

**FORM ADV PART II**

31 March 2015

**MARTIN CURRIE INVESTMENT MANAGEMENT LIMITED**

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This brochure provides information about the qualifications and business practices of Martin Currie Investment Management Limited. If you have any questions about the contents of this brochure, please contact us at 0011 44 131 229 5252 or at [clientservices@martincurrie.com](mailto:clientservices@martincurrie.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Martin Currie Investment Management Limited is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

Martin Currie Investment Management Limited is referred to throughout as 'MCIM'. MCIM is part of a wider group of companies, collectively referred to as 'Martin Currie' or the 'Group'. An affiliate of MCIM, Martin Currie Inc, is also a registered investment adviser and is referred to as MCI.

## ITEM 2 – MATERIAL CHANGES

This form is updated annually; the last full review occurred on 31 March 2015.

There are no material changes to report.

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## ITEM 4 – ADVISORY BUSINESS

### Item 4A. The firm

Martin Currie is an active equity specialist, driven by investment expertise and focused on managing money for a wide range of global clients. Founded in 1881, the firm offers distinctive active equity portfolios for a diverse range of clients including financial institutions, charities, foundations, endowments, pension funds, family offices, government agencies and investment trusts. They service clients from their offices in Edinburgh (headquarters), London, Melbourne, New York and Singapore.

On 1 October 2014, Martin Currie (Holdings) Limited was acquired by Legg Mason Inc. Prior to this, directors and staff collectively owned 51.4% of the company's voting stock and the remaining 48.6% was owned by three external investors.

The partnership with Legg Mason was independently sourced by Martin Currie management. Legg Mason affiliates operate with investment autonomy, with each affiliate pursuing its own unique investment philosophy and process and maintaining its own investment culture, in order to create sustainable value for its clients. Legg Mason provides global distribution and invests in growth through core strategic services including capital allocation for product development, investing in existing affiliates and making new acquisitions.

Martin Currie assumed full responsibility for the investment management division of Legg Mason Asset Management Australia Limited ('LMAMAL') (Legg Mason's Australian business) on 1 January 2015. As part of this, LMAMAL's investment division was rebranded as Martin Currie Australia ('MCA').

As at 31 March 2015, the Group has US\$12.4 billion assets under management. This includes the assets under management of Martin Currie Australia.

### Item 4B. Our advisory services

Martin Currie principally offers investment management services in two distinct ways:

1. Segregated accounts where a portfolio is managed on behalf of an individual client; and
2. Managed portfolios via pooled-fund structures that combine the assets of individual investors.

Its clients, whether via a segregated account or a pooled structure, appoint Martin Currie to manage assets with specific investment objectives and strategies. Each product is driven by one of four principal strategy types, each defined by its own risk framework:

- **Absolute return:** –Long/short strategies that target a real return above cash with low absolute drawdowns and volatility.
- **High active share** – Relative return strategies that aim to generate alpha through stock selection with a pre-determined level of risk
- **Income** – High-dividend strategies that also aim to provide capital growth.

This table illustrates the products offered to clients as at 31 March 2015.

Region	Product offering
Asia-pacific	Asia ex-Japan, Asia Long-Term Unconstrained, Pan-Asia
Charities	Client specific mandates
China	Greater China multi-cap, Specialist China
Europe	Absolute return, European equity income
Global	Global equity income, Global index relative, Global resources
Global emerging markets	Index relative
Japan	Absolute return, Index relative
North America	Index relative

Please refer to Item 8, *'Methods of Analysis, Investment Strategies and Risk of Loss'* for more

#### Item 4C. Tailoring services to client needs

Clients' interests are at the heart of everything Martin Currie does. The firm actively encourage employee engagement across all areas of the business. This commitment closely aligns their aspirations with those of their clients, enabling a culture of individual responsibility and shared success.

Martin Currie recognises that every client is unique; they embrace this by enabling portfolio managers with the freedom to shape investment strategies to meet the needs of clients. A separate investment management agreement ('IMA') is established for each segregated client portfolio. Within the IMA, clients define the investment parameters within which the mandate must be managed as per their specific requirements. These can include minimum or maximum cash levels, restrictions on the amount of the portfolio that can be invested in a particular country or region, or the amount of the portfolio that can be invested in a particular type of security. These parameters are then recorded on Sentinel, an investment restriction monitoring system. The system prevents any action that will breach investment limits at a pre-trade level.

In addition, Martin Currie check for inadvertent limit breaches caused by market movements on a daily basis and ensure that appropriate remedial action is taken. Although portfolio managers will generally apply the same investment philosophy to all portfolios they manage, the composition of each portfolio may differ due to individual client restrictions. As a result, the performance of each portfolio will be different, with some portfolios performing better than others.

#### Item 4D. Wrap Fee Program Services

MCIM does not provide portfolio management services to any wrap fees programs.

#### Item 4E. Discretionary and Non-Discretionary Assets Under Management

As at 31 March 2015, the Group has US\$12.4 billion assets under management. This includes the assets under management of Martin Currie Australia.

## ITEM 5 – FEES AND COMPENSATION

### Item 5A. Standard Fees

Our standard fee structure for managing segregated investment portfolios is categorized by investment strategy. The table below sets out the standard management fees payable by strategy:

Core investment strategy	Management fee	Core investment strategy	Management fee
<b>ACWI ex US and EAFE</b> First US\$50 million Next US\$50 million Next US\$150 million Next US\$250 million Next US\$500 million	0.65% 0.60% 0.50% 0.40% 0.40%	<b>Global Income</b> First US\$50 million Next US\$50 million Next US\$150 million Next US\$250 million Next US\$500 million	0.75% 0.60% 0.50% 0.40% 0.40%
<b>Global Emerging Markets</b> First US\$50 million Next US\$50 million Next US\$150 million Next US\$250 million Next US\$500 million	0.85% 0.80% 0.75% 0.70% 0.60%	<b>Greater China Multi-Cap</b> First US\$50 million Next US\$50 million Next US\$150 million Next US\$250 million Next US\$500 million	0.75% 0.75% 0.70% 0.65% 0.60%
<b>Global-Alpha</b> First US\$50 million Next US\$50 million Next US\$150 million Next US\$250 million Next US\$500 million	0.75% 0.65% 0.55% 0.50% 0.45%	<b>Asia Long Term Unconstrained</b> First US\$50 million Next US\$50 million Next US\$150 million Next US\$250 million Next US\$500 million	0.75% 0.75% 0.75% 0.70% 0.65%
<b>Asia ex-Japan</b> First US\$50 million Next US\$50 million Next US\$150 million Next US\$250 million Next US\$500 million	0.75% 0.75% 0.70% 0.55% 0.50%	<b>Asia inc-Japan</b> First US\$50 million Next US\$50 million Next US\$150 million Next US\$250 million Next US\$500 million	0.70% 0.70% 0.65% 0.55% 0.50%
<b>Japan Core</b> First US\$50 million Next US\$50 million Next US\$150 million Next US\$250 million Next US\$500 million	0.70% 0.60% 0.50% 0.40% 0.35%	<b>Japan Alpha</b> First US\$50 million Next US\$50 million Next US\$150 million Next US\$250 million Next US\$500 million	0.75% 0.75% 0.75% 0.75% 0.75%
<b>European Income</b> First US\$50 million Next US\$50 million Next US\$150 million Next US\$250 million Next US\$500 million	0.75% 0.60% 0.50% 0.45% 0.40%	<b>North America</b> First US\$50 million Next US\$50 million Next US\$150 million Next US\$250 million Next US\$500 million	0.75% 0.65% 0.55% 0.50% 0.45%

Fee rates are negotiable and certain clients may have more favourable fees to those stated above. For example, rates may be negotiated based on the size or complexity of a client's portfolio. For example, rates may be negotiated based on the size or complexity of a client's portfolio.

