

## FORM ADV PART 2A

31 MARCH 2017

### MARTIN CURRIE INVESTMENT MANAGEMENT LTD.

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2ES

Tel: 44 (0) 131 229 5252  
[www.martincurrie.com](http://www.martincurrie.com)

This brochure provides information about the qualifications and business practices of Martin Currie Investment Management Ltd. 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 website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

Martin Currie Investment Management Ltd 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. Registration of an Investment Adviser does not imply any level of skill or training.



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## ITEM 2 – MATERIAL CHANGES

This form is updated annually; the last full review occurred on 31 March 2017.  
There are no material changes to report.



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## ITEM 4 – ADVISORY BUSINESS

### Item 4A. The firm

Martin Currie is an asset management company with US\$18.1 billion\* of assets under management (AUM) for more than 90 clients worldwide, including financial institutions, charities, foundations, pension funds and investment funds. The firm has offices in Edinburgh (headquarters), London, Melbourne and New York.

Martin Currie Limited is the parent of the UK consolidated group and is subject to consolidated supervision by the Financial Conduct Authority (FCA). Martin Currie Investment Management Limited (MCIM), a subsidiary of Martin Currie Limited, is the main operating company of the group. MCIM performs investment management, dealing, investment support, sales and marketing and platform functions for the Martin Currie group.

Martin Currie Inc. (MCI) provides the primary sales and marketing services to North American clients, together with discretionary investment management services to US investors. MCI is regulated by the SEC. MCI sub-delegates ancillary investment management administration and operational functions, such as dealing, compliance, legal etc, to MCIM in the UK.

Martin Currie is wholly owned by Legg Mason Inc. ('Legg Mason'), a global asset management firm with US\$728.4 billion of AUM. Martin Currie is also responsible for Martin Currie Australia, the investment management division of Legg Mason Asset Management Australia Limited ('LMAMAL').

\*As at 31 March 2017. This includes the assets under management from Martin Currie Australia.

### Item 4B. Our advisory services

Martin Currie offers a range of segregated or pooled accounts, each driven by one of three principal strategy types. This table illustrates the products offered to clients and their relative contribution to assets under management.

Strategy type	Percentage of assets	Strategy
Absolute Return	20%	<ul style="list-style-type: none"> <li>Asia Long-Term Unconstrained</li> <li>Global Long-Term Unconstrained</li> <li>International Long-Term</li> <li>European Long/short</li> <li>Japan Long/short</li> </ul>
High Active Share	18%	<ul style="list-style-type: none"> <li>Asia ex Japan</li> <li>Australia Core</li> <li>Australia Dynamic Value</li> <li>Australia Small Companies</li> <li>Australia Value</li> <li>Greater China</li> <li>Global Emerging Markets</li> <li>Japan</li> <li>North America</li> </ul>

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Income	62%	<ul style="list-style-type: none"><li>• Australia Equity Income</li><li>• Australia Real Income</li><li>• European Equity Income</li><li>• Global Equity Income</li><li>• Charities (Client specific)</li></ul>
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Please refer to Item 8, 'Methods of Analysis, Investment Strategies and Risk of Loss' for more information regarding these strategies.

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

At Martin Currie, the highest standard of client service is not only a promise we make, it's a commitment we keep. We regard it as one of the key differentiators that sets us apart from our peer group. Our target is to be ahead of the curve in excellence of service and delivery of information. We are always happy to discuss and try to improve any aspect of the service we offer.

We have a dedicated client service team. Led by experienced investment professionals, the team has a clear goal – to understand each client's specific needs and to meet or exceed their expectations.

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.

