

## FORM ADV PART 2A

4 August 2020

### MARTIN CURRIE INC.

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This brochure provides information about the qualifications and business practices of Martin Currie Inc. If you have any questions about the contents of this brochure, please contact us at 44 (0) 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 Inc. is also available on the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

Martin Currie Inc. is referred to throughout as 'MCInc'. MCInc is part of a wider group of companies, collectively referred to as 'Martin Currie' or the 'Group'. An affiliate of MCInc, Martin Currie Investment Management Limited, is also a registered investment adviser and is referred to as MCIM. Registration of an Investment Advisor 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 26 June 2020.

This form was updated at Part 4 on 4 August to reflect the acquisition of Legg Mason, Inc. by Franklin Resources, Inc. on 31 July 2020.



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## ITEM 4 – ADVISORY BUSINESS

### Item 4A. The firm

Martin Currie is an asset management company with US\$12.0 billion\* of assets under management (AUM) for more than 80 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.










MCInc provides the primary sales and marketing services to North American clients, together with discretionary investment management services to US investors. MCInc is regulated by the SEC. MCInc 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 Franklin Resources, Inc. ('Franklin'), a global asset management firm headquartered in the USA. 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 2020. Martin Currie AuM includes the assets under management from Martin Currie Australia.

### Item 4B. Our advisory services

Martin Currie offers a range of differentiated, high conviction, active equity solutions available as segregated or pooled accounts. Each is driven by one of three investment outcomes across a range of styles. MCInc also offers non-discretionary model portfolio delivery to institutional clients. The following diagram illustrates the strategies offered to clients.

								
OUTCOME	STYLE	Asia	Australia	Europe	Global	Global Emerging Markets	International/EAFE	North America
	Quality Growth	✓		✓	✓	✓	✓	✓
	Long/Short			✓				
	Multi Asset				✓			
	Value		✓					
	Core		✓					
	Sustainable		✓					
	Listed Real Assets		✓					
	Income	✓	✓		✓			
	Multi Asset		✓					

Source: Martin Currie

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 is a commitment we keep. We regard our bespoke service as one of the key differentiators that sets us apart from our peer group. Excellence of service and delivery of information is at the heart of our proposition. 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 with strong backgrounds within the industry. They are all guided by a clear goal – to understand each client’s specific needs and to meet or exceed their expectations. They exist not only to be the voice of Martin Currie to our clients, but to be the voice of the client within Martin Currie.

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 checks for inadvertent limit breaches caused by market movements on a daily basis and ensures 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 within a given strategy may differ.

#### Item 4D. Managed account programs (including Wrap Fee Program Services)

MCInc has established a relationship with Legg Mason Private Portfolio Group (‘LMPPG’) through which MCInc has access to managed account programs by being retained by LMPPG as a sub-advisor. MCInc is part of a wider group of companies, collectively referred to as ‘Martin Currie’ or the ‘Group’. Both Martin Currie and LMPPG are wholly-owned subsidiaries of Franklin.

As sub-advisor to LMPPG, MCInc. provides investment advisory services that involve one or more of the investment management strategies described below.

As sub-advisor to LMPPG, MCInc participates in various types of managed account programs, which include LMPPG-Implemented Programs, Discretionary Model-Based Programs and Non-Discretionary Model-Based Programs, which are defined as follows:

- **LMPPG-Implemented Programs.** Programs of sponsors in which MCInc has security selection discretion and LMPPG implements investment instructions furnished by MCInc in the form of model portfolios with respect to client accounts, subject to any implementation protocols or rules agreed to by LMPPG and MCInc.
- **Discretionary Model-Based Programs.** Programs of sponsors in which MCInc has security selection discretion and LMPPG forwards investment instructions furnished by MCInc in the form of model portfolios to sponsors or their designees for implementation, subject to any implementation protocols or rules of the sponsors or their designees; and
- **Non-Discretionary Model-Based Programs.** Programs of sponsors in which LMPPG forwards MCInc’s non-discretionary investment recommendations in the form of model portfolios to sponsors or their designees for implementation, subject to the discretion of sponsors or their designees.

Participation in managed account programs by MCInc includes wrap fee programs that may be sponsored

by banks, broker-dealers or other investment advisers. LMPPG receives a portion of the wrap fee for services provided to such accounts and passes a portion of this fee onto MCInc

Not all investment strategies managed by MCInc are available through managed account programs. Further, the manner in which MCInc constructs a portfolio for use in managed account programs may differ from how the same strategy is executed for an institutional client, for example, due to the use of US listings of an international stock instead of the locally-traded security, differing liquidity and transaction-cost characteristics, the use of affiliated commingled vehicles to implement the strategy in addition to individual securities and lack of access to certain markets. Due to the restrictions imposed within commingled vehicles, this could have an impact on individual position exposures. For the foregoing reasons, in addition to certain other factors described in item 12 of this brochure, the performance of an account in a managed account program may differ from the performance of other managed account program accounts and from the performance of MCInc's institutional and pooled fund clients managed in accordance with the same MCInc strategy.

As a provider of investment advice under a managed account program, MCInc is not responsible for determining whether a managed account program or MCInc's investment style or strategy is suitable or advisable for any particular managed account program client. Rather, such determinations are the responsibility of the sponsor and the client (or the client's financial advisor and the client). MCInc is responsible only for supplying a model portfolio that is consistent with the designated MCInc. strategy to LMPPG for implementation or onward distribution to another firm for implementation and does not tailor model portfolios to individual client needs. Though clients in managed account programs can impose reasonable restrictions, the implementing firm (such as sponsor, overlay manager or LMPPG) is responsible for complying with such restrictions.