In addition to providing investment management services for segregated investment portfolios, MCIM acts as the investment adviser to a number of funds. Details of the fees received from these funds are set out below. Additional information is available in each fund's offering documents.

MCIM is investment adviser to Martin Currie Absolute Return Funds Limited - umbrella funds incorporated as open-ended investment companies under the laws of Bermuda and sold under private placement. MCIM receives a management fee at the annual rate of 1.5% of the net asset value of the funds, accruing quarterly on each valuation day and payable quarterly in arrears. The Manager of Martin Currie Absolute Return Funds Limited, Martin Currie (Bermuda) Limited, a company incorporated in Bermuda and also an affiliate of MCIM, is paid a performance fee of 20% of the increase in the net asset value applicable to each class of share in issue in respect of each fiscal year. The Manager is reimbursed all reasonably incurred out of pocket expenses.

MCIM is investment adviser to Martin Currie Asia Long-term Unconstrained Fund, an exempted company incorporated with a limited liability under the laws of Bermuda and sold under private placement. MCIM is entitled to receive a fee accruing and calculated monthly at the annual rate of 0.75% of the net asset value of the fund.

MCIM is investment adviser to Martin Currie European Hedge Fund a unit trust under the laws of the Cayman Islands and sold under private placement. MCIM receives a management fee at the annual rate of 1.5% of the net asset value of the funds, accruing daily and payable monthly in arrears. MCIM also receives an annual performance fee of 20% of the appreciation in the net asset value per unit over the high water mark for that series of unit or the subscription price, whichever is the higher. MCIM may itself, exercising its discretion, receive a redemption fee of 1% of the redemption proceeds if the units redeemed were issued less than a year previous to the redemption date.

## **Item 5B. Client Billing**

All clients are billed for the management fees incurred. We do not deduct fees from client's assets. Clients can be billed on either a monthly or quarterly basis, depending on their preference. Certain clients also have performance fee arrangements in place. These clients are also billed for any performance fees earned. Performance fees can be billed on a monthly, quarterly or annual basis. Further information regarding performance fees can be found under Item 6, *'Performance-based Fees and Side-by-Side Management'*.

## **Item 5C. Other Fees and Expenses**

MCIM does not offer custody of client's assets. Each client must make its own custody arrangements. Custodians will charge clients a custody fee, which the client and custodian must negotiate separately.

As part of their portfolio, the portfolio manager may recommend to a client that it invests in a fund for which MCIM, or an affiliate, acts as investment adviser. For such investments, MCIM will adjust clients' management fees so as to ensure they are not double charged.

Clients will also incur brokerage and other transaction costs as part of the portfolio management process. Further information relating to these charges can be found under Item 12, *'Brokerage Practices'*.

## **Item 5D. Advance Payment of Fees**

All of our client invoices are calculated in arrears; no clients pay fees in advance. Clients are not permitted to pay in advance under any circumstance.

## **Item 5E. Compensation for the Sale of Securities or Other Investment Products**

MCIM does not receive commission or compensation for the sale of investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Each member of the MCIM sales team is eligible to receive a bonus for every new client they introduce. The bonus structure rewards the team for growing revenues, as it is based on both the volume and margin of the business they sell. The bonus is calculated as a percentage of the first year's revenue from the sale less certain employment costs. Each member of the team is also eligible to receive an additional award from a separate sales bonus pool. This allows inputs and behaviours, other than those directly linked to revenue growth, to be rewarded. All bonus schemes at Martin Currie are discretionary. Where bonuses directly linked to sales are prohibited by regulation, this element of the bonus scheme will be waived.

Legg Mason Investor Services Inc ('LMIS') is an affiliate of MCIM and a registered broker-dealer authorised to sell interests in a registered company and certain other private offshore funds managed by MCIM or its affiliates. The registered representatives of LMIS also receive a bonus for each new client they introduce. The bonus is calculated in the same way as that received by the MCIM sales team.

The bonus payments could create a conflict of interest between MCIM or LMIS and its clients, as sales employees and representatives could be incentivised to recommend funds or investments based on the compensation received rather than the client's needs. However, neither MCIM employees nor LMIS representatives provide investment advice or make recommendations to clients. MCIM employees and LMIS representatives only provide information relating to the funds and investment strategies it, or its affiliate, manages.

The Group annual business plan sets sales targets for each product range and sales staff therefore target efforts according to the business plan. All sales are reviewed carefully by the Head of Sales and Marketing and the bonus structure for sales takes into account any sales that are not in line with the business plan, for example, allowing bonus to be reduced in these instances. Martin Currie has the facility to claw back variable remuneration should the client withdraw the funds within a defined period. Sales managers are prohibited from entering into non-standard terms or arrangements without prior approval from the Chief Financial Officer, the Director of Sales and Marketing, the Chief Operating Officer and the Head of Investment.

A further conflict which could arise relates to the bonuses received by sales employees for each new client they introduce. A conflict could arise if the employee received a bonus for both the new segregated client and for any fund investments included in the portfolio. To mitigate this conflict we have a process in place for identifying any new fund investments which are part of a segregated portfolio and the bonus scheme gives credit only once in such circumstances.

All of the funds MCIM act as an adviser to can be purchased through non-affiliated brokers or agents.



## ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Fees for all client portfolios are calculated on the value of assets held. In addition, a number of client portfolios may also earn a performance fee. Each performance fee is calculated differently, in line with client specifications.

Managing client portfolios with different fee structures and side-by-side management of performance fee paying and non performance fee paying portfolios may create conflicts of interest as portfolio managers may have an incentive to favour client portfolios with more beneficial fees. For example, prioritising trades for portfolios with performance fees over those for other portfolios or investing in higher risk investments for portfolios with performance fees.

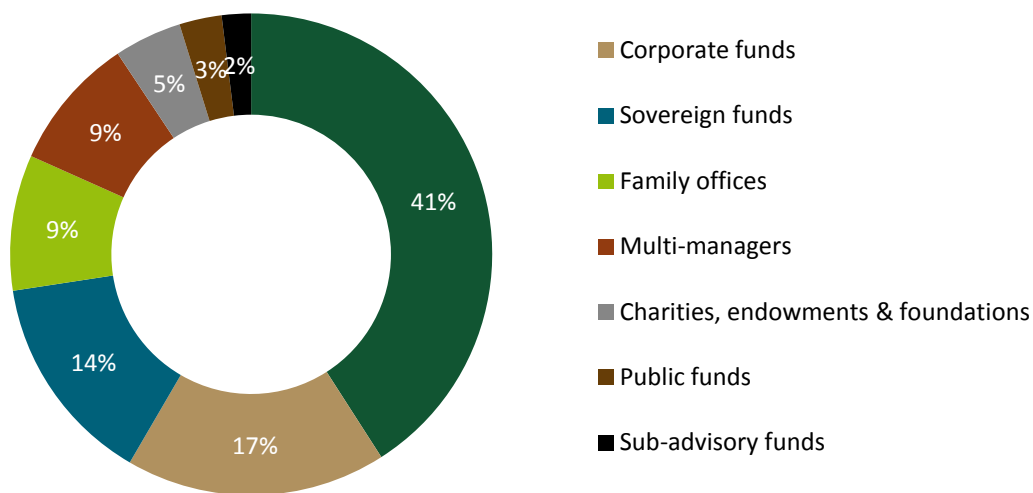
These conflicts of interest are addressed by managing our client's portfolios in accordance with their investment strategy, not their fee structure. Clients with similar strategies are managed collectively, with the portfolio manager generally instructing trades across the client group and not on a client-by-client basis. By following our investment process, this prevents portfolio managers favouring one client over another. Of course, there may be reasons why trades are not always placed across the client group, for example liquidity or specific client restrictions. Our remuneration structure rewards portfolio managers for the successful growth of the products they manage. Any material dispersion will be raised with the Executive and explanation sought. Any bonus is paid as a percentage of the relevant management and performance fees of portfolios within that strategy.

