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

FTF Martin Currie UK Equity Income Fund (SICAV)

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
BP	Energy	5.07	3.71	1.36	2.45	2.95
Unilever Plc	Consumer Discretionary	5.06	4.59	0.47	3.00	2.70
Shell	Energy	4.97	7.18	-2.21	2.60	3.80
AstraZeneca Plc	Healthcare	4.47	7.22	-2.75	2.05	2.55
Rio Tinto Plc	Industrials	3.49	2.73	0.76	2.55	3.25

Source: Franklin Templeton as at 31 December 2022. Data shown for the FTF Martin Currie UK Equity Income Fund (SICAV). 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.

BP is one of the largest oil and gas businesses operating on a global scale. Clearly the principal environmental risk in the sector stems from greenhouse gas emissions (scope 1,2,3 emissions) along with damage caused from operations and accidents. However, BP is leading the UK oil and gas industry when it comes to the carbon transition with a more ambitious approach that focusses on renewables as opposed to transitioning with natural gas. Following the Russian military action against Ukraine, BP announced that it will exit its 19.75% stake in Rosneft, which was valued in 2021 at USD 25 billion.

Unilever Plc (ULVR) is a multinational consumer goods company that provides fast moving consumer goods (FMCG). ULVR in recent years have made a clear and fundamental shift to incorporating sustainability and governance issues across all areas of the business. This is evident in our dialogue with the company and through investor presentations. In our view the company does present Sustainability risks but has strong policies in place to mitigate.

The most prominent Sustainability risks for Unilever relate to the environmental and social impacts of their products, business ethics and supply chain.

A key focus has been increased consumer awareness of plastic pollution and demand for natural and more sustainable products. In 2019 ULVR were quoted as one of nine top global plastic polluters in the Break Free from Plastic report for the second time. Our view is that ULVR is taking aggressive action to reduce the environmental footprint of their packaging for example by halving waste associated with disposal of their products.

Shell has a more diverse asset base which is roughly 50% in intermediate energy such as natural gas which does help to reduce the intensity of their emissions, both in own operations and from their products. Shell has significant risks related to pollution and oil production. Significant spills related to sabotage and theft in Nigeria continue to be an ongoing issue for the business but Shell has now committed to exiting its Nigerian operations. The company has made steps to move oil operations further offshore in the region to prevent further spills and continue to compensate individuals impacted regardless of cause. We continue to monitor events and engage with Shell on oil spills as these incidents have dramatic impacts on the environmental and cost profile for the business. We were encouraged by Shell's rapid communication on its intent to dispose of assets linked to Russian operations in the aftermath of Russia's invasion of Ukraine.

We have attended calls and presentations with Shell which have outlined their plans for energy transition and we continue to believe they have a plausible roadmap in place which will help to manage the shrinking of net emissions whilst maintaining supply of fossil fuels needed through the transition period.

AstraZeneca Plc (AZN) engages in the research, development, and manufacture of pharmaceutical products. We consider AZN to be overall moderate ESG risk as the company operates in an industry with significant risk but this is mitigated by strong policies in place, which we largely agree with. Environmental concerns across the sector are limited. The most material are related to the disposal of effluents and waste which we view as satisfactory due to controls such as water auditing proving to be effective in reducing the level of chemical oxygen demand (COD) in wastewater by 26% since 2018. We continue to monitor social issues such as pricing in the US (which accounts for 33% of AZN revenue) given the political debate focussed around the sector, and risks and developments around the Covid-19 vaccine particularly given the EU/UK contention around supply contracts.

Rio Tinto Plc engages in the exploration, mining, and processing of mineral resources. We are conscious of the importance of ESG to the wider resources sector in ensuring companies operating in the sector continue to maintain their social licence to operate and continue to extract resources responsibly. Mining involves environmental risk including pollution and water/land contamination, poor management of which have come under scrutiny in the light of failures of tailings facilities and hazardous waste incidents in recent years. Although Rio Tinto have been implicated in significant environmental controversies in the past (water pollution in Madagascar & smelter clean up in NZ in July 2020), the company does have strong policies in place in terms of emissions and waste. In our view, Rio are making good ground in respect to the environmental impact of their operations and have strict internal standards for practices which in some cases go far beyond what is required of them by regulators.

3. Fund review of turnover and turnover costs

Annual turnover %	15.36	*Lesser of (purchases or sales)/Average fund size x 100*
Portfolio transaction costs (GBP)	22,385.04	*Total brokerage and execution charges*

Source: Franklin Templeton as at 31 December 2022. FTF Martin Currie UK Equity Income Fund (SICAV). 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	Bodycote	GSK	Informa
Company descriptor	Heat treatment provider	Pharmaceutical company	Publishing company
Issue	Remuneration policy	Remuneration policy	Remuneration report
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 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.
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 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 have engaged with Informa on their remuneration policy alongside this vote. We 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.
(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 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 off seems opportunistic.	We voted against management as we felt the explanation received by the Company regarding ISS recommendations was insufficient. The remuneration report was out of line with market standards, due to the operation of the variable pay schemes, particularly the bonus measures and outcomes as well as the adjustment of the targets of in-flight LTIP awards.

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.

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.

This document is intended only for a wholesale, institutional or otherwise professional audience. Martin Currie Investment Management Limited does not intend for this document to be issued to any other audience and it should not be made available to any person who does not meet this criteria. Martin Currie accepts no responsibility for dissemination of this document to a person who does not fit this criteria

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, 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.

MARTIN CURRIE
A Franklin Templeton Company

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), 2nd Floor, 5 Morrison Street, Edinburgh EH3 8BH

Tel: (44) 131 229 5252 Fax: (44) 131 228 5959 **www.martincurrie.com**