Managed account program clients should carefully review the terms of the relevant agreement with their sponsor to understand the terms, services, minimum account size and any additional fees that may be associated with their account and participation in the program.

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

As at 31 March 2020, the Group has US\$12.0 billion in discretionary 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 institutional 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> (minimum investment – US\$50 million)		<b>Asia Pacific ex-Japan</b> (minimum investment – US\$50 million)	
First US\$50 million	0.75%	First US\$50 million	0.70%
Next US\$50 million	0.75%	Next US\$50 million	0.65%
Next US\$100 million	0.75%	Next US\$100 million	0.60%
Next US\$150 million	0.70%	Next US\$150 million	0.55%
Next US\$350 million	0.65%	Next US\$350 million	0.50%
<b>Asia Pacific Real Income</b> (minimum investment – US\$50 million)		<b>European Long/Short</b> (minimum investment – US\$50 million)	
First US\$50 million	0.75%	First US\$50 million	1.5% + 20%
Next US\$50 million	0.75%	Next US\$50 million	1.5% + 20%
Next US\$100 million	0.70%	Next US\$100 million	1.5% + 20%
Next US\$150 million	0.55%	Next US\$150 million	1.5% + 20%
Next US\$350 million	0.50%	Next US\$350 million	1.5% + 20%
<b>European Long-Term Unconstrained</b> (minimum investment – US\$50 million)		<b>Global Equity Income</b> (minimum investment – US\$50 million)	
First US\$50 million	0.70%	First US\$50 million	0.65%
Next US\$50 million	0.60%	Next US\$50 million	0.60%
Next US\$100 million	0.50%	Next US\$100 million	0.60%
Next US\$150 million	0.50%	Next US\$150 million	0.50%
Next US\$350 million	0.40%	Next US\$350 million	0.40%
<b>Global Emerging Markets</b> (minimum investment – US\$50 million)		<b>Global Long-Term Unconstrained</b> (minimum investment – US\$50 million)	
First US\$50 million	0.75%	First US\$50 million	0.70%
Next US\$50 million	0.65%	Next US\$50 million	0.60%
Next US\$100 million	0.65%	Next US\$100 million	0.50%
Next US\$150 million	0.60%	Next US\$150 million	0.50%
Next US\$350 million	0.55%	Next US\$350 million	0.40%
<b>International Long-Term Unconstrained</b> (minimum investment – US\$50 million)		<b>Southeast Asia</b> (minimum investment – US\$50 million)	
First US\$50 million	0.70%	First US\$50 million	0.75%
Next US\$50 million	0.60%	Next US\$50 million	0.75%
Next US\$100 million	0.50%	Next US\$100 million	0.75%
Next US\$150 million	0.50%	Next US\$150 million	0.70%
Next US\$350 million	0.40%	Next US\$350 million	0.65%
<b>US Long-Term Unconstrained</b> (minimum investment – US\$50 million)		<b>Charities (Client specific)</b> (minimum investment – US\$50 million)	
First US\$50 million	0.50%	First US\$50 million	0.55%
Next US\$50 million	0.50%	Next US\$50 million	0.45%
Next US\$100 million	0.45%	Next US\$100 million	0.40%
Next US\$150 million	0.40%	Next US\$150 million	0.35%
Next US\$350 million	0.40%	Next US\$350 million	0.35%
<b>Australia Core Equity*</b>		<b>Australia Dynamic Value*</b>	

<b>Core investment strategy</b>	<b>Annual Management fee</b>	<b>Core investment strategy</b>	<b>Annual Management fee</b>
(minimum investment – AUS\$30 million)		(minimum investment – AUS\$30 million)	
First AUS\$50 million	0.50%	First AUS\$50 million	0.50%
Next AUS\$50 million	0.40%	Next AUS\$50 million	0.40%
Next AUS\$100 million	0.35%	Next AUS\$100 million	0.35%
Next AUS\$300 million	0.30%	Next AUS\$300 million	0.30%
<b>Australia Equity Income</b> (minimum investment – AUS\$30 million)		<b>Australia Ethical Income</b> (minimum investment – AUS\$30 million)	
First AUS\$50 million	0.50%	First AUS\$50 million	0.50%
Next AUS\$50 million	0.40%	Next AUS\$50 million	0.40%
Next AUS\$100 million	0.35%	Next AUS\$100 million	0.35%
Next AUS\$300 million	0.30%	Next AUS\$300 million	0.30%
<b>REIT*</b> (minimum investment – AUS\$30 million)		<b>Australia Real Income</b> (minimum investment – AUS\$30 million)	
First AUS\$50 million	0.50%	First AUS\$50 million	0.50%
Next AUS\$50 million	0.40%	Next AUS\$50 million	0.40%
Next AUS\$100 million	0.35%	Next AUS\$100 million	0.35%
Next AUS\$300 million	0.30%	Next AUS\$300 million	0.30%
<b>Australia Sustainable Equity*</b> (minimum investment – AUS\$30 million)		<b>Australia Value Equity*</b> (minimum investment – AUS\$30 million)	
First AUS\$50 million	0.50%	First AUS\$50 million	0.50%
Next AUS\$50 million	0.40%	Next AUS\$50 million	0.40%
Next AUS\$100 million	0.35%	Next AUS\$100 million	0.35%
Next AUS\$300 million	0.30%	Next AUS\$300 million	0.30%

\*performance fee available

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.