## ITEM 7 – TYPES OF CLIENTS

Martin Currie manage active-equity portfolios for a global client base of financial institutions, charities, foundations, endowments, pension funds, family offices, government agencies and investment funds. Today they manage money for investors located in over 15 different countries, and are organized to serve clients on a global basis.

### Assets under management by client type

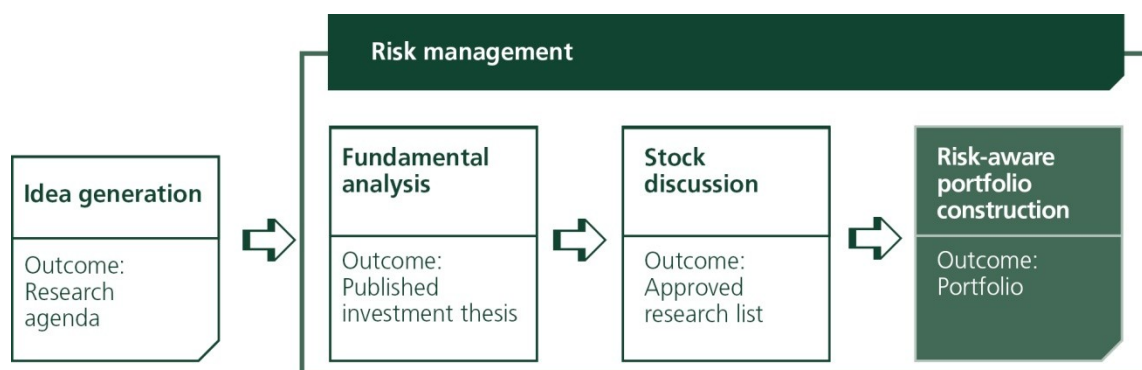
The chart below gives a breakdown of Martin Currie clients by type as at 31 March 2015.



## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### Item 8A. Methods of Analysis and Investment Strategies

At Martin Currie, we are active bottom-up stock pickers. Our investment proposition is simple and focused. By making the connections that others miss, we aim to identify the best money-making ideas and blend them to deliver attractive risk-adjusted returns. Our objective is to derive maximum value from our stock insights and deliver returns in a predictable and sustainable fashion.



We believe that change is the central dynamic behind stock price movement. We recognise that change occurs at both the company level (management changes, product strategies, acquisitions etc) and at a macro level (legislative changes, economic prospects, sector dynamics, etc.). By determining the impact of these changes, we believe that superior investment performance can be delivered.

The majority of our research is generated in-house. Cluster meetings assign responsibility and avoid duplication of effort, but the person who leads the work is accountable to the whole group.

When conducting our fundamental analysis, our in-house research is supplemented by company contact and independent industry research. The table below summarises our approach to creating an information advantage.

	Our approach	Advantages
<b>Company contact</b>	Dedicated call or meeting with senior management. We set the agenda at these meetings.	Companies tend to respond well to the rigour of our analysis and questioning. We have the experience to discount the natural positive bias of management toward their company.
<b>In-house specialists</b>	We use value-chain analysis to look at individual companies and cross-check our assumptions across countries and regions.	By combining our sector and country experience and searching for global connections, we can identify the common drivers that an analyst may miss when looking at a stock in

		isolation, and maximise our chances of finding mispriced stocks.
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Once we have gathered information we look to exploit this information through building a detailed financial model, considering different scenarios and analysing ESG factors. A valuation will then be determined to assess whether a stock merits a valuation materially different to the current share price.

## GLOBAL/INTERNATIONAL

Strategy	Investment objective
Alpha	To provide superior long-term returns by investing in a concentrated portfolio of primarily large and medium-sized companies.
Income	To provide an income in excess of the MSCI World High Dividend Yield index as well as the potential for capital appreciation.
ACWI ex US	To produce capital growth by investment across the companies comprising the MSCI All Countries World ex US Index.

## ASIA

Strategy	Investment objective
Asia ex Japan	To produce long-term capital growth by investing in high quality businesses in the Asia Pacific ex Japan region.
Asia Long Term Unconstrained	To provide long term capital appreciation by investing primarily in listed equity securities of companies or other business forms operating in Asia. The strategy is a high conviction strategy combining 20-30 of the region's best and most sustainable businesses. It is unconstrained by any market capitalisation, sector or country allocation.
Asia Inc-Japan	To produce long-term capital growth by investment in the mature and developing markets of Asia and the Pacific Basin.

## NORTH AMERICA

Strategy	Investment objective
Core	To produce capital growth by investment in the United States of America and Canada.

## JAPAN

Strategy	Investment objective
Core	To produce capital growth by investment in Japan in any economic sector.
Alpha	To provide superior long-term returns by investing in a concentrated portfolio of primarily large and medium-sized companies.

Mid-Cap	To provide long-term capital growth on a total-return basis (price appreciation and dividends)
Absolute Return	To provide long-term capital appreciation principally through an actively managed portfolio of long and short positions in Japanese equity and derivative instruments.

## GLOBAL RESOURCES

Strategy	Investment objective
Global Resources	To deliver long-term capital growth by investing in equities of companies globally which are predominantly engaged in the energy, basic materials and utilities sectors.

## EUROPE

Strategy	Investment objective
Absolute Return	To provide long-term capital appreciation principally through an actively managed portfolio of long and short positions in European equity and derivative instruments.
Income	To provide an income in excess of the benchmark as well as the potential for capital appreciation.

## GLOBAL EMERGING MARKETS

Strategy	Investment objective
Core	To produce long-term capital growth by investment in a portfolio of securities worldwide in any economic sector, but it is anticipated that investment will generally be concentrated in what the investment manager considers to be the smaller and developing markets around the world.
Greater China Multi-Cap	To produce long-term capital growth by investing in companies listed in China and companies or other entities with significant assets, investments, production activities, trading or other business interests in China, or which derive a significant part of their revenue from China.

## Item 8B. Material Risks of Significant Strategies and Significant Methods of Analysis

### General Risks

Past performance is not necessarily a guide to the future and the value of investments, as well as any income derived from them, can fall as well as rise.

Some of the investments described below may be unsuitable for certain investors.

Under certain market conditions there may be an increased risk that an issuer of a given security may default on its obligations.

### Performance risk

There may be a variation in performance between strategies with apparently similar investment objectives where different investments are selected. Strategies aiming for relatively high

performance can incur greater risk than those adopting a more standard investment approach. There is no guarantee for the performance of any investment and clients may get back less than they originally invested.