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 2017, the Group has US\$18.1 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	Annual Management fee	Core investment strategy	Annual Management fee
<b>Asia Long Term Unconstrained</b> First US\$50 million Next US\$50 million Next US\$100 million Next US\$150 million Next US\$350 million	 0.75% 0.75% 0.75% 0.70% 0.65%	<b>Global Long Term Unconstrained</b> First US\$50 million Next US\$50 million Next US\$100 million Next US\$150 million Next US\$350 million	 0.70% 0.60% 0.50% 0.50% 0.40%
<b>International Long Term Unconstrained</b> First US\$50 million Next US\$50 million Next US\$100 million Next US\$150 million Next US\$350 million	 0.70% 0.60% 0.50% 0.50% 0.40%	<b>European Long/Short</b> First US\$50 million Next US\$50 million Next US\$100 million Next US\$150 million Next US\$350 million	 1.5% + 20% 1.5% + 20% 1.5% + 20% 1.5% + 20% 1.5% + 20%
<b>Japan Long/Short</b> First US\$50 million Next US\$50 million Next US\$100 million Next US\$150 million Next US\$350 million	 1.5% + 20% 1.5% + 20% 1.5% + 20% 1.5% + 20% 1.5% + 20%	<b>Asia ex-Japan</b> First US\$50 million Next US\$50 million Next US\$100 million Next US\$150 million Next US\$350 million	 0.70% 0.65% 0.60% 0.55% 0.50%
<b>Australia Core*</b> AUS\$30 -AUS\$50 million Next AUS\$50 million Next AUS\$100 million Next AUS\$300 million *performance fee available	 0.50% 0.40% 0.35% 0.30%	<b>Australia Property</b> AUS\$30 -AUS\$50 million Next AUS\$50 million Next AUS\$100 million Next AUS\$300 million *performance fee available	 0.50% 0.40% 0.35% 0.30%
<b>Australia Small Companies*</b> AUS\$30 -AUS\$50 million Next AUS\$50 million Next AUS\$100 million Next AUS\$300 million *performance fee available	 0.65% 0.55% 0.50% N/A	<b>Australia Value*</b> AUS\$30 -AUS\$50 million Next AUS\$50 million Next AUS\$100 million Next AUS\$300 million *performance fee available	 0.50% 0.40% 0.35% 0.30%
<b>Greater China Multi-Cap</b> First US\$50 million Next US\$50 million Next US\$100 million Next US\$150 million Next US\$350 million	 0.75% 0.75% 0.70% 0.65% 0.60%	<b>Global Emerging Markets</b> First US\$50 million Next US\$50 million Next US\$100 million Next US\$150 million Next US\$350 million	 0.75% 0.65% 0.65% 0.60% 0.55%

<b>Japan</b> First US\$50 million Next US\$50 million Next US\$100 million Next US\$150 million Next US\$350 million	0.75% 0.75% 0.75% 0.75% 0.75%	<b>North America</b> First US\$50 million Next US\$50 million Next US\$100 million Next US\$150 million Next US\$350 million	0.50% 0.50% 0.45% 0.40% 0.40%
<b>Australia Equity Income</b> AUS\$20 -AUS\$50 million Next AUS\$50 million Next AUS\$100 million Next AUS\$300 million	0.50% 0.40% 0.35% 0.30%	<b>Australia Real Income</b> AUS\$20 -AUS\$50 million Next AUS\$50 million Next AUS\$100 million Next AUS\$300 million	0.50% 0.40% 0.35% 0.30%
<b>European Equity Income</b> First US\$50 million Next US\$50 million Next US\$100 million Next US\$150 million Next US\$350 million	0.65% 0.60% 0.50% 0.45% 0.40%	<b>Global Equity Income</b> First US\$50 million Next US\$50 million Next US\$100 million Next US\$150 million Next US\$350 million	0.65% 0.60% 0.60% 0.50% 0.45%
<b>Charities (Client specific)</b> First US\$50 million Next US\$50 million Next US\$100 million Next US\$150 million Next US\$350 million	0.55% 0.45% 0.40% 0.35% 0.35%		

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.

## 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. 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. 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.

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## **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.

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



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## 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.

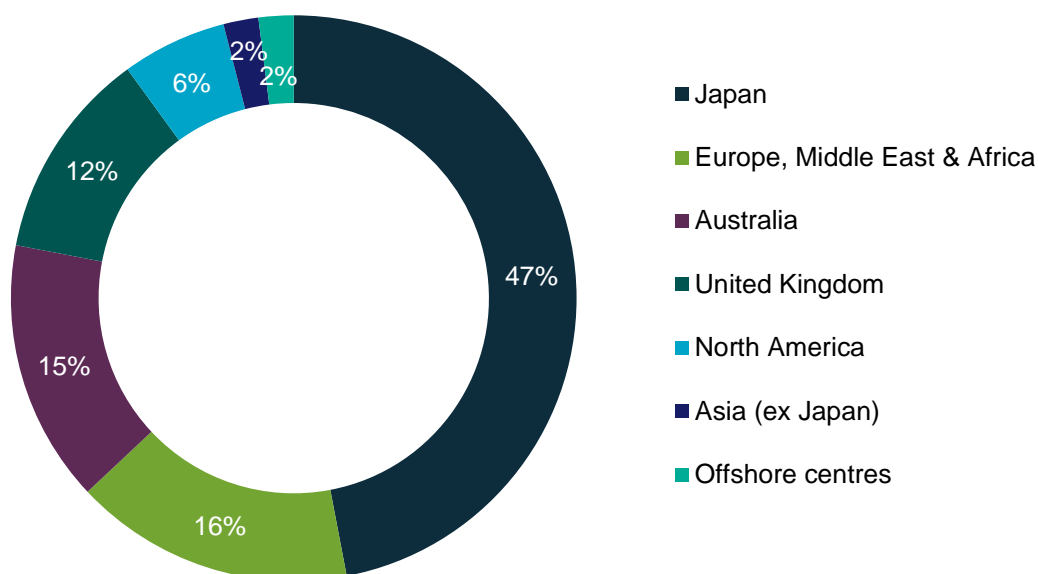
## ITEM 7 – TYPES OF CLIENTS

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.