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

### **Fees relating to managed account programs.**

MCInc has entered into a relationship with Legg Mason Private Portfolio Group ('LMPPG') through which MCInc gains access to managed account programs by being retained by LMPPG as a sub-advisor. MCInc has developed portfolios specifically for managed account programs.

For each program under which LMPPG retains MCInc as a sub-advisor to provide investment instructions or recommendations, LMPPG receives an advisory fee from the sponsor with respect to each such strategy based on program assets managed in accordance with the strategy and the applicable per annum fee rate set forth in the table below.

Under each LMPPG-implemented program, discretionary model-based program and non-discretionary model-based program, LMPPG pays Martin Currie a portion of the advisory fee as a sub advisory fee with respect to each of the investment management strategies based on program assets.



	Annual advisory fee			
	Single Contract			Dual Contract
Investment Strategy	LMPPG implemented	Discretionary model programs	Non-Discretionary model program	LMPPG implemented
Global Equity Income	0.35% - 0.37%	0.25% - 0.27%	0.25% - 0.27%	0.50%
International Unconstrained Equities	0.43% - 0.45%	0.33% - 0.35%	0.33% - 0.35%	0.50%
Emerging Market Equities	0.60%	0.50%	0.50%	0.60%

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

MCInc 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.

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

MCInc 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 MCInc distribution team are eligible to participate in a discretionary bonus scheme intended to reward employees for winning new business and increasing revenues. The scheme is based on both volume and margin of the business sold. The bonus pool available in any given year is calculated based on annualised revenue with awards allocated by the Chief Executive Officer on a discretionary basis amongst participants. Additionally, distribution professionals are also eligible to participate in a second discretionary scheme which is intended to reward overall performance in their role, including their performance against specific objectives assigned to them through the performance management process. The bonus schemes which distribution professionals are eligible to participate in provide a sufficient level of flexibility within the process to take account of both individual and company performance and for external

events beyond the company's control. This flexibility includes the ability not to pay any variable remuneration. These decisions are subjected to formal governance via a Reward Committee and a Remuneration Committee. Typically a portion of any bonus awarded to distribution professionals would be subject to deferral.

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

The bonus payments could create a conflict of interest between MCInc 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 MCInc employees nor LMIS representatives provide investment advice or make recommendations to clients. MCInc employees and LMIS representatives only provide information relating to the funds and investment strategies it, or its affiliate, manages.

## **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 clients' 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 manages active-equity portfolios for a global client base of financial institutions, charities, foundations, endowments, pension funds, family offices, government agencies and investment funds.

Through its subadvisory relationship with LMPPG, MCInc provides investment advisory services through participation in managed account programs. Sponsor firms include banks, broker-dealers or other investment advisers that may use our services for the benefit of their own underlying clients.

### Item 7A. 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 2020.

**Total assets by client type**



Endowments/Foundations	3%
Corporate - Pension	14%
Multi-Manager	7%
Public	9%
Sovereign Wealth Funds	13%
Sub-advisory	1%
Wholesale - Wealth Managers	53%

**Total assets by client location**



UK	13%
North America	16%
EMEA	13%
Asia ex Japan	4%
Australia	25%
Japan	29%

### Item 7.B Investment minimums

For new segregated client accounts, MCInc will generally impose the investment minimums stated in section 5.A. For managed account programs, MCInc generally imposes a minimum investment amount of \$50,000. In consultation with LMPPG, MCInc may waive this or increase minimum for one or more sponsor firms.

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

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

Significant resources are invested to build a deep understanding of companies. The investment and research structure and processes are designed to deliver high-conviction stock ideas based on bottom-up stock driven, fundamental analysis.

#### Portfolio Management and Research

There is a distinct structure at Martin Currie, in that investment team members have dual roles as portfolio managers and analysts and every member of the team has specific research responsibilities. This dual role approach is replicated across all of Martin Currie's regional equity investment teams, helping to facilitate the sharing of research ideas, discussing findings from company meetings and reviewing corporate announcements.

Factset is the core multifunctional research platform, used by the portfolio managers and analysts, to host all research driven activity, including in-house proprietary research, company meetings, stewardship analysis and voting outcomes. Providing a flexible and accessible portal, Factset hosts all in-house stock research which is modelled on a proprietary and standardised stock research template. This ensures consistency of research and common language across the investment teams. Research is coordinated to avoid duplication of effort, to ensure quality and consistency of research output and to measure the impact of our research analysis in client portfolios. The platform also provides a source of complementary live external industry data, offering extensive market intelligence to further inform the investment team.

#### Stewardship and ESG

Effective stewardship of capital is at the heart of our client proposition. Our commitment to this is evident in how we embed Environmental, Social and Governance (ESG) analysis into our investment process, through our corporate engagement, and in the responsible management of our own business.