Our investment strategies are subject to management risk because they are actively managed. The strategy manager will apply their investment techniques and risk analyses in making investment decisions, but there is no guarantee that their decisions will produce the intended outperformance.

**Interest rate risk**

Investment portfolios may have exposure to interest rate risks. To the extent prevailing interest rates change, such changes could negatively affect the value of each investment portfolio.

**Diversification risk**

Investment strategies with a specific geographic or sector focus will, by their nature, invest the majority of their assets in either a small number of countries and/or a relatively few issuers. This concentration of the strategy increases the impact which changes in the economic or political environment and/or movements in stock markets may have on the performance of the strategies, both positive and negative.

**Currency risk**

Strategies may invest in securities denominated in currencies other than their base currency. Strategies may seek to hedge foreign currency risk where permitted. However it is not always practicable to hedge certain currencies. Strategies will also incur costs in connection with hedging transactions. Accordingly, investors bear the risk of adverse movements in exchange rates with the currencies in which investments are denominated. Such movements can result in both a positive and negative return.

**Custody risk**

In the event of failure of the custodian, investments may not be as well protected from other claims made on behalf of the general creditors of the custodian. However, the custodian is typically liable for any losses resulting from its negligence, fraud or wilful misconduct.

**Credit risk**

This is the risk that an issuer or a counterparty to a transaction will fail to make payments when due or default completely on securities, repurchase agreements or other investments held by a strategy. Such defaults could result in losses to the strategy. In addition, the credit quality of securities held by a strategy may be lowered if an issuer's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security. Lower credit quality also may affect liquidity and make it difficult to sell the security.

**Counterparty Risk**

Counterparty risk is the risk that arises due to uncertainty in a counterparty's ability to meet its obligations. Non-performance by counterparties for financial or other reasons could expose the investor to losses, regardless of whether or not the transaction itself was profitable.

**Investment in smaller companies**

Investment in the securities of smaller companies may involve greater risk than is customarily associated with investment in larger, more established companies. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent on a smaller number of key individuals. Full information for determining the value of or risks associated with a smaller company may not be available. The market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.

**Liquidity and valuation**

Strategies may invest in securities which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be more volatile and a strategy may not be able to sell them when desired or to realise what it perceives to be their fair value in the event of a sale. As a result, calculating the fair market value of a strategy's holdings may be difficult. The strategy manager may utilise the assistance of pricing services or valuation sources in calculating such fair market values when and if available and for underlying models as described above. The values initially estimated may subsequently prove to have been incorrect.

**Derivatives**

Certain strategies may invest in derivative instruments that seek to modify or emulate the investment performance of particular securities, commodities, currencies, interest rates, indices, markets or specific risks thereof on a leveraged or unleveraged basis which can be equivalent to a long or short position in the underlying asset or risk.

These instruments generally have counterparty risk and may not perform in the manner expected, thereby resulting in greater loss or gain than might otherwise be anticipated. These investments are all subject to additional risks that may result in a loss of all or part of an investment, such as interest rate and credit risk volatility, world and local market price and demand, and general economic factors and activity.

Derivatives may have very high leverage embedded in them which may substantially magnify market movements and result in losses substantially greater than the amount of the investment and which in some cases could represent a significant portion of a strategy's assets. Some of the markets in which derivative transactions are effected are over-the-counter or interdealer markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of exchange based markets.

This exposes each strategy to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. Strategies are not restricted from dealing with any particular counterparty or from concentrating all of its transactions with one counterparty.

**Short selling**

Certain of our hedge fund strategies may utilise short selling. Short selling involves directly or indirectly selling (or having the equivalent exposure to) securities or other instruments which may or may not be owned and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace any such borrowed securities at a later date. Short selling allows strategies to profit from declines in market prices to the extent such declines exceed the transaction costs and any costs of borrowing. However, if the borrowed assets must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed assets would result in a loss, which is theoretically unlimited in amount. Purchasing assets to close out the short position can itself cause the price to rise further, thereby exacerbating the loss. In addition, there are rules prohibiting short sales of equity securities at prices below the last sale price, which may prevent strategies from executing short sales at the most desirable time.

**Stock Lending**

Certain strategies may undertake stock lending. As a result of lending securities you will cease to be the owner of them, although you will have the right to reacquire at a future date equivalent securities (or in certain circumstances, their cash value or the proceeds of redemption). However, except to the extent that you have received collateral, your right to the return of the securities is subject to the risk of insolvency or other non-performance by the borrower. Since you are not the

owner during the period the securities are lent out, you will not have voting rights nor will you directly receive dividends or other corporate actions although you will normally be entitled to a payment from the borrower equivalent to the dividend you would otherwise have received and the borrower will be required to account to your benefit any corporate actions. Whilst these terms are relatively standard for any stock lending agreement, the specific details will be contained within the stock lending agreement you enter into, and may differ from the terms above.

### **Commissions**

It is important to note that commissions and other charges may be levied on investments made within a strategy for which your account will be liable.

### **Suspensions of trading**

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

### **Stabilisation**

From time to time, we may carry out transactions in securities on your behalf where the price may have been influenced by measures taken to stabilise it. Stabilisation enables the market price of a security to be maintained artificially during the period when a new issue of securities is sold to the public. Stabilisation may affect not only the price of the new issue but also the price of other securities relating to it. The FCA allows stabilisation in order to help counter the fact that, when a new issue comes onto the market for the first time, the price can sometimes drop for a time before buyers are found. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation. The fact that a new issue or a related security is being stabilised should not be taken as any indication of the level of interest from investors, nor of the price at which they are prepared to buy the securities.

### **Material risks relating to investments in Emerging Markets**

Emerging markets are generally defined as being less developed countries which may have less stable economic and/or political conditions than larger and more mature economies. However, the universe can also be more specifically understood by reference to much-used benchmarks such as the MSCI Emerging Markets benchmark.

Investment in emerging markets is generally characterised by higher levels of risk than investment in fully developed markets. Accounting, corporate governance and financial reporting standards that prevail in certain emerging market countries are often not equivalent to those found in countries with more developed markets. Regulatory, tax and legal regimes may be subject to uncertainty and to significant and unpredictable changes in approach.

Repatriation of investments and profits may be restricted by exchange controls. There may also be less well-developed regulation of markets, issuers and intermediaries. Markets may lack the liquidity of those in developed countries, leading to difficulty in valuing assets. Instability in such markets has previously led, and may continue to lead, to investor losses.

In some emerging markets, the marketability of quoted shares may be limited due to foreign investment restrictions, wide dealing spreads, exchange controls, foreign ownership restrictions, the restricted opening of stock exchanges and a narrow range of investors. Trading volume will generally be lower than on more developed stock markets, and equities less liquid. Volatility of prices may also be greater than in more developed stock markets. Emerging market issuers are generally not subject to the same degree of regulation, and economic or financial instability or political, diplomatic or legal



developments could adversely affect a strategy's investments. Risks include adverse change in foreign economic, political, regulatory and other conditions, and changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes or confiscatory taxation on capital, dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against foreign entities. Foreign brokerage commissions, custodial and other fees are also generally higher. There are also special tax considerations which apply to securities of foreign issuers and securities principally traded overseas.

Settlement of transactions carried out in such markets may be lengthier and less secure than in developed markets.

