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

FTF Martin Currie UK Managers' Focus 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
Bodycote Plc	Industrials	2.78	0.05	2.73	2.30	2.30
Spirent Communications	Telecommunications	2.71	0.07	2.64	1.90	2.40
Cranswick	Consumer Staples	2.66	0.07	2.59	1.75	2.25
Next	Consumer Discretionary	2.63	0.31	2.32	1.60	3.10
Vesuvius	Industrials	2.61	0.04	2.57	2.60	3.05

Source: Franklin Templeton as at 31 December 2022. Data shown for the FTF Martin Currie UK Managers' Focus Fund. FTSE All-Share 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.

Bodycote Plc engages in the provision of thermal processing services. Its thermal processing services comprises of core technologies, which include heat treatments, metal joining, hot isostatic pressing, and surface technology. We have been long-term investors in Bodycote and have been encouraged by their on-going commitment to reducing the environmental impact of their activities.

Bodycote seek to comply with the standards set by the International Organization for Standardization (ISO), specifically compliance with the requirements of ISO 14001, which maps out a framework that a company or organization can follow to set up an effective environmental management system. This helps to minimise the risk of adverse environmental effects at Bodycote's sites.

In terms of governance, we have been impressed by Bodycote's management team, which has helped drive long term shareholder growth.

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.

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.

Next is a UK high street and online fashion retailer with over 500 stores in UK and Ireland and nearly 8 million online customers internationally. The presence of Next's established online retail platform enabled it to deliver strong performance throughout the pandemic to offset the closures of the retail stores. Next is under the guidance of a highly regarded CEO who has delivered strong returns on capital under his tenure. Further, the transparency of information from the company is market leading, with in depth qualitative and quantitative updates provided frequently. Our main areas for engagement are related to supply chain risks. For example, several apparel companies including Next were recently named in a report by the Clean Clothes Campaign (CCC) as alleged beneficiaries of poor working conditions in Romania. This is an area that we monitor closely and Next continues to enforce its code of practice on supply chains as well as maintaining close links with international suppliers, non-governmental organisations and trade unions.

Vesuvius is a global leader in metal flow engineering and technology, providing engineering services to the steel and foundry industries. The group has undergone significant restructuring under existing management, closing multiple plants but enhancing efficiencies such that capacity is not compromised. We believe that Vesuvius is a good business that generally has very strong market positions/technology versus its peers, but operates in markets that have large customers and demand cyclicality. Whilst the board of directors and key committees are in line with the recommendations of the UK corporate governance code, we would support enhanced executive stock ownership and retention terms. Our engagement also focuses on environmental risks - the consumable ceramic products that Vesuvius supplies have a short service life (often a matter of a few hours) due to the significant wear caused by the extremely demanding environment in which they are used. The rate of usage of the products may potentially in the future be viewed as unsustainable, but we are pleased to see progress towards reduced energy consumption through the replacement of high-Co2 electricity with greener electricity, and a commitment to reach net-zero status by 2050. Publication of employee retention and satisfaction metrics would also be a welcome development.

3. Fund review of turnover and turnover costs

Annual turnover %	16.21	*Lesser of (purchases or sales)/Average fund size x 100*
Portfolio transaction costs (GBP)	257,174.57	*Total brokerage and execution charges*

Source: Franklin Templeton as at 31 December 2022. Data shown for the FTF Martin Currie UK Managers' Focus Fund. Index: FTSE All-Share 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	Devolver	GSK	RS Group
Company descriptor	Video game publisher	Pharmaceutical company	B2B distributor
Issue	Restricted stock plan	Remuneration policy	Remuneration policy
Governance, Environmental or Social	Governance	Governance	Governance
Objective	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.	We aim to ensure that the remuneration policy is in line with industry best practice.

4.1. Significant votes (cont)

Company Name	Devolver	GSK	RS Group
Scope and process (of relevant engagement)	We will use this outcome to help inform our vote at the 2023 AGM on issues surrounding remuneration, and continue to monitor changes to the remuneration policy.	We will use this outcome to help inform our vote at the 2023 AGM on issues surrounding remuneration, and continue to monitor changes to the remuneration policy.	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.
(Voting) outcome	We voted against management due to their extension of the 2022 LTIP to NEDs and its lower performance hurdles.	We voted against management as growth rates and shareholder returns have been well below what the sector as a whole has achieved over current CEO's tenure. To propose a new opportunity that would create the highest potential bonus in the FTSE 100 for a company that is about to reduce in size through the consumer spin our seems opportunistic.	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

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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.

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.

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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