We recognise that, while analysis of near-term prospects for a company will always be important, the majority of the value of a company lies in its ability to generate sustainable long-term returns. Through our ESG analysis we develop a deeper understanding of the companies we invest in and build stronger conviction in their ability to outperform over the long term for our clients. We approach responsible investment in three ways: integration, active ownership and exclusionary screening (where directed by a client). Our Head of Stewardship and ESG is responsible for oversight of Martin Currie's policies on corporate governance and responsible investment, specifically, the integration of ESG analysis into the investment process across investment teams. Responsibility for day-to-day ESG analysis and active ownership activity lies with those who know the companies best – our portfolio managers and analysts. They work in close collaboration with the Head of Stewardship and ESG to consider the material and relevant ESG factors that could impact the ability of the company to generate sustainable returns.

<b>GROWTH</b>	<b>Global Long-Term Unconstrained</b>	<b>International Long-Term Unconstrained</b>	<b>European Long-Term Unconstrained</b>	<b>US Long-Term Unconstrained</b>
<b>Objective</b>	Long-term growth; we expect to outperform the index over rolling five-year periods	Long-term growth; we expect to outperform the index over rolling five-year periods	Long-term growth over five or more years through investment in a concentrated portfolio	Long-term growth; we expect to outperform the index over rolling five-year periods
<b>GROWTH</b>	<b>Asia Long-Term Unconstrained</b>	<b>Global Emerging Markets*</b>	<b>European Long / Short</b>	
<b>Objective</b>	To capture Asian GDP growth and provide an attractive risk / return profile using a long only equity strategy	To outperform the MSCI Emerging Markets Index over rolling three to five-year periods.	To achieve absolute returns over the long term	
<b>ACCUMULATION</b>	<b>Australia Value Equity</b>	<b>Australia Core Equity</b>	<b>Australia Sustainable Equity</b>	
<b>Objective</b>	To earn an after fee return in excess of the index over rolling five year periods	To earn an after fee return in excess of the index over rolling three year periods	To earn an after fee return in excess of the index over rolling three year periods	
<b>ACCUMULATION</b>	<b>Australia Property Securities</b>	<b>Australia Dynamic Value</b>	<b>Australia Diversified Growth</b>	
<b>Objective</b>	To earn an after fee return in excess of the index over rolling three year periods	To earn an after fee return in excess of the index over rolling three to five year periods	To provide an after fee return in excess of the Composite Benchmark over rolling three year periods	

INCOME	Global Income*	Australia Equity Income	Australia Ethical Income
Objective	To achieve income, with potential for capital growth over the long term by investing in securities of companies listed globally	To provide an after tax yield above the index and provide income stream growth above inflation	To provide an after tax yield above the index and provide income stream growth above inflation
INCOME	Australia Real Income	Asia Pacific Real Income	Australia Diversified Income
Objective	To provide a pre-tax yield above the index and provide income stream growth above inflation	To provide a pre-tax yield above the index and provide income stream growth above inflation	To provide an after tax total return of CPI +4% and provide income stream growth above inflation. The strategy also aims to provide a total return and annual income greater than that of the Composite Benchmark

\*Available through managed account program.

## 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 of 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 performance.

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### **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 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 a custodian, investments may not be as well protected from other claims made on behalf of the general creditors of said 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.

### **Redemption risk**

This is the risk that a pooled investment company ("**fund**") may need to sell its holdings in order to meet shareholder redemption requests. A fund could experience a loss when selling securities to meet redemption requests if the redemption requests are unusually large or frequent, occur in times of overall market turmoil or declining prices for the securities sold, or when the securities a fund wishes to or is required to sell are illiquid.

### **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 obtained could be incorrect.

### **Derivatives**

Certain strategies may invest in complex 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, 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 they are members of exchange based markets.

This exposes each strategy to the risks that 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 one particular counterparty or from concentrating all of its transactions with one particular counterparty.

### **Short selling**

Certain of our long/short 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, the client will cease to be the owner of them, although 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 collateral is received, the client's right to the return of the securities is subject to the risk of insolvency or



other non-performance by the borrower. Since the client is not the owner during the period the securities are lent out, they will not have voting rights nor will they directly receive dividends or other corporate actions (although the client will normally be entitled to a payment from the borrower equivalent to the dividend that would otherwise have been received, and the borrower will be required to account to the client's benefit for 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 entered into, and may differ from the terms above.

### **Commissions**

It is important to note that commissions and other charges may be charged on investments made within a strategy for which the client's 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 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, Martin Currie may carry out transactions in securities on a client's 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.

### **Legal risk**

Many of the laws that govern private and foreign investment, equity securities transactions and other contractual relationships in certain countries, particularly in developing countries, are new and largely untested. As a result, investments may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain countries in which assets are invested. There can be no assurance that this difficult in protecting and enforcing rights will not have a material adverse effect on a particular strategy and/or investment.

### **Inability to transact as a result of exposure to material non-public information**

From time to time, Martin Currie may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, Martin Currie may be prohibited, by law, policy or contract, for a period of time, from (i) unwinding a position in such issuer; (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer. This can result in risk of loss or loss of opportunity if Martin Currie, on behalf of a client, is not able to purchase or sell such security.

### **Business, terrorism and catastrophe risks**

Opportunities involving the assumption by a client's portfolio of various risks relating to particular assets, markets or events may be considered from time to time. A client's portfolio is subject to the risk of loss arising from exposure that it may incur, directly or indirectly, due to the occurrence of various events including, without limitation, hurricanes, earthquakes and other natural disasters, terrorism and other catastrophic events, and events that could adversely affect the health or life expectancy of people. These risks of loss can be substantial, could greatly exceed all income or other gains, if any, received by the portfolio in assuming these risks and, depending on the size of the loss, could adversely affect the return of the client.