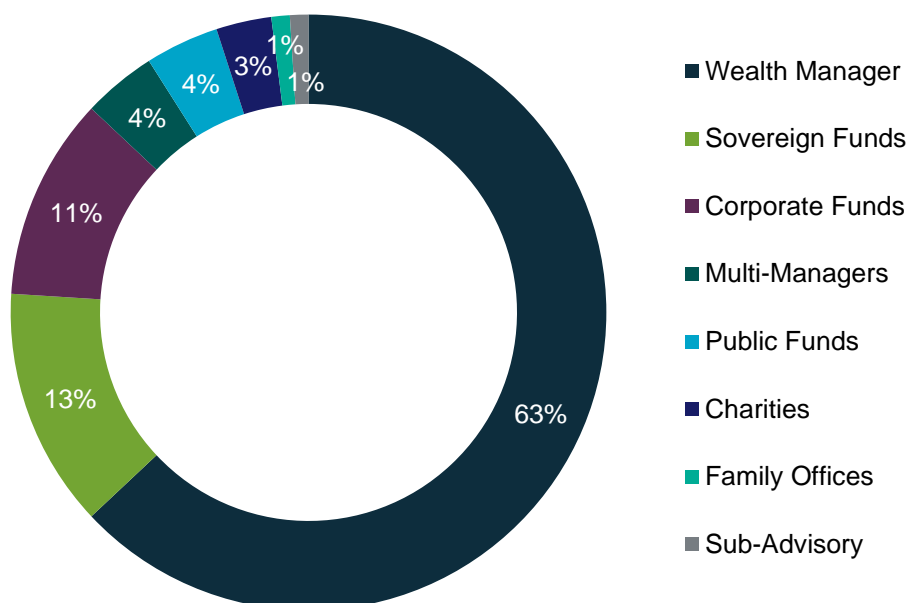
### Assets under management by client type and location

The chart below gives a breakdown of Martin Currie group clients by type and location as at 31 March 2017.

#### Assets by client location



#### Assets by client type



## 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.

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.

## ABSOLUTE RETURN

Strategies that aim to produce long-term positive returns with a smoother investment journey.

Strategy name	Objective
<b>Asia Long-Term Unconstrained</b>	To provide long-term capital appreciation by investing primarily in listed equity securities of companies or other business forms operating in Asia.
<b>Global Long-Term Unconstrained</b>	By identifying global companies that can deliver a sustained return on their invested capital, the strategy offers investors high-quality global exposure seeking to generate a long-term outperformance of Global CPI + 6% (in US dollars), with an expectation of lower volatility than the broader market.
<b>International Long-Term Unconstrained</b>	By identifying international companies that can deliver a sustained return on their invested capital, the strategy offers investors high-quality global exposure seeking to generate a long-term outperformance of Global CPI + 6% (in US dollars), with an expectation of lower volatility than the broader market.
<b>European Long/short</b>	Utilising a bottom-up investment process with a disciplined macro framework the strategy aims to efficiently capture uncorrelated European equity returns with controlled volatility and an element of capital preservation.
<b>Japan Long/short</b>	Utilising a combination of top-down and bottom-up analysis, our Japan long/short strategy seeks to deliver long-term outperformance with lower volatility and an element of capital preservation.

## HIGH ACTIVE SHARE

Relative-return strategies that aim to generate alpha and grow more than the market.

Strategy name	Objective
<b>Asia Pacific ex Japan</b>	To produce long-term capital growth by investing in high quality businesses in the Asia Pacific ex Japan region.
<b>Global Emerging Markets</b>	To produce long-term outperformance from fundamentally driven, high-conviction, stock-focused emerging markets portfolios. Investing in any or all emerging markets countries, it seeks to exploit market inefficiencies and maximise risk-adjusted returns for investors.

<b>Greater China</b>	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.
<b>Japan Alpha</b>	To provide long-term capital growth by investing in a concentrated portfolio of Japanese companies.
<b>North America</b>	To produce long-term capital growth by investment in the United States of America and Canada.

## INCOME

High-dividend strategies that also aim to provide capital growth.

<b>Strategy name</b>	<b>Objective</b>
<b>Charities</b>	Client specific mandates.
<b>European Equity Income</b>	To provide a rising income with the potential for capital growth over the long term.
<b>Global Equity Income</b>	To provide a rising income with the potential for capital growth over the long term.

