SHAREHOLDERS' RIGHTS DIRECTIVE (SRDII)
REPORT TO 31 DECEMBER 2022

FTF Martin Currie UK Mid Cap Fund

MARTIN CURRIE
A Franklin Templeton Company

MARCH 2023

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. 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. Portfolio commentary – Martin Currie UK investment team

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

The Martin Currie UK Equities Team (the 'Team') expects long-term performance of its investment strategies to be driven primarily by stock selection decisions made by the portfolio managers. Stock selection is the result of an active and disciplined investment approach, based on bottom-up fundamental research and stock valuations.

The Team's bottom-up approach includes a rigorous financial analysis, as well as the consideration of governance and sustainability factors, in order to assess the attractiveness of an investment idea and analyse the risk/reward profile of a company. The team seeks to identify financially robust companies with attractive long-term prospects, sustainable business models, clear ownership and sound governance structures aligned with stakeholders. Any potential exposure to sustainability and governance risks is examined as this may impact long-term performance. Actions taken by management to address those risks, if any, are also assessed. The investment approach followed by the team also involves a notable degree of engagement with company management on key topics, and the consistent exercise of proxy voting aimed at influencing and representing what the team views as being in the best long-term interest of shareholders.

The portfolio is managed in accordance with the investment objectives and policies, as detailed in the policy documentation. As an integral part of the investment process, investment goals, eligible/permissible instruments, exposure to market cap segments and cash limits, are all captured and reflected in the fund during the portfolio construction phase. Moreover, portfolio holdings and characteristics are continuously monitored by the Team, as well as Martin Currie's investment risk oversight function, ensuring that all portfolio holdings and characteristics are in-line with the IMA guidelines.

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

Our aim when producing our proprietary governance and sustainability risk ratings is to provide fundamental insight into material ESG issues 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 ESG 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 ESG 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
Spirent Communications	Telecommunications	4.66	0.70	3.96	1.90	2.40
Cranswick	Consumer Staples	4.52	0.71	3.81	1.75	2.25
Qinetiq	Industrials	4.06	0.82	3.24	2.90	2.85
Grainger	Real Estate	3.92	0.81	3.11	2.00	2.15
Serco Group	Industrials	3.85	0.79	3.06	1.75	2.70

Source: Franklin Templeton as at 31 December 2022. Data shown for the FTF Martin Currie UK Mid Cap Fund. FTSE 250 (ex-ITs) Index used as benchmark.
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 portfolio where we feel warranted.

Spirent Communications provides testing solutions to develop devices and equipment and to operate networks worldwide. The company operates through Networks & Security, Lifecycle Service Assurance, and Connected Devices segments. Due to the continued technological advancements of its end customers it is imperative that Spirent have the capability to invest appropriately to maintain its market leading position in its core markets and expand its offering to obtain a greater share of clients wallets. In addition, given the sustainability focus of end customers it is imperative that this is front and centre for the group and its proposition to customers. We view the Group as progressive in meeting governance best practice and putting appropriate remuneration structures in place to drive alignment with other stakeholders. The group has also outlined clear environmental targets and demonstrated success in attaining recent targets around areas such as renewable energy (net zero by 2035) and product (compliance with waste regulations). Spirent also engaged with more than 300 key suppliers to obtain formal acceptance of its new Supplier code of conduct aimed at negating supply chain sustainability risk.

Cranswick is a UK producer of fresh meat, premium convenience and gourmet products. We were encouraged by what we view as a well invested asset base and market leading proposition. Moreover, we were attracted by the company's focus and investment into technology and modern production techniques in an industry where others have instead refrained to spend money. The company has demonstrated the highest level of Animal Welfare standards and was recently awarded a tier 1 rating in the recent Business Benchmark on Farm Animal Welfare (BBFAW) report, demonstrating that it is seen to have animal welfare 'integral to business strategy'. Whilst meeting management they explained how Second Nature, the group's sustainability strategy, is ingrained in the group's main commercial strategy and how it seeks to address environmental and sustainability issues in the way the company operates.

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 securities discussed here were or will prove to be profitable. It is not known whether the stocks mentioned will feature in any future portfolios managed by Martin Currie. Any stock examples will represent a small part of a portfolio and are used purely to demonstrate our investment style.

Engagement with the management team supported our investment case. They are astutely aware of the increasing importance of food provenance and traceability and the higher standards of animal welfare that customers are demanding. Cranswick's focus is on the rising standards and capital requirements to operate efficiently in the market and acting as strong barriers to entry for new potential entrants.