### **Systemic risk**

Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a 'systemic risk' and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which Martin Currie interacts on a daily basis.

### **Cybersecurity risk**

As part of its business, Martin Currie processes, stores and transmits large amounts of electronic information, including information relating to the transactions of clients' portfolios and personally identifiable information relating to the clients. Similarly, service providers of Martin Currie may process, store and transmit such information. Martin Currie has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorised access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security.

Network connected services provided by third parties to Martin Currie may be susceptible to compromise, leading to a breach of Martin Currie's network. Martin Currie's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. Online services provided by Martin Currie to clients may only be susceptible to compromise. Breach of Martin Currie's information systems may cause information relating to the transactions of portfolios and personally identifiable information of clients to be lost or improperly accessed, used or disclosed.

Martin Currie's service providers are subject to the same electronic information security threats as Martin Currie. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of clients and personally identifiable information of clients may be lost or improperly accessed, used or disclosed. Martin Currie performs due diligence on service providers for compliance with cyber security controls, but cannot guarantee that there will not be a cybersecurity event.

The loss or improper access, use or disclosure of Martin Currie's proprietary information may cause Martin Currie to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on a client's portfolio.

### **Brexit**

As an investment manager authorised and regulated by the FCA, Martin Currie is currently subject to provisions of certain European directives and regulations (for instance, the Markets in Financial

Instruments Directive and the European Market Infrastructure Regulation) which have either been incorporated into UK law or have direct effect in the UK. Whilst the UK has incorporated the pre-existing body of EU law into its domestic legal system at the time of Brexit, the longer-term impact of the decision to leave the EU on the UK regulatory framework will depend, in part, on the relationship that the UK establishes with the EU at the end of the ongoing transition period.

In particular, it is uncertain whether and how UK laws that incorporate EU directives may diverge or be modified in the future, and whether UK firms (such as Martin Currie) will continue to have the benefit of certain rights to conduct cross-border business within the EU following the loss of financial services passporting. However, the regulatory cooperation memoranda of understanding that have been put in place between the FCA and the regulators of the EU member states that the ability to delegate portfolio management to UK firms from the EU continues.

It is not possible to ascertain the precise impact the UK's departure from the EU will have on Martin Currie or its clients from an economic, financial or regulatory perspective but any such impact could have material consequences for Martin Currie or its clients, particularly if the UK government fails to agree a comprehensive deal at the end of the transition period. However, Martin Currie has based its contingency plans on the assumption of a hard, no-deal Brexit which therefore mitigates the material impact of such a scenario on our business and our clients.

There is also a wider risk that other significant market or regulatory changes subsequently take place within the European Union, both as a result of Brexit or otherwise, and that such changes impact Martin Currie or its clients.

### **General economic and market conditions**

The success of any strategy's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to the taxation of investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations).

These factors may affect the level and volatility of investments' prices and the liquidity of particular investments. Volatility or illiquidity could impair an investment's profitability or result in losses. Any strategy may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets – the larger the positions, the greater the potential for loss.

The economies of countries in which certain strategies may invest may differ in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

### **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 frequently-used benchmarks such as the MSCI Emerging Markets Index.

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.

### **Emerging markets managed account program**

Martin Currie emerging market equity portfolios include exposure to individual international companies. In addition to investments in individual equity securities, managed account program portfolios may involve investment in units of the LEGG MASON GLOBAL ASSET MANAGEMENT TRUST Martin Currie SMASh Series EM Fund ('SMASh Fund'). The prospectus describes the principal investment strategy of the SMASh Fund and the risks associated with an investment in the SMASh Fund. The portfolio managers use investments in the SMASh Fund to obtain exposure to certain companies that, due to the nature of the securities involved, generally do not allow for practical exposure through direct client account investment in such securities.

A Martin Currie emerging market portfolio's allocation to the SMASh Fund will vary over time based on the managers' discretionary allocation decisions, as well as market fluctuations. A managed account program portfolio's aggregate allocation to the SMASh Fund generally will not exceed 50%. However, a portfolio's aggregate allocation to the SMASh Fund may temporarily exceed 50% due to market fluctuations and pending reallocation by the portfolio managers.

A client may obtain a prospectus for the SMASh Fund from the client's Sponsor Firm. The prospectus includes information concerning the SMASh Fund's investment objectives, strategies and risks. The prospectus also contains a general description of the tax consequences associated with the redemption of the SMASh Fund shares and the receipt of dividend and capital gains distributions from the SMASh Fund.

SMASh Fund redemptions may occur as a result of reallocation among securities, account withdrawals and account termination. By selecting a Martin Currie emerging markets portfolio, a client consents to the investment of account assets in the SMASh Fund. The client may revoke this consent by terminating the client's portfolio. In the event of such a termination, the client's SMASh Fund shares will be redeemed.

Only separately managed account clients may purchase shares of the SMASh Fund. While neither the manager nor the sub-adviser of the SMASh Fund charges a management fee to the SMASh Fund, the manager and sub-adviser do receive portions of the fees clients pay for management of emerging markets managed account program portfolios.