A country's settlement practices may require margin payments for securities traded, or 'early pay-in' of securities or payment. This may result in payment or settlement outside delivery-versus-payment procedures. Delivery-versus-payment procedures offer significant protection from losses in the event that a third party defaults on its obligations. The settlement practices in some foreign markets may increase the risk arising from third-party default.

Strategies invested in emerging markets may experience more rapid and extreme changes. Emerging markets tend to be substantially smaller, less liquid and at times more volatile than securities of domestic issuers. This may impair a strategy's ability to acquire or dispose of assets at an advantageous price and time.

#### **Material risks relating to investments in China (PRC)**

The emerging market risks noted above apply to investment in China.

In addition, the China Securities Regulatory Commission ('CSRC') is responsible for supervising the national securities markets and producing relevant regulations. The Investment Regulations, under which strategies invest in the PRC and which regulate repatriation and currency conversion, are new. The Investment Regulations give CSRC and the State Administration for Foreign Exchange ('SAFE') wide discretions and there is no precedent or certainty as to how these discretions might be exercised, either now or in the future.

A strategy will typically obtain access to the securities markets in the PRC via Access Products (see below). The value of a strategy's investment in any QFII Quota will be affected by taxation levied against the relevant QFIIs or in respect of investments held in the relevant Quotas. The PRC taxation regime that will apply to QFIIs and investments made in or through QFII Quotas is not clear. The Investment Regulations are new and do not currently expressly contemplate the treatment of QFIIs and investment made through QFII Quotas.

#### **Item 8.C. Recommendations of Particular Types of Securities**

MCI does not recommend particular types of securities. MCI, as discretionary manager, offers funds and investment strategies which primarily invest in equity securities on behalf of clients. Please see Item 8B above for a description of the material risks involved in investing in equity securities.

## ITEM 9 – DISCIPLINARY INFORMATION

In June 2008, Nanning Sugar Manufacturing Co., Ltd. ( 'Nanning Sugar '), a company in which certain clients to whom MCI and its affiliates acted as investment adviser (the 'MC Parties ') were invested, filed a claim with the Guangxi Zhuang Autonomous Region Nanning Intermediate People's Court alleging that, due to the MC Parties' level of holdings and trading in shares of Nanning Sugar, the MC Parties were required to make, and failed to make, certain payments to Nanning Sugar. In June 2010, the MC Parties and Nanning Sugar signed a settlement order under which the MC Parties, without admitting wrongdoing, agreed to pay Nanning Sugar RMB 40,000,000 (approximately \$5.9 million) in full and final settlement of Nanning Sugar's claims. This payment was made and the matter was closed in September 2010.

In May 2012, the SEC and MCIM entered into a settlement in which the SEC found, and MCIM neither admitted nor denied, that MCIM was in violation of the Investment Advisers Act of 1940 (as amended) and the Investment Company Act of 1940 (as amended) in connection with an unlisted bond transaction entered into by The China Fund, Inc., a registered closed-end fund advised by MCIM ( 'CHN '). The SEC found that MCIM failed to disclose to investors and the Board of CHN conflicts of interest arising from the transaction and failed to adopt and comply with related policies and procedures. Pursuant to the Order, MCIM agreed to (1) cease and desist from certain conduct, (2) a censure, (3) pay a penalty of \$8,300,000, and (4) comply with certain undertakings. In determining to accept the settlement offer, the SEC considered the cooperation of, and certain remedial measures undertaken by, Registrant and MC, including (i) compensating CHN for its net losses arising from the transaction, (ii) refunding management fees incurred by CHN as a result of the transaction, (iii) terminating or disciplining certain employees, (iv) ceasing new unlisted bond investments, (v) undertaking an investigation of the facts, and (vi) enhancing Registrant's policies, procedures and controls.

In May 2012, the FSA imposed a penalty of £3,500,000 to be paid by MCI and MCIM (together, 'MC') for certain breaches of the FSA Principles for Businesses and FSA rules in connection with the transactions described above. The FSA found that MC had (1) failed to manage fairly a conflict of interest between the two client funds, (2) failed to put in place certain related systems and controls, (3) failed to conduct sufficient due diligence and risk analysis with respect to certain investments, and (4) incorrectly classified an investment in its internal systems. In assessing its penalty, the FSA concluded that (1) MC promptly brought the breaches to the FSA's attention when it became aware of them, (2) MC indemnified and compensated the affected client for its full investment loss and management fees, (3) MC had engaged in a comprehensive investigation, (4) MC took steps to improve its related processes and controls, and (5) MC took disciplinary action against certain individuals.

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES

### Item 10A. Registration as a Broker-Dealer or Registered Representative

MCIM is not registered, and does not have an application pending to register, as a broker-dealer. None of MCIM's management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

### Item 10B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodities Trading Advisor or Associated Person

MCIM is not registered, and does not have an application pending to register, as a futures commission merchant, commodity pool operator, or commodities trading advisor. None of MCIM's management persons are registered, or has an application pending to register, as an associated person of a futures commission merchant, commodity pool operator, or commodities trading advisor.

MCI is an exempt Community Trading Advisor and operates under exemption 4.14 (a) (8).

### Item 10C. Relationships and Arrangements with Affiliates

We are committed to providing you with client service of the highest quality and we are guided by the principle that we act in the best interests of our clients. Nevertheless, there are circumstances where client interests conflict with MCIM's interests or the interests of other clients. Some of these conflicts of interest are inherent to our business and are encountered by other financial services firms that offer similar services. We have policies and procedures that are designed to ensure that we are always acting in the best interests of our clients. Set forth below is a description of some conflicts of interests that arise due to our relationships and arrangements with certain affiliates.

#### Broker-dealers

LMIS, an affiliate of MCIM, is a registered broker-dealer. LMIS is authorised to sell interests in a registered company and certain other private offshore funds managed by MCIM.

Martin Currie has entered into an agreement with LMIS, under which LMIS is responsible for the promotion and distribution of shares in these funds. As investors into these funds have not contracted with LMIS directly, MCIM pays LMIS a fee in recognition of the services it provides. This creates a potential conflict of interest, as representatives of LMIS could be incentivised to recommend funds based on compensation received rather than the client's needs which could be deemed material.

#### Investment advisers

MCI, an affiliate of MCIM, performs investment advisory services for various clients, including pension plans. MCI and MCIM operate jointly. MCI has delegated the responsibility for providing dealing and administration services for its clients to MCIM. Members of the investment floor are 'double-hatted' in that they provide investment management services to both MCI and MCIM clients simultaneously. When managing client money, all portfolio managers are subject to the same investment policies and procedures and therefore all clients of MCIM and MCI are treated equally.

MCI and MCIM are part of the wider Martin Currie Group. The Group is governed by the board of the parent company, Martin Currie (Holdings) Limited. This structure mitigates any potential conflicts between the two advisers and ensures that all clients are treated equally. The board of Martin Currie (Holdings) Limited is comprised of 9 individuals. The Chairmen, along with 3 other members, are not involved in day to day activities of the Martin Currie group.

# ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

## Item 11A. Code of Ethics

MCIM's Code of Ethics (the 'Code ') is based on the principle that officers, directors and employees (collectively 'staff') owe a fiduciary duty to clients. The Code contains provisions reasonably necessary to prevent its staff from engaging in any act, practice or course of business prohibited by Rule 17j-1(a) pursuant to the Investment Company Act of 1940 and Rule 204A-1 pursuant to the Investment Advisers Act of 1940 (as amended). Staff must avoid activities, interests and relations that might interfere or appear to interfere with making decisions in the best interests of the MCIM's clients or otherwise take unfair advantage of their position.