QinetiQ is a science and engineering contractor that operates principally in the security and defence markets. Existing management has delivered impressive growth since 2015 from both a fundamental (c. 70% revenue growth) and a sustainability (significant reduction in scope 1 and 2 emissions) perspective. We acknowledge that some board members have broader executive commitments outside of QinetiQ and this is something that we continue to monitor. We are also engaging with the business on remuneration structure as we feel that this could be better aligned with the average contract tenure of the firm. Operating in the defence and security markets may lead to enhanced scrutinywhich is reflected in our sustainability rating despite strong environmental management outlined below. However, QinetiQ is principally focussed on testing rather than manufacturing, and where it does manufacture it is with the aim to protect eg. bomb disposal technology. QinetiQ is also considered a leader in its field from an environmental perspective, and outlined some of these metrics in the net-zero plan that was published in 2022.

Grainger is a FTSE 250 listed market-leader in UK rental housing, and the UK's largest listed residential landlord with nearly 10,000 rental homes. Fully integrated, the business employs experts to originate and develop land/property, invest in attractive property, and operate and manage properties for customers. We are supportive of management who have significantly outperformed targets initially communicated at the outset in 2016, and we view the governance structure as appropriate and progressive in achieving best practice. The group undertakes refurbishments of the common areas of its properties which upgrade the lighting and where required the building fabric. These refurbishments typically result in an overall 30-50% reduction in energy consumption. Between 2020 and 2021, the group completed major refurbishments on six properties, achieving reductions in energy consumption on all buildings, with overall reductions of up to 51% and year-on-year savings of up to 23%.

Serco is an outsourcing partner, delivering services to governments and other institutions across Europe, North America, and Asia Pacific in five main areas - defence, immigration, transport, health, and citizen services. The management team joined in 2014 and since then has made great progress from a governance perspective, keeping tight control over aspects such as risk management, bidding, and cost control. For example, there is strong executive representation on their investment committee which oversees all bids and investments. Naturally, governments are progressing their environmental and sustainability agenda across the globe so Serco as an outsourcing provider are contracting on an increasing volume of projects that include specific ESG targets. We are pleased to see their commitment to net zero by 2030, ahead of the wider market. Given the nature of Serco's business, we do acknowledge an arguably heightened risk to threats such as cyber security relative to businesses operating in other sectors, as well as the enhanced scrutiny that public/government services may come under.

3. Fund review of turnover and turnover costs

Annual turnover %	6.69	*Lesser of (purchases or sales)/Average fund size x 100*
Portfolio transaction costs (GBP)	2,415,254.76	*Total brokerage and execution charges*

Source: Franklin Templeton as at 31 December 2022. FTF Martin Currie UK Mid Cap Fund. FTSE 250 (ex-ITs) Index.

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.

4.1 Significant votes

Company Name	Bodycote	Liontrust	RS Group
Company descriptor	Heat treatment provider	Asset manager	B2B distributor
Issue	Remuneration policy	Restricted stock plan	Remuneration policy
Governance, Environmental or Social	Governance	Governance	Governance
Objective	We aim to ensure that the remuneration policy is in line with industry best practice.	We aim to ensure that director incentives are in line with industry best practice.	We aim to ensure that the remuneration policy is in line with industry best practice.
Scope and process (of relevant engagement)	We feel comfortable with the current policy, but will continue to monitor the extent to which it incentivises management and continues to align with the UK Governance Code.	We believe that the salary increases proposed for the CEO and CFO, whilst looking high as a one off percentage increases, do not result in final salaries that are out of line with similar sized FTSE 250 companies. These changes have been proposed after an extensive benchmarking exercise by the board. We view these changes as a market aligned norm given the strong growth in the business over the past years and their proven track record. Both the CEO and CFO salaries have been unchanged since 2015, in fact they were last increased in 2015 by 5%, so should be viewed as a 'catch up' move. It is also noted that any salary increases in future years will be no more than the average for the wider workforce for that year.	We engaged with management prior to our vote, who set out the new management incentive plan. We feel comfortable with the J2G award due to its long-term nature and similarities to their previously used incentive scheme which delivered exceptional shareholder returns. We will continue to monitor the extent to which the J2G award incentivises management.

Company Name	Bodycote	Liontrust	RS Group
(Voting) outcome	We voted with management as we felt the remuneration policy featured several changes which align with the recommendations of the UK Governance Code.	We voted for approval of the remuneration report vs ISS suggestion of against. ISS based its rationale on the CEO and CFO/COO receiving salary increases of c. 58% and 28% respectively for FY2023, which have not been supported by sufficiently compelling rationale. ISS also stated that the salary increases should also be considered in the context of the remuneration policy approved by shareholders at the February 2022 general meeting, which received significant dissent due to concerns regarding increased quantum.	We voted with management as the proposed J2G award at RS Group is a one off, long-term award, vesting over a 3 year period and subject to a 2 year post vesting holding period (until 2027). We feel this is a sufficient long-term time frame.

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 2022.

6. Securities lending policy

We do not participate in security lending for this fund.

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.

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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, research, 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.

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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.

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