By selecting a managed account or model delivery program, a client confirms that it has obtained and reviewed the prospectus in connection with the client's selection of a Martin Currie portfolio and authorises Martin Currie to accept delivery of the SMASh Funds' prospectus on behalf of the client in connection with Martin Currie's ongoing provision of discretionary investment management services.

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

Martin Currie Inc. does not recommend particular types of securities. MCInc, as a discretionary and non-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 May 2012, the SEC and MCInc 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 FCA (then the FSA) imposed a penalty of £3,500,000 to be paid by MCInc and MCIM (together, 'MC') for certain breaches of the FCA Principles for Businesses and FCA rules in connection with the transactions described above. The FCA 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 FCA concluded that (1) MC promptly brought the breaches to the FCA'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**

Martin Currie Inc. is not registered, and does not have an application pending to register, as a broker-dealer. MCInc engages with an affiliated company from within the Franklin group, Legg Mason Investor Services LLC ("LMIS"), in respect of broker-dealer services. LMIS is a registered broker-dealer authorised to sell interest in a registered company and certain other private offshore funds managed by MCInc or its affiliates. The registered representatives of LMIS eligible to participate in a discretionary bonus scheme which is calculated in the same way as that received by the MCInc sales team.

Four MCInc employees engage in broker-dealer activities relating to MCInc as registered representatives of LMIS.



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

MCInc 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 MCInc's management persons is registered, or has an application pending to register, as an associated person of a futures commission merchant, commodity pool operator, or commodities trading advisor.

MCInc is an exempt Community Trading Advisor and operates under applicable statutory exemptions.

**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 MCI'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**

As more fully described in item 10A, LMIS, an affiliate of MCInc, is a registered broker-dealer. LMIS is authorised to sell interests in a registered company and certain other private offshore funds managed by MCInc. 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, MCInc 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.

**Pooled investment vehicles**

MCInc acts as the investment adviser to a number of registered and unregistered investment companies, including offshore funds, for which it receives investment advisory fees and other compensation. Details of each of these funds can be found under Item 5.

## **Investment advisers**

MCIM, an affiliate of MCInc, performs investment advisory services for various clients, including pension plans. MCInc and MCIM operate jointly. MCInc 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 MCInc 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 MCInc are treated equally.

MCInc 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.

## **Legg Mason Private Portfolio Group**

MCInc has established a relationship with Legg Mason Private Portfolio Group ('LMPPG') through which MCInc will gain access to managed programs by being retained by LMPPG as a sub-advisor. MCInc will provide to LMPPG investment advisory services for one or more investment management strategies. MCInc is part of a wider group of companies, collectively referred to as 'Martin Currie' or the 'Group'. Both Martin Currie and LMPPG are wholly-owned subsidiaries of Franklin.

## **Legg Mason Global Asset Management Trust**

For managed account program portfolios, Martin Currie emerging market equity portfolios may involve investment in units of the LEGG MASON GLOBAL ASSET MANAGEMENT TRUST Martin Currie SMASh Series EM Fund ('SMASh Fund'), a Legg Mason mutual fund.

## **Legg Mason Partners Fund Advisor**

In connection with institutional business, Legg Mason Partners Fund Advisor may appoint MCInc as a sub-advisor to certain institutional clients.

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

## **Item 11A. Code of Ethics**

MCInc'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 MCI's clients or otherwise take unfair advantage of their position.

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

### **Managed account programs**

As described in Item 4, MCInc offers investment management services through various types of managed account programs. MCInc's approach is to, where possible, communicate updated model portfolios to LMPPG for implementation under LMPPG-Implemented Programs or for forwarding to the sponsor firm or its designee under Discretionary Model-Based Programs and Non-Discretionary Model-Based Programs



at the same time as we initiate (and most frequently complete) trading on our managed accounts for which we have discretionary trading authority and responsibility. In the limited circumstances where we are unable to communicate at the same time, a conflict could arise as the trading on managed account programs may occur after that on Martin Currie's institutional managed and pooled accounts.

Investment by MCInc or by Martin Currie employees:

- MCInc does not generally trade in securities for its own account. However, MCInc's parent company (Franklin) may 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 MCInc or its affiliates investing in the same funds as its clients. This practice could create a potential conflict of interest as MCInc 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 MCI's parent company, Franklin and not by MCInc. The Finance team produce a regular seed capital report to monitor the level of Group seed investments. MCInc 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.
- MCInc'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.

Most personal securities transactions require pre-trade approval from both a portfolio manager and senior member of the Trading 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 Trader 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.

## ITEM 12 – BROKERAGE PRACTICES

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

We use one or more of the following venue types when executing an order on behalf of our clients:

- a regulated market, more commonly referred to as an exchange
- a Multilateral Trading Facility (MTF)
- an Organised Trading Facility (OTF)
- a Systematic Internaliser (SI)
- a third-party investment firm (a 'broker')

The most appropriate broker and/or venue are considered on an order-by-order basis. No approved broker or venue is an affiliate of Martin Currie and we do not receive any form of rebate, allowance, discount or refund from commission paid to a broker or execution venue.

From time to time, we will trade away from a trading venue. The primary examples of this are when we execute with an SI or 'over the counter' (OTC).