A copy of the Code will be made available on request.

## Item 11B – D. Potential Conflicts Relating to Advisory Activities

MCIM clients may invest into pooled investment vehicles that are also managed by Martin Currie, and for which it receives fee income. This creates a potential conflict of interest for the following reasons:

- Martin Currie receives fees from these investment vehicles, and therefore has an incentive to invest clients assets into these vehicles;
- Martin Currie and its employees may also invest into these vehicles (for example seed money, or where portfolio managers invest into the funds they manage) creating the potential for the client's interests to be impacted by Martin Currie's or its employee's trades;

Some of these investment vehicles are managed by a General Partner that is an associate of the Group. As such, there is potential that, by being linked to the Group, the General Partner is not independent and objective when it comes to safeguarding client interests.

All of these conflicts are managed appropriately as outlined more fully below.

Background to why clients may invest into these pooled investment vehicles:

- Portfolio managers may invest a segregated client portfolio into a fund for which MCIM, or an affiliate, acts as investment adviser where the investment management agreement permits. Such investments are made to provide the client with exposure to either a type of security or sector that they cannot access directly. Below are some examples of when investment into a fund may be made:
- A client IMA may prohibit investments or local regulations may restrict foreign investments in certain countries or regions. In order to gain exposure to a market where direct investment is more difficult the portfolio manager may invest into a fund which is permitted to invest in such countries either directly or indirectly (e.g. via Access Products, P-Notes etc.)
- Investments into a fund may be used for clients with smaller portfolios in order to reduce transaction costs as it may not be cost-effective for them to invest directly. This may also apply to the expense of maintaining custody in a number of jurisdictions.
- MCIM ensures the fair treatment of clients that invest into these funds by following the client mandate requirements as set out in the IMA and the Group trade aggregation and allocation policy. This ensures that clients investing into the pooled vehicles are invested appropriately and that trading is fairly allocated to clients.

- For such investments, MCIM has procedures in place to adjust clients' management fees to ensure they are not double charged.

#### Investment by MCI or by Martin Currie employees:

- MCIM does not generally trade in securities for its own account. However, MCIM's parent company (Legg Mason Inc) does on occasion invest in funds managed by the Group in order to provide seed capital or additional capital to such funds so that new investment strategies may be effectively tested. This may result in MCIM or its affiliates investing in the same funds as its clients. This practice could create a potential conflict of interest as MCIM or its affiliates, as investment adviser to the funds, could act on superior knowledge to the detriment of its clients' investments. All Group seed investments are made by MCIM's parent company, Legg Mason Inc and not by MCIM. The Finance team produce a regular seed capital report to monitor the level of Group seed investments. MCIM employees are permitted to invest in securities which portfolio managers buy and sell for client portfolios, subject to the controls set out in the code of ethics. This could also create a conflict as portfolio managers could prioritise trades for their personal account ahead of their clients.
- MCIM's Code of Ethics sets out the procedure all employees must follow when wishing to conduct a personal securities transaction. This includes transactions in funds managed by the Group. The procedure clearly states that employees must not put their personal interests ahead of clients.

The key areas covered by the Code are:

- All new members of staff must disclose details of their personal securities holdings within 10 days of joining.
- Approval must be given for any individual purchases or sales of securities, and staff must complete an annual certification to confirm that their securities holdings records remain correct.

The Compliance team carries out regular monitoring of all personal securities transactions to ensure that the correct procedures were followed. Any breaches of the procedures are recorded on the central breach register.

Most personal securities transactions require pre-trade approval from both a portfolio manager and senior member of the Dealing team. Approval will not be granted for any employee deals where;

- there is an active trade on the system
- the portfolio manager is intending to make a client trade within the next seven days a client trade has been executed within the last seven days;
- unless the portfolio manager and dealer is satisfied that the employee trade would in no way create a conflict of interest with client trades.

Once approval has been granted, an employee has 24 hours in which to instruct the trade. If the trade is not instructed within this time a new approval form must be completed.

Staff may not, under any circumstances, trade in a security at a time when they know, or should know, that they are in possession of material non-public information about the issuer or security. Any staff that comes into the possession of material non-public information relating to any security or issuer must notify all staff of this fact by sending an all staff email. On receipt of such an email, our investment restriction monitoring system will be updated to prevent any trading in the security or issuer. A further all staff email must be sent when the information is no longer non-public.

The associated relationship of the General Partner;

MCI, an affiliate of MCIM, acts as investment adviser to a pooled investment vehicle which is a limited partnership. The general partner to this limited partnership is an affiliate of MCIM and as such, there is potential that, by being linked to the Group, the General Partner is not independent and objective when it comes to safeguarding the interests of the fund.

This conflict is addressed primarily by having an independent Board for the General Partner which takes responsibility for oversight of the fund (including subscriptions and redemptions of investors). The board ensures General Partner and fund is operating independently from Martin Currie.

## ITEM 12 – BROKERAGE PRACTICES

### Item 12A. Broker-Dealer Selection Process

Martin Currie uses clients' commission to pay for both proprietary broker research and independent third party research. This practice is commonly referred to as 'soft dollars'. We recognise that this activity creates a potential conflict of interest between us and our clients. When clients' commission is used to pay for both proprietary broker research and independent third party research we receive a benefit because we do not have to produce or pay for the research. Benefits received are used to service all of our client's accounts not just the accounts that have paid for the benefits. There may be an incentive to select or recommend a broker-dealer based on MCI's interest in receiving this research, rather than the clients' interest in receiving most favorable execution.

To mitigate these potential conflicts of interest, we are committed to providing full disclosure to our clients by providing an enhanced disclosure statement as part of our standard client reporting offering. The statement provides clients with their commission payments, for the period, broken down into their respective research and execution components.

Martin Currie only uses clients' commission to pay for permitted research services. Services such as Bloomberg (all services and terminals – no mixed use), transaction cost analysis, market data or index feeds, seminars, conferences or subscriptions for publications are all paid for directly by Martin Currie.

Commission will only be used to pay for 'permitted' services, as defined by the FCA, the MAS and by the SEC safe harbor rules.

Any new research service is justified by the investment manager and approved by Head of Dealing, to ensure it complies with the above definition.

A small number of clients have asked Martin Currie to enter into commission recapture or directed commission arrangements on their behalf ('Directed Commission'). A Directed Commission scheme is an agreement between a client and certain brokers with respect to the execution of trades by Martin Currie on behalf of the client. In the majority of cases, the client appoints a third party to administer the scheme.

We encourage our clients not to place a disproportionate amount of their trades through such schemes, as we believe it could impact on our ability to achieve best execution. In the UK most of the major brokers have withdrawn from commission recapture schemes.

We have a structured internal broker voting system, Broker Select, which we believe allows us to focus on the value derived from the research and execution services provided by brokers. We believe that the use of the broker voting system helps our clients to obtain the maximum benefit from the commission generated.

Martin Currie would not guarantee to a broker that commission paid through recapture arrangements is incremental to their regular research commission. Doing so would mean that one client pays for another client's research received from that particular broker. As a consequence this may mean that we cannot execute commission recapture business through all the designated brokers on the collection agent's panel.

