SHAREHOLDERS' RIGHTS DIRECTIVE (SRDII)
REPORT TO 31 DECEMBER 2023

MARTIN CURRIE
A Franklin Templeton Company

FTF Martin Currie UK Smaller Companies Fund

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. 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 maintain a strong understanding of their mandates and prospectus investment guidelines. 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
Alpha Group	Financials	4.81	–	4.81	1.6	2.7
JET2	Consumer Discretionary	4.19	–	4.19	2.3	2.7
Chemring	Industrials	3.96	0.82	3.14	2.2	2.6
Bodycote	Industrials	3.63	0.92	2.71	2.3	2.3
Urban Logistics	Real Estate	3.50	–	3.50	2.8	2.5

Source: Franklin Templeton as at 31 December 2023. FTF Martin Currie UK Smaller Companies fund. Numis Smaller Companies (Ex. IT) 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.

Alpha Group is a global provider of financial solutions for corporate and institutional clients, operating across currency management, global accounts, and mass payments. The business has delivered exceptional growth since IPO in 2017 and is looking to move to the Main Market Premium Listing. In preparation for this move, we would look for another Non Exeecutive Direector (NED) to be added to the Board to increase the independence of the Board. The business is low risk from an environmental and social standpoint, but as the business grows and moves to the Main Market, requirements for climate-related disclosures are likely to increase, increasing operating costs for the Group. We feel the business is well prepared for this move.

Jet2 is a British airline and largest tour operator in the UK. We feel the management team is strong and have been astute in their allocation of capital and stewardship of the business through difficult macro-economic conditions, and have primed the business to further expand in 2024. The aviation industry is a high emitting industry which is difficult to decarbonise thus subject to environmental legislation and increased reporting. However, Jet2 has the opportunity to be a first mover in the development and utilisation in Sustainable Aviation Fuel (SAF) – the industry-wide solution to reducing aviation emissions. In April 2023, Jet2 made an investment into a SAF production plant to be constructed in the North West of England. The investment expects to return over 200 million litres of SAF over a 15 year period, thus Jet2 has the opportunity not only to decarbonise its own operations, but further the development of SAF to be used across the aviation sector.

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.

Chemring is a global business which provides technology solutions to the aerospace and defence markets. Particularly important for Chemring is monitoring and responding to geopolitics, as geopolitics and conflicts in specific regions have influence over national defence spending and subsequently the size of the Group's target addressable market. Given the classified nature of some of the products and services Chemring provide to highly important customer groups, the threats from cyber-attacks are especially heightened versus some of the other names in the portfolio. Investment in cyber security may impact profitability but could also be seen as an investment in future revenue opportunities, if the reliability of the Group helps win new contracts with new and existing clients.

Bodycote Plc is a provider of heat treatment and thermal processing services, including technologies like metal joining, hot isostatic pressing, and surface technology. We have been long-term investors in Bodycote and have been encouraged by its on-going commitment to reducing the environmental impact of their activities. By its very nature, heat treatment consumes a significant amount of energy and consequently increases Bodycote's greenhouse gas emissions, however its target to reduce its absolute Scope 1 and 2 GHG emissions by 28% by 2030 (vs 2019 baseline) has been approved by the Science Based Targets Initiative, which we deem best practice. Due to the nature of the business, employee health and safety is a prominent social risk, thus the business is focused on managing hazards and minimising risks to employees through the deployment of robust safety management systems and procedures.

Urban Logistics is a Real Estate Investment Trust (REIT) investing in warehouses across the UK. Management of the Group and its assets is externalised, in the hands of Pacific Capital Partners Limited led by Richard Moffitt and also provides all the finance capability for the Group too. The management team has a depth of experience in logistics, having lived and breathed the sector for most of their professional careers, which works to their favour when seeking opportunities for acquisitions. A key risk for the Group is the cost and technological implications of meeting new environmental regulations, including the Minimum Energy Efficiency Standard (MEES) which, under current government proposals, are to be upgraded to a requirement for EPC (Energy Performance Certificate) rating of C or higher for any new commercial lettings by 2027, and B or higher by 2030. As at March 2023, 52% of assets had EPC ratings of A or B vs 27% in March 2022, thus Urban Logistics are making strong progress in this area and are in a good position to be able to comply with changes to MEES.

3. Fund review of turnover and turnover costs

Annual turnover %	37.29	*Lesser of (purchases or sales)/Average fund size x 100*
Portfolio transaction costs (GBP)	69,199.51	*Total brokerage and execution charges*

Source: Franklin Templeton as at 31 December 2023. FTF Martin Currie UK Smaller Companies 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.

4.1 Significant votes

Company Name	Hotel Chocolat	DFS	Devolver
Company descriptor	Luxury Chocolatier	Furniture and soft furnishings retailer	Video game developer
Issue	Remuneration of new CFO not subject to performance conditions.	CEO Remuneration	Management remuneration
Governance, Environmental or Social	Governance	Governance	Governance
Objective	The new CFO joined in May 2023 and received a £124k bonus not subject to performance conditions, with no explanation from the Remuneration Committee as to whether this was part of a sign on package. The Remuneration Committee also approved a guaranteed bonus for the new CFO of £130k in FY24 with no performance conditions – this is the maximum payout of the FY24 bonus opportunity (base salary £260k and max bonus is 50% of base salary for CFO). The lack of transparency is concerning. It would be preferable in FY24 for all Executive Directors to be subject to performance conditions to incentivise focus on delivering business strategy. We used our vote (against the approval of the Remuneration Report) to voice this.	To understand CEO base salary increase and encourage changes to the Remuneration Policy.	To encourage more stretching LTIP metrics.

4.1 Significant votes (cont)

Company Name	Hotel Chocolat	DFS	Devolver
Scope and process (of relevant engagement)	No further engagement action was possible as the company was acquired by Mars and have since delisted.	We met with Gill Barr, Head of Remuneration Committee, in October 2023 to discuss the 2023 Remuneration Report. We found the CEO's pay had fallen below the median peer group pay, having reviewed the peer group we believe it is an appropriate benchmark. Recent company performance is not out of line with the upholstery market in the UK and the company has been taking market share. While shareholder returns have been poor, the company is in a cyclical market and we are supportive of the CEO's strategy. Thus, we believe that the pay increase is not excessive for the CEO and have escalated our engagement through voting for the Remuneration Report at the 2023 AGM.	In December 2022, we voted against 'Approve Long-Term Incentive Plan' as we felt the targets in place were not stretching enough. We have continued to vote against the Remuneration Report at the 2023 AGM for similar reasons.
(Voting) outcome	We voted against management and with our proxy advisor ISS.	We voted with management in support of the Directors' Remuneration Report, against ISS recommendation. 70.5% of votes cast were in support of the Remuneration Report.	We voted against management, and 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 2022.

6. Securities lending policy

We do not participate in security lending for this fund.

Important information

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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.

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.

MARTIN CURRIE
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