We have robust controls in place to ensure that broker or venue selection is not influenced in any way by inducements. All permanent additions to the approved broker list adhere to a strict take-on process, with parameters set by the Investment Governance Committee (IGC). A full risk analysis is conducted before we add a new broker to our approved list. The analysis can include an assessment of the broker's execution quality and reputation, a review of their financial strength, any regulatory breaches and their terms of business and execution policy. Where monitoring identifies deficiencies or suboptimal outcomes, appropriate steps will be taken to correct these. Any deficiencies with brokers will be dealt with immediately and could result with them being removed, or temporarily suspended from the approved broker list.

Our selection of execution brokers is agnostic to our selection of research providers. This is an important factor in meeting our obligation to ensure best execution for our clients.

We have established a standard execution rate, by country, with all our brokers. These are maximum execution rates we will pay for a secondary market trade. We reserve the right to negotiate a lower execution rate on any trade where we feel it is justified. The rate of commission paid on a trade will depend both on the underlying market and the trading methodology. A combination of trading strategies, for example, high-touch, algorithmic programme trading, can potentially lower the average execution rate paid by a client to below the maximum rate for each market.

Our Execution Policy is available on our website [www.martincurrie.com](http://www.martincurrie.com).

### Item 12B. Aggregation of Orders

MCInc's practice is to aggregate orders when we have the opportunity to do so.

Where the trading team 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, where the market stipulates clients must trade in their own account, merged orders are not permitted.

For some orders in ID markets where omnibus accounts cannot be used, the orders are not permitted to be merged. Portfolio 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 Difference (CFDs) or equity swaps are traded as if they were the common shares which underlie the instrument.
- Short sales are executed in line with long sales. However, 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 specifically wanting to use (or not use) particular brokers, then their order may be executed after other clients' 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 order management system (OMS).

In relation to equity trades in the secondary market, our policy is to prorate 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 prorate or average price the allocations. Allocations and prices for these markets will therefore be similar across clients but not identical. An example of such practices is:

- 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.

The trading team retains 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 12C. Model Portfolios for managed account programs**

MCInc has established a relationship with Legg Mason Private Portfolio Group ('LMPPG') through which MCInc gains access to managed account programs by being retained by LMPPG as a sub-advisor.

MCInc participates in various types of managed account programs, including LMPPG-Implemented Programs, Discretionary Model-Based Programs and Non-Discretionary Model-Based Programs. Martin Currie does not do the trading under any of these types of managed account programs. In the case of LMPPG-Implemented Programs, LMPPG implements investment instructions furnished by MCInc in the form of model portfolios. In the case of Discretionary Model-Based Programs and Non-Discretionary Model-Based Programs, LMPPG disseminates the model portfolio to sponsors or their designees for implementation.

MCInc follows a trade communication process under which it generally communicates a model change trade to LMPPG at the same time that it communicates such model change trade to its institutional trading desk that is responsible for effecting trades on behalf of MCInc's institutional or pooled fund clients. Following its receipt of a model change trade from MCInc, LMPPG generally will communicate, during its normal business hours, such model change trade to LMPPG's trading desk and to program sponsors or their designees for implementation on behalf of managed account program clients at the same time in

accordance with LMPPG's trade communication policy, which is described in item 12 of LMPPG's Form ADV brochure. However, due to differences in market hours and differences in the business hours of LMPPG and program sponsors or their designees relative to those of MCInc, a model change trade may be implemented and effected by LMPPG on behalf of certain managed account program clients before, after or at the same time that such trade is implemented and effected by program sponsors or their designees on behalf of other managed account program clients or that that such trade is effected by MCInc on behalf of its institutional or pooled fund clients, typically resulting in varying execution prices. Due to such timing differences and variation in execution prices, as well as certain other factors described in Item 4.D. of this brochure, the performance of an account in a managed account program may differ from the performance of other managed account program accounts and from the performance of MCInc's institutional and pooled fund clients managed in accordance with the same MCInc strategy.

## ITEM 13 – REVIEW OF ACCOUNTS

MCInc carries out regular client meetings which 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.

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.

Martin Currie distribution capability includes a local presence in the United States and Martin Currie has a number of experienced client service personnel who work closely with our clients from take-on of assets to monitoring and reporting.

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.

### Managed account programs

Sponsor Firms typically prepare and send regular account statements to clients in Sponsor Firm investment programs. Martin Currie does not send regular account reports to such clients, but may agree to provide certain account information upon request.

The Martin Currie portfolio management teams responsible for providing model portfolios for managed account programs review the portfolios they provide on an ongoing basis as part of their investment management process.

This process is grounded in fundamental research and involves close monitoring of all securities that Martin Currie includes in these portfolios

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

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

## ITEM 15 – CUSTODY

MCInc 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

MCInc contracts with Professional Clients 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 MCInc 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 MCInc's authority to provide investment management services. Additionally, MCInc may provide investment advisory services to institutional clients on a non-discretionary basis.

### Managed account programs

In addition to full-discretionary management services, Martin Currie may enter into agreements to provide model portfolios for use in managed account programs.