It should be noted that we do not recommend any broker dealers to our clients.

## Item 12B. Aggregation of Orders

MCIM'S practice is to aggregate orders when we have the opportunity to do so.

Where the dealing desk receives orders to trade in the same stock, in the same direction and with identical instructions for multiple clients, whether prior to the market open or simultaneously during market hours, then these orders are normally merged, assuming this is permitted under local exchange rules. For some orders in markets where omnibus accounts cannot be used, the orders are not permitted to be merged. No client receives preferential treatment.

In addition:

- Contracts for Differences ('CFDs')/ equity SWAPs are traded as if they were the common shares which underlie the instrument.
- Short sales are executed in line with long sales, but the extent to which an order can be filled, and the price which can be achieved, could vary because of the up-tick rule in certain markets. We have implemented a Contradictory Positions Policy which must be abided by where we are taking both a short and long position in the same stock in order to mitigate any potential conflicts of interest this could cause between clients.

If a client has specific trading restrictions, such as must use or must not use particular brokers, then their order may be executed after other client's orders.

We believe that the non-aggregation of transactions may be detrimental to all or most of our clients. The dealing desk cannot place an order in the market without first receiving notification of a trade having been approved, for the client specified, via the OMS.

The dealing team has strict procedures for merging subsequent orders into an existing trade. These procedures are available on request.

Our policy is to pro-rate on all trades relative to the intended allocation, where permitted, allocating where applicable to the nearest board lot size, unless the allocation is so small it is not viable and it is not in the client's interest to receive an allocation. Such manual overrides, of an otherwise automated process, are automatically recorded on every trade and evidenced for audit purposes.

For some markets, clients have to trade within their individual IDs, for these markets it is not permitted to merge, hence pro-rate or average price the allocations. Allocations and prices for these markets will therefore be similar across clients but not identical. Examples of such practices are:

- China A – all trades have to be executed under the clients ID.
- Taiwan – some brokers can offer an omnibus facility which does allow for average pricing, however these trades have to be fully funded otherwise trades revert to using the client IDs.
- Korea – if a security has reached its foreign limit (maximum number of shares permitted to be held by foreigners) then clients cannot use an omnibus facility and have to trade under individual IDs.

Martin Currie does not warehouse for any client. All trades are booked out within 24 hours of dealing.

The dealing team retain records showing we comply with our regulatory obligations. The records demonstrate that all clients have been treated fairly and allocations are in line with our policy. The records are subject to periodic review by management, internal audit and compliance.



## ITEM 13 – REVIEW OF ACCOUNTS

MCIM carry out regular client audits. Conducted by a member of our executive board, they enable us to benchmark our service and learn from our clients. By engaging with our clients in this way, we receive honest, constructive feedback that helps us identify how we can enhance our services. In 2015, client audits will be carried out by:

- Willie Watt – Chief Executive Officer
- Andy Sowerby – Director, Sales and Marketing
- John Pickard – Director, Head of Investment

We tailor communication to our clients' specific requirements, both electronically and paper based. Quarterly telephone calls are typical, as well as frequent visits with or without members of the investment team. We deliver performance and portfolio reports monthly and quarterly, and we typically attend two client investment committee meetings per annum. We can also produce valuations and performance statistics on a monthly basis, if required.

All segregated clients have a designated client service director to act as their main point of contact with Martin Currie. He or she oversees the take-on of the account, the management of the portfolio and its administration, and ensures the implementation of investment guidelines. He or she reports formally to clients at investment committee meetings, along with the portfolio manager, and regularly by telephone.

Members of our client services team are available at all times to discuss any aspect of the management and administration of the fund.

Monthly and quarterly investment reports are provided to all clients, with a set selection of components provided as standard. Any additional reporting requirements will be considered and provided if possible.

### Standard reporting includes:

- Monthly investment reports with performance and valuation within 10 business days of period end.
- Quarterly investment reports with detailed performance attribution, commentary and accounting information within 15 business days of period end.
- Annual reports available as requested at year end.

All reports are available to be sent by e-mail and, if required, hard copies can also be sent by mail. Example reports can be provided on request.

Additional reporting is available and can be requested as part of the take on process: - Semi-annual/annual review and reports available at financial or calendar year end. Preliminary and audited valuations in excel format, available on day 2 and day 5 respectively. Valuation and performance reconciliations completed with third parties.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

MCIM has not entered into arrangements for client referrals with third parties.

## ITEM 15 - CUSTODY

MCIM does not have custody of clients' funds. All Martin Currie client investments must be held by an independent custodian and registered in either the custodian nominee name on behalf of the client or in the client's own name unless there is a regulatory requirement that imposes another requirement.

## ITEM 16 – INVESTMENT DISCRETION

MCIM contracts with professional investors to provide investment management services to clients. This involves negotiating an appropriate Investment Management Agreement (IMA) with the client. Commonly, clients provide discretionary authority to MCIM to carry out all relevant activities required in order to provide the investment management services. The IMA will detail the client's requirements, and any restrictions on MCIM's authority to provide investment management services.

## ITEM 17 – VOTING CLIENT SECURITIES – WITH DAVID

### Item 17A. Proxy Voting Policies and Procedures

Martin Currie has authority (and will accept authority) to vote proxies on some client accounts. Martin Currie has adopted a Statement of Policies and Procedures for Voting Proxies (the 'Policies and Procedures') designed to ensure that it votes proxies in the best interests of its clients in accordance with its fiduciary duties, Rule 206(4)-6 under the Investment Advisers Act of 1940 and other applicable law. The Policies and Procedures do not apply to any client who has retained authority and discretion to vote its own proxies or delegated such authority and discretion to a third party.

We recognise that we have a duty to act in the best interests of our clients. To that end, our Proxy Voting Policy is designed to enhance shareholders' long-term economic interests. All our voting decisions are made in-house and are undertaken in accordance with our corporate governance guidelines and in line with our clients' best interests. Proxy voting is integral to stewardship and as such we will routinely inform management of our investee companies when we are voting against them and provide our rationale for this. The primary purpose of a public corporation is to create sustainable value for its shareowners. To that end, our

Proxy Voting Policy is designed to enhance shareholders' long-term economic interests. In general, our voting is undertaken in accordance with the Institutional Shareholder Services ('ISS') Corporate Governance Policy, which itself is based on the NAPF guidelines.

Our policy is updated at least annually, taking into account emerging issues and trends, the evolution of market standards, and regulatory changes. The policy considers market-specific recommended best practices, transparency, and disclosure when addressing issues such as board structure, director accountability, corporate governance standards, executive compensation, shareholder rights, corporate transactions, and social/environmental issues. The ISS Policy is updated at least annually, taking into account emerging issues and trends, the evolution of market standards, and regulatory changes. The policy considers market-specific recommended best practices, transparency, and disclosure when addressing issues such as board structure, director accountability, corporate governance standards, executive compensation, shareholder rights, corporate transactions, and social/environmental issues. These guidelines are reviewed by Martin Currie at least annually to ensure they continue to be an appropriate.