## 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 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**

MCIM does not recommend particular types of securities. MCIM, 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.

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## ITEM 9 – DISCIPLINARY INFORMATION

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.

MCIM 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 comprises eight individuals. The Chairmen, along with three 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.

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

#### Investment by MCIM 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 and the Employee Dealing Policy 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.

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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;
- the Portfolio Manager and Dealer believe that the employee trade may create a conflict of interest with Client trades.

Once approval has been granted, an employee must instruct the trade by the close of the market on the day following authorisation. 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 member of staff that comes into the possession of material non-public information relating to any security or issuer must notify the Compliance Department of this fact by sending an 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 email must be sent to the Compliance Department when the information is no longer non-public.

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## 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. 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, transaction cost analysis, market data or index feeds, access to seminars or 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 harbour rules. These services included general research as well as governance and sustainability reports, global macro and liquidity analysis, forensic accounting reports and quantitative analysis.

Any new research service is justified by the portfolio manager and approved by the Best Execution and Commission Committee, 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 payment of commission on trades by Martin Currie on behalf of the client. In the majority of cases, the client appoints a third party to administer the scheme.

If a client has specific trading restrictions, such as they must use or must not use particular execution venues, then their order may be executed after other clients' orders. Whilst Martin Currie will take reasonable steps to obtain the best possible results for clients, it is important to note that certain instructions may adversely affect Martin Currie's ability to achieve best execution, such as restricting the execution of transactions to a specific execution venue.

We have a structured internal research provider voting system, Broker Select, and a structured evaluation of execution venues 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 both evaluation processes 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.

Cross trades are executed through regulated exchanges or MTFs to ensure they are traded at "arm's length". Crossing is a viable strategy to reduce both market impact and trading costs. Crosses are executed externally at a price that is set by usual market processes, equivalent to trading independently

in the market. Trades are crossed in accordance with the rules of the relevant regulatory body (either the FCA, the SEC or the MAS) and adhering to client restrictions. Cross trades in more illiquid names, defined as those that represent >25% of 6 month Average Daily Volume (ADV) with 20 day look back are subject to additional checks and sign off.

### **Item 12B. Aggregation of Orders**

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

Where the trading 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 IDmarkets where omnibus accounts cannot be used, the orders are not permitted to be merged. Product managers consider all clients within a product to assess whether they should be included within a particular trade. 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.

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

In relation to equity trades in the secondary market, our policy is to pro-rata 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.

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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 2017, client audits will be carried out by:

- Willie Watt – Chief Executive Officer
- 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 administration of the portfolio, 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 12 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.

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## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

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

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## 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.

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## 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.

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## ITEM 17 – VOTING CLIENT SECURITIES

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

The fundamental principle of our corporate governance policy is to protect and enhance the economic interests of our clients. In any situation our actions will always be determined by this principle. We believe that good governance of the companies in which we invest is an essential part of creating shareholder value and delivering investment performance for our clients. We also believe that sustainability or environmental, social and governance (ESG) factors create risks and opportunities for companies and that these should be managed appropriately.

Our proxy voting policy has been drafted in accordance with the Financial Reporting Council's Stewardship Code, which we endorse as a firm. It is also intended to comply with Rule 206(4)-6 under the Investment Advisers Act of 1940. This policy sets forth the procedures of Martin Currie Investment Management Limited and Martin Currie Inc, (together 'Martin Currie') for voting proxies for clients, including investment companies registered under the Investment Company Act of 1940, as amended, except where such clients require different standards to the voting of proxies to be applied on their behalf.

We have adopted the Principles of Corporate Governance developed by the Organisation for Economic Co-operation and Development (OECD) as our global principles recognising that regulation, levels of disclosure and management accountability vary between markets. Differences in national market regulation mean that a single set of detailed guidelines is unlikely to be appropriate for all the markets in which we invest. Where overseas corporate governance codes are consistent with our overall principles we will adopt these. At a minimum we would expect companies to comply with the accepted corporate governance standard in their domestic market or to explain why doing so is not in the interest of shareholders.

In general, our voting is undertaken in accordance with the Institutional Shareholder Services ('ISS') Corporate Governance Policy and 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 guidelines are reviewed by Martin Currie at least annually to ensure they continue to be an appropriate.

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.

Our proxy voting policy is available to download from our website [www.martincurrie.com](http://www.martincurrie.com)

### Item 17B. Alternative Proxy Voting Arrangements

There are some client accounts for which MCIM 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, MCIM may be able to provide proxy solicitation materials directly to such clients.

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## 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.

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.



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## **ITEM 19 – REQUIREMENTS FOR STATE REGISTERED ADVISERS**

MCIM is not registered with any States.