MCInc has established a relationship with Legg Mason Private Portfolio Group ('LMPPG') through which MCInc gains access to managed account programs by being retained by LMPPG as a sub-advisor. As sub-advisor to LMPPG, MCInc participates in various types of managed account programs, which shall include LMPPG-Implemented Programs, Discretionary Model-Based Programs and Non-Discretionary Model-Based Programs, which are defined as follows:

- **LMPPG-Implemented Programs.** Programs of sponsors in which MCInc has security selection discretion and LMPPG implements investment instructions furnished by MCInc in the form of model portfolios with respect to client accounts, subject to any implementation protocols or rules agreed to by LMPPG and MCInc.
- **Discretionary Model-Based Programs.** Programs of sponsors in which MCInc has security selection discretion and LMPPG forwards investment instructions furnished by MCInc in the form of model

portfolios to sponsors or their designees for implementation, subject to any implementation protocols or rules of the sponsors or their designees; and

- **Non-Discretionary Model-Based Programs.** Programs of sponsors in which LMPPG forwards MCInc's non-discretionary investment recommendations in the form of model portfolios to sponsors or their designees for implementation, subject to the discretion of sponsors or their designees.

Martin Currie has security selection discretion under LMPPG-Implemented Programs and Discretionary Model-Based Programs, but not under Non-Discretionary Model-Based Programs. Martin Currie does not have trading discretion under any type of program described above.

## ITEM 17 – VOTING CLIENT SECURITIES

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

Our proxy voting policy applies to clients who have specifically authorised Martin Currie to vote proxies in the investment management agreement (IMA) or other written instrument or who have, without specifically authorising MC to vote proxies, granted general investment discretion and sets out how we approach voting proxies for these clients.

We recognise that we have a duty to act in the best interests of our clients. To this 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 Global Corporate Governance Principles 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 on material matters and provide our rationale.

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 framework for making these decisions is set out in our Global Corporate Governance Principles.

As responsible stewards of our customers' capital, the fundamental tenet of our Global Corporate Governance Principles is to protect and enhance the economic interests of our clients. These principles are focused around corporate governance and the role of board directors in promoting corporate success, thereby creating sustainable value for shareholders while having regard to other stakeholders, both internal and external.

We believe that Sustainability or Environmental, Social and Governance (ESG) factors create risks and opportunities for companies and that these should be managed appropriately. In particular, 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 have adopted the International Corporate Governance Network (ICGN) Global Governance Principles, which set out a primary standard for well-governed companies that is widely applicable, irrespective of national legislative frameworks or listing rules. We also reference the Principles of Corporate Governance developed by the Organisation for Economic Co-operation and Development (OECD) which are intended to help policymakers evaluate and improve the international frameworks for corporate governance. Differences in national market regulation mean that a single set of detailed guidelines is unlikely to be



appropriate for all the countries 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 (minority) shareholders.

This document should also be read alongside our Global Corporate Governance Principles and our stewardship statement which articulates how we discharge our stewardship duties for our clients.

This policy has been drafted in accordance with the Financial Reporting Council's Stewardship Code, which Martin Currie endorses. 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.

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 Martin Currie 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, Martin Currie may be able to provide proxy solicitation materials directly to such clients.

### **ITEM 18 – FINANCIAL INFORMATION**

MCInc 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.

MCInc is required to meet the standards of the Capital Adequacy Directive, as set by MCI's regulator the Financial Conduct Authority. As a non-MFID firm, the rules regarding MCI's capital requirements are set out in the Interim Prudential Sourcebook for Investment Business. The principal rule is that at all times MCInc must have available the amount and type of financial resources required by the rules of the FCA.

In order to meet these requirements, set by the FCA, 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 these assessments, 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.

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

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## Appendix A – PRIVACY STATEMENT

### Your Privacy at Martin Currie, Inc

This notice is being provided for Martin Currie Inc (“we”).

We are concerned about the privacy of any individuals for whom we or our affiliates provide advisory services. While we do not expect to receive any non-public personal information about individuals (“you”) who invest, for personal, family, or household purposes in accounts that we manage, this notice is designed to help you understand how we handle, and protect certain non-public personal information should we happen to receive this in connection with accounts we manage in order to conduct and process your business with us. The provisions of this notice apply to former individual advisory clients as well as current individual advisory clients unless we state otherwise.

We protect any personal information we collect about you by maintaining physical, electronic and procedural safeguards that meet or exceed applicable law. Third parties who have access to such personal information must agree to follow appropriate standards of security and confidentiality. We train people who work for us in how to properly handle such personal information, and we restrict access to it.

- The personal information that we could receive may come from the following sources:
- Applications or other forms completed by you or on your behalf;
- Transactions with us, our affiliates and non-affiliated third parties; and
- Other sources, such as your broker.

Our affiliates are the family of companies controlled by Franklin. If you are a customer of other Franklin affiliates and you receive notices from them, you will need to read those notices separately.

We do not disclose any non-public personal information about you except for the purposes of the services we provide or as permitted by law. For example, we may disclose non-public personal information to our affiliates and non-affiliated third parties that perform various services on our behalf, including custodians, broker-dealers and companies that perform marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements. These companies agree to use this information only for the services for which we hired them and are not permitted to use or share this information for any other purpose.

**Martin Currie Investment Management Limited**, registered in Scotland (no SC066107). **Martin Currie Inc**, incorporated in New York and having a UK branch registered in Scotland (no SF000300), Saltire Court, 20 Castle Terrace, Edinburgh EH1 2ES Tel: (44) 131 229 5252 Fax: (44) 131 222 2532 [www.martincurrie.com](http://www.martincurrie.com). Both companies are authorised and regulated by the Financial Conduct Authority. Martin Currie Inc, 620 Eighth Avenue, 49<sup>th</sup> Floor New York, NY 10018. Please note that calls to the above numbers may be recorded.