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

LEGG MASON IF MARTIN CURRIE US 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 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 portfolio 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
Masimo Corp	Health Care	8.55	0.04	8.51	3.0	2.3
Estee Lauder	Consumer Goods	6.63	0.18	6.45	3.0	2.4
Mastercard Inc	Financials	6.57	0.94	5.63	2.5	2.0
Resmed	Health Care	6.31	0.09	6.22	2.4	2.0
Ansys Inc	Technology	5.81	0.09	5.72	2.1	1.8

Source: Martin Currie as at 31 December 2020. 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.

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.

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, sustainable packaging, ingredient transparency, and diversity and inclusion.

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.

This was recently externally verified as it joined the CDP's 2020 climate A-list. From an ESG perspective, we have previously applied greater focus to governance, due to the Lauder family controlling voting rights and a history of excessive executive compensation.

Mastercard Inc. The payment provider enjoys a leading position within the electronic payment ecosystem as the operator of a 'network of networks', which includes real-time payment services and other infrastructure in addition to its original debit/credit card network. The migration from cash/cheques to electronic payments is a multi-year secular trend which has been further accelerated by the COVID-19 pandemic. The company's role in the payments landscape makes it a long-term beneficiary of this structural shift, resulting in a business model with high incremental margins and free cash flow generation. Mastercard also plays an active role with regard to improving financial inclusion, as the company has committed to leverage its products to bring financially excluded individuals into the 'digital economy' – the previous target of 500 million people has been met in 2020, with a renewed goal of 1 billion by 2025 now in place. The company is further supporting its ESG goals of inclusion and sustainable development through a US$500 million Impact Fund that invests in projects/ventures that tackle these issues.

ResMed. ResMed is a global leader in the development of medical devices and cloud-based software applications that diagnose, treat and manage respiratory disorders including sleep apnea, asthma and chronic obstructive pulmonary disorder (COPD). Combined, these disease areas comprise 424, 339 and 380 million patients respectively with low rates of diagnosis and treatment causing hundreds of billions of dollars in annual cost burden to healthcare systems. ResMed's expertise lies in its use of remote patient monitoring through connected devices that move patients out of high-cost settings such as hospitals while improving patient outcomes, as well as enabling longer-term adherence to treatment. We have engaged several times with management to gain comfort with board structure and membership, given the presence of the current CEO and previous CEO (and founder). We see this as having been substantial addressed with several recent additions bringing diverse, relevant experience in technology, route to market and local emerging markets. 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 the reduced carbon emission and waste because of a reduction in hospital visits.

Ansys Inc. Ansys is the market-leading provider of engineering simulation software: its 'Multiphysics' simulation tools can be used to conduct virtually any part of the engineering design process (including product development and testing). The company's customer base is very diverse, spanning industries and geographies, making revenue less cyclical. Ansys's software is also deeply embedded with its customers' processes, with annual spending increasing over time supporting strong underlying revenue growth and underscoring its profitability. As we move into a world that is increasingly digitised, there are growing numbers of applications for Ansys's products. One potential challenge to Ansys's continued development is the available talent pool of software engineers, meaning attracting and retaining talent is business critical. Competition is also something we are cognizant of, as simulation technology continues to evolve. However, Ansys's Multiphysics offering is unique and its breadth and scale would be difficult to replicate. Ansys's ESG credentials are a key attraction to the stock. Simulation software inherently supports sustainability by reducing the requirement for real-world testing, saving time and materials. Simulation is also being used to design products with sustainability in mind, such as ensuring a product is optimised for lower energy usage. Ansys software is also being utilised by a number of customers developing products that promote sustainability, including wind turbines and electric vehicles.

3. Fund review of turnover and turnover costs

Annual turnover %	28.39	*Lesser of (purchases or sales)/Average fund size x 100*
Fund transaction costs (GBP)	42,138.31	*Total brokerage and execution charges*

Source: Martin Currie as at 31 December 2020. Legg Mason IF 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 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	Amazon
Company descriptor	Digital enabler within a broad IT services landscape	US based brand owner, designer and distributor of sports apparel and footwear globally	US on-line retail platform
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.	A shareholder proposal was put forward requesting that the company produce a report on human rights risk assess-ment
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 believe that companies should align their policies with human rights standards like the United Nations Guiding Principles on Business and Human Rights (UNGPs). Companies linked to human rights abuses face material risks, including reputational damage, project disruptions, and litigation, which can undermine shareholder value. and as such this is a potentially material business risk.

4.1. Significant votes (cont)

Company Name	EPAM	Nike	Amazon
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 payout for the 9mths of the year pre-COVID). They do not believe that the Chairman of the Audit committee lacks independence.	Our analysis of the proposal suggested that it was a well-structured and reasonable request and focused on an issue that is potentially material to the business and its reputation.
(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 compensation (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.	The company highlight they will expand their risk assessment approach in 2020. However timing and details are unknown and as such we made the decision to support the proposal.

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.