Our proxy voting advisor also provides voting recommendations for Martin Currie in accordance with their own policy which is closely aligned with our internal policy. As appropriate, our proxy advisor engages 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. 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. We assess voting matters on a case-by-case basis, taking into account a company's circumstances but are guided by our overarching 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 governance and sustainability. We recognise that regulatory frameworks vary across markets and that corporate governance practices vary internationally. We will normally vote on specific issues in line with the relevant market guidelines. Where the recommendations of our proxy advisor, both for and against proposals, are supported by our internal research we will generally vote in accordance with these recommendations. ISS also provide voting recommendations for Martin Currie in accordance with their Policy. In making these recommendations, consideration is given to company-specific circumstances. ISS also consider historical operating and investment performance, company disclosure (and proponent/dissident disclosure, if applicable), the company's governance structure and historical practices, and its industry. As appropriate, ISS engages 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. This engagement process enhances dialogue and promotes a higher level of understanding between investors and the companies in which they invest.

Martin Currie's starting point is to vote in accordance with the recommendations of ISS, where these are supported by our internal research. 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. We recognise that regulatory frameworks vary across markets and that corporate governance practices vary internationally and so will normally vote on specific issues in line with the proxy guidelines for the relevant market. Where we believe that the recommendation made by ISS is not in the best interests of our clients, we vote against the ISS recommendation.

Where a proposal is inconsistent with these principles and guidelines, our proxy advisor ISS usually recommend that we vote against the proposals. In these circumstances, we may take any of the following actions:

- Accept the ISS recommendation of our proxy advisor and vote against the proposal.
- Engage directly with the company management to discuss the proposals.
- Where we believe it to be in the best interests of clients, we may vote contrary to the ISS guidelines. In such circumstances, the rationale is subject to review by a second portfolio manager and records of this are retained.
- Where we also believe the ISS recommendations are not taking account of the particular circumstances of a company or market we may engage with ISS to discuss the recommendation.

#### Conflicts of Interest

Martin Currie recognises that there is a potential conflict of interest when we vote for a proxy solicited by a company with which we, or our portfolio managers, have a material business or personal relationship. In this context, the member of the investment team has a duty to disclose any potential, actual or apparent material conflict of interest relating to a proxy vote. Generally, a conflict is unlikely to arise if the vote is in accordance with our guidelines and that of our proxy advisor. Generally, a conflict is unlikely to arise if the vote is in accordance with the ISS/NAPF guidelines. However, if a member of the investment team wishes to vote contrary to the guidelines in relation to a company with which we have any material business or personal relationship, the matter must be referred to the Investment Executive for independent consideration. We would consider a potential conflict of interest to exist where Martin Currie or relevant staff has a material personal or business relationship with the proponent, issuer or other relevant participants in the proxy proposal.

In the event that a portfolio manager is materially conflicted they are obligated to disclose the conflict of interest and provide their justification for voting contrary to the guidelines to the Investment Executive for independent consideration. The Investment Executive are required to provide approval before the vote can be carried out. If the Investment Executive are unable to approve the vote one of the following courses of action will be taken:

- vote such proxy according to the specific recommendation of our proxy advisor ISS
- abstain
- request that the Client votes such proxy

In the event that Martin Currie is materially conflicted, the Firm will

- vote such proxy according to the specific recommendation of our proxy advisor ISS
- abstain
- request that the Client votes such proxy

The Compliance team will also be informed of all instances where a conflict of interest arises in order for them to carry out an oversight role.

The Portfolio Services team, The Client Operations team, as part of its annual due diligence, review the processes and controls adopted by our proxy advisor ISS to manage potential material conflicts of interest it may face when performing the responsibilities delegated to it by the client.

#### Share Blocking

Proxy voting in certain countries requires 'share blocking'. That is, shareholders wishing to vote their proxies must deposit their shares shortly before the date of the meeting (usually one week) with a designated depository. During this blocking period, shares that will be voted at the meeting cannot be sold until the meeting has taken place and the shares are returned to the shareholders' custodian banks. Martin Currie has determined that the value of exercising the vote does not usually outweigh the detriment of not being able to transact in the shares during this period. Accordingly, if share blocking is required we are likely to abstain from voting those shares.

#### Voting in Emerging Markets

Voting on shares in Mainland Chinese markets are not subject to Martin Currie's standard proxy voting process.

Where it is possible to vote, the portfolio managers for Mainland Chinese securities are responsible for communicating their voting intentions directly to our Portfolio Services team. Middle Office team. However, the increasing use of access products, which do not carry voting rights for the underlying company holding, means that the level of direct equity ownership of Chinese securities is minimal. There are also jurisdictional reasons that reduce the number of China A shares on which we vote – for example, voting can frequently only happen "in person", and it is not always practical to travel to the region of residence of the company. All Chinese investments with a listing outside of China are subject to our standard proxy voting procedure through our proxy advisor.

#### Stock lending

Where we are aware that securities are on loan and if we judge a vote to be material we may advise the relevant clients recall that stock in order to cast a proxy vote. In circumstances where it is not possible or practical to assess the materiality or where it is not possible to recall the security (e.g. where the events subject to voting are not communicated by the company in sufficient time) no votes will be cast.

Martin Currie may utilise third party service providers to assist it in identifying and evaluating whether an event is material, and to assist it in recalling loaned securities for proxy voting purposes.

#### Reporting to clients

Our proxy advisor provides a web tool which gives us online access to the research documentation that supports the proxy recommendation and voting. Downloadable reporting, for example, a summary of all activity and a voting record over a defined period, is also available and can be sent to clients upon request.

Clients may obtain a copy of the Policies and Procedures and information on how Martin Currie voted with respect to their proxies by contacting the Client Services Team at Martin Currie Investment Management Ltd, Saltire Court, 20 Castle Terrace, Edinburgh, Scotland, EH1 2ES, tel. (44) 131-229-5252, fax (44) 131-228-5959 or email [clientservices@martincurrie.com](mailto:clientservices@martincurrie.com).

## **Item 17B. Alternative Proxy Voting Arrangements**

There are some client accounts for which MCI is not authorised to vote proxies or to give consents in connection with corporate actions. Such clients should arrange to receive proxy solicitation materials directly from their account custodians or transfer agents. In some circumstances, upon request, MCI may be able to provide proxy solicitation materials directly to such clients.



## ITEM 18 – FINANCIAL INFORMATION

MCIM does not require or solicit prepayment of fees.

At the date of this ADV, there are no prevailing financial conditions that could impair Martin Currie's ability to meet its contractual commitments to clients.

As a UK-regulated firm, MCIM is required to meet the standards of the Capital Requirements Directive IV. The Capital Requirements Directive enacted by the European Union in 2006 established a new framework for the management of regulatory capital. The framework consists of three 'pillars':

- Pillar 1 sets out the minimum capital requirements that firms must meet using standard criteria.
- Pillar 2 involves an assessment of risk and the capital that should be held, specific to each firm.
- Pillar 3 requires firms to publicly disclose their policies for managing risk and their capital requirements

In order to meet the requirements of Pillar 2, Martin Currie assesses its key risks and carries out stress testing on these risks in order to calculate the capital requirement. The risks selected are those judged to have the most potentially significant impact on Martin Currie's capital and ability to meet liabilities, including those that may be crystallised by drivers outside of Martin Currie's control. As a result of Pillar 2 assessment, Martin Currie will maintain sufficient capital to address the risk of a dramatic fall in revenue impairing the ability to meet contractual commitments to clients.

MCIM has not been the subject of a bankruptcy petition at any time during the past ten years.

## ITEM 19 – REQUIREMENTS FOR STATE REGISTERED ADVISERS

MCIM is not registered with any States.