launched in 1993 by current CEO, Jensen Huang and has evolved from a company selling chips for gaming to a platform across the AI solutions stack. As such, the principal areas of focus in our interactions with the company have been around board and management structure including tenure and diversity. We believe the current incentive plan is too short-term geared or at least too fluent, however this is not unusual for a founder run business that is growing fast. We are also seeking to engage on shareholder opposition to the re-election of a board member. Taxation also remains a risk due to potential corporate tax increases from the Biden administration focused on the technology giants.

Masimo Corp. A manufacturer of non-invasive patient monitoring technologies, it boasts high barriers to entry and 50% market share with strong recurring revenues growing double digits. Notable ESG strengths, in our view based on our analysis, are strong management and the company culture. However, we also see the strength of management as a risk 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.

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.

As an essential provider of health care services, Masimo's continued operations remain of importance during the COVID-19 pandemic. In response to hospital over-utilisation and the risk of exposure to both frontline workers and patients escalating, the company launched Masimo SafetyNet. This is a personal wearable remote monitoring device (with temperature measurements) linked to a secure, cloud-based patient surveillance platform to help clinicians provide remote care for patients with COVID-19 and subsequently other conditions such as chronic obstructive pulmonary disorder (COPD). This allowed patients to remain at home under the supervision of a clinician. In turn, clinicians could devote medical attention and hospital beds to patients in more critical condition, thereby increasing hospital capacity and reducing clinicians' exposure to COVID-19.

Estee Lauder. Estee Lauder is a global leader in prestige beauty through a diversified portfolio of 30 brands. It is benefitting from multiple structural growth drivers including the rise of the Chinese consumer and the expansion of e-commerce. Notably, as a pure play on prestige we see it as uniquely positioned to capture growth from global premiumisation trends, supported by a growing middle class, and the desire for higher-quality products. These trends enable the brands to grow revenue sustainably at 6–8%+ per year (compared with the global beauty industry growth of ~3–5%). Furthermore, the migration from bricks and mortar channels to online provides a favourable profitability mix and supports the long-term expansion of group operating margins. However, the move to digital also creates threats. Store closures are a recurring theme in developed markets while there is a debate around whether barriers to entry have increased or decreased as brands move online. E-commerce has fuelled the boom in Chinese consumption over recent years and the longevity of this growth remains to be seen. Estee Lauder embeds sustainability into the business with a focus on climate (in 2020 it joined the CDP's climate A-list), sustainable packaging, ingredient transparency, and diversity and inclusion,. From an ESG perspective, we have previously applied greater focus to governance, due to the Lauder family controlling voting rights and a history of high executive compensation. In 2021, we again voted against the executive compensation plan, while we valued the performance of the CEO, we saw package as excessive.

Resmed Inc. The company is a global leader in the development of medical devices and cloud-based software applications that diagnose, treat, and manage respiratory disorders including sleep disordered breathing (more commonly known as sleep apnea), asthma and chronic obstructive pulmonary disorder (COPD). The company has a very attractive long-term revenue growth outlook. It is estimated that more than 424 million individuals globally have moderate to severe sleep apnea, with the percentage diagnosed below 15% and the percentage treated by ResMed below 3%, despite the company being market leader. The combined potential patient base including asthma and COPD numbers in excess of 1 billion globally.

We have continued to engage with management to gain comfort with board structure and composition, given the presence of the current CEO and previous CEO (and founder). We see this as having been substantially addressed with several recent additions bringing diversity, relevant experience in technology, route to market and local emerging markets, and the decision in 2022 to declassify the board. Cybersecurity is an area we continue to monitor given the company's position as a connected device manufacturer with data on millions of active patients and clinical trial participants. One ongoing point of focus is the use of plastics in disposable components contributing to an increased environmental footprint, although this must be weighed up in the context of superior healthcare outcomes, lower costs, the reduced carbon emission and waste because of a reduction in hospital visits. We also have had an ongoing dialogue with management on remuneration since they have moved away from a relative total shareholder return (TSR) scheme due to a lack of suitable peers towards absolute return and an absolute earnings figure. It is important if using absolute metrics that ambitious but achievable targets are set, and while operational performance has been strong and we see targets as reasonable, we continue to communicate that we think the compensation plan can be improved from here.

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 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.

3. Fund review of turnover and turnover costs

Annual turnover %	19.0	*Lesser of (purchases or sales)/Average fund size x 100*
Fund transaction costs (GBP)	42,552.44	*Total brokerage and execution charges*

Source: Martin Currie as at 31 December 2021. FTF Martin Currie US 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	Microsoft	Veeva	Visa
Company descriptor	US technology company	US cloud computing company servicing pharmaceutical and life sciences industries	US payments firm
Issue	To support shareholder proposals to improve disclosure on ESG issues	Re-election of a director considered to be 'over boarded' and the threshold required in order to call a special meeting.	To ensure changes to the compensation plan were aligned to performance.
Governance, Environmental or Social	Social	Governance	Governance
Objective	The shareholder proposals included improving disclosure on gender and racial pay gaps, and oversight of trade associations and political payments.	Paul Sekri was proposed for election as a director, however he already serves on the board of five public companies, and we considered this overboarding. We also sought to support a proposal to improve shareholder rights, this was the right to call a special meeting at a 15% ownership threshold.	We needed to ensure that the changes to the compensation package made during the year to take into account the impact of the pandemic were both Appropriate and that the FY2021 target was aligned with performance, rather than to facilitate an easy pay out from a post-pandemic financial performance recovery.

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4.1. Significant votes (cont)

Company Name	Microsoft	Veeva	Visa
Scope and process (of relevant engagement)	We believe improving disclosure on gender and racial pay gaps are important to drive transparency which we believe could increase accountability for the diversity efforts that the group is making.	In terms of overboarding we had recently voted against another company on a similar item. We also sought to support the proposal for the 15% ownership threshold against management as we deemed this a suitable level due to the fragmented shareholder base.	Our engagement provided comfort on both matters. We understood that overrides to compensation in 2020 were made with reference to the relevant benchmarking data, were limited to the annual bonus and non-financial targets only, and were made in a context of wider bonus pools being funded and no COVID-19 layoffs/furloughs. The 2021 targets were calibrated to ensure there were strong performance requirements to generate a payout.
(Voting) outcome	We voted against management in support of the shareholder proposals.	We voted against management on both items opposing the election of Mr Sekri and supporting the change to special meeting vote threshold.	We voted in line with management on the proposed changes.

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.

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.

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