

JULY 2024 For institutional, professional and wholesale investors only

HIGH CONVICTION VALUE APPROACH

The Martin Currie Australia (MCA) Value Equity strategy aims to provide investors with a diversified exposure to our highest conviction stock ideas with **Valuation** potential, while balancing risks through our focus on **Quality & Direction**.

The strategy aims to create long-term value for investors through:



High conviction portfolio - An active portfolio of our 'best ideas' ASX-listed securities



True value approach - Contrarian exposures to stocks with true **Valuation** potential, while balancing risks through our focus on **Quality & Direction**



Proven investment process - Proprietary multi-lensed investment approach provides a broad perspective of expected return and risk



Fundamental active ownership - Purposeful engagement with companies and client advocacy through proxy voting



Experienced stock pickers with long term track record - Deep industry experience generating 'active insights'

Read more in the following document about how the MCA Value Equity strategy seeks to exploit the market's behavioural biases and temporary mispricing and divergence from fair value.

Overview

Within Australia's unique market structure, a multi-lens approach can offer a better perspective of fair value than any one method can on its own.

The MCA Value Equity strategy is designed for investors who seek to maximise longer-term returns of the Value style.

To do this, the strategy provides investors with a diversified and contrarian exposure to our highest conviction Australian equity ideas with attractive valuation potential. Stocks are selected based on our proprietary **Valuation** research lens, with risk balanced through the addition of our **Quality** and **Direction** lenses.

Our approach is premised on the philosophy that the equity market is efficient over the long term, with security prices ultimately reflecting the present value of future cash flows. However, in the short term, the market's behavioural biases can create temporary mispricing and divergence from fair value that can be exploited by our disciplined investment process.

Our experienced investment team is solely focused on identifying the best investment opportunities using a disciplined and repeatable investment approach based on proprietary research into **Valuation**, **Quality**, **Direction** and **Sustainable Dividends**. Stewardship is a critical element of our investment philosophy, and our Active Ownership

approach, which includes ESG integration, engagement and voting, has been embedded directly into our investment process since 2009.

Our extensive fundamental and quantitative experience has allowed us to design a multi-lensed investment process that specifically reflects the Australian market's deeply ingrained structural inefficiencies such as its value-tilt, high concentration, franking credits, and propensity to be impacted by global equity factors. This deep understanding of the Value style, market behaviour, and both expected returns & risk drives our contrarian positions, and helps us to avoid any 'herd mentality' or value traps.

MCA has been investing in Australian equities for more than 40 years, and we have over 15 years of experience in managing Value style strategies through very varied market cycles, including the COVID-19 impacted 2020.

Critically, our long-term performance demonstrates that our balanced multi-lensed approach can outperform the S&P/ASX 200 Accumulation Index during Value tailwinds, while providing investors with genuine protection through periods where the Value-style faces into thematic headwinds.

Past performance is not a guide to future returns.

Source: Martin Currie Australia; as of 31 March 2023.

Martin Currie Australia (MCA) claims compliance with the Global Investment Performance Standards (GIPS®). The Australia Value Equity composite (EQ_06) contains fully discretionary Australian Equity accounts containing diversified portfolios of Australian equity securities with a "value" investment style bias. For purposes of compliance with the GIPS®, the Firm is defined as Martin Currie Australia ("MCA") formerly Legg Mason Australian Equities (LMAE), and comprises all assets managed or advised on a discretionary or non-discretionary basis. MCA is a division of Franklin Templeton Australia Limited (FTAL), which is a part of Franklin Resources, Inc. MCA's predecessor firm for GIPS® purposes, was FTAL, which was known as Legg Mason Asset Management Australia Limited (LMAMAL) prior to 1 October 2021. The MCA team has and continues to manage the Australian domestic equities portfolio of FTAL. The Australian Dollar is the currency used to express performance. Returns are presented gross of investment management fees, custody fees, administration fees, tax and net of trading expenses, and include the reinvestment of distribution income. Returns are presented net of non-reclaimable withholding taxes. GIPS Reports and/or the firm's list of and description of composites and limited distribution pooled funds and list of broad distribution pooled funds can be obtained by contacting MCAClientService@martincurrie.com.au.

Inception date: 1 December 2006.

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Proprietary multi-lensed investment process

The MCA Value Equity investment process starts with bottom-up fundamental research by our specialised industry analysts. The importance we place on proprietary research into long-term normalised earnings power, cashflow sustainability, business quality and risk, is reflected in the size, quality and experience of our investment team.

Our analysts' independent insights are captured in a consistent manner via MCA's proprietary research lenses. This creates a common language for expressing our views on the risks and opportunities across the investment universe.



Valuation

Fundamental insights into normalised earnings and risk to determine fair value



Direction

Fundamental insights into the direction of earnings changes

Quantitative assessment of short- and long-term factors such as:

- Price momentum
- Earnings revisions
- Accruals



Quality

Fundamental insights into:

- Business strength
- Management and governance quality
- Sustainability (including considerations of modern slavery and human rights risks, contribution to the UN Sustainable Development Goals and other relevant factors.)

Quantitative risk rating based on:

- MCA Analyst Quality
- Leverage
- Predicted beta
- Profitability



Sustainable Dividend

Fundamental estimate of a company's ability to maintain payments to shareholders through different stages of the cash flow cycle

Our analysts and portfolio managers are also supported by the MCA research platform through access to:

- a deep 'Active Ownership toolkit', that includes ESG-specific tools that the team uses to uncover material ESG risks and opportunities within their bottom-up fundamental research;
- big picture analysis to identify changing economic and market conditions that drive factor performance;
- a peer review process that builds collaboration and consistency;
- investment process R&D into new or refined alpha and risk signals; and
- proprietary real-time cloud based analytics.

Consideration of ESG factors in the investment process

ESG research is integrated deeply into MCA's multi-lensed research process and portfolio construction.

Our experience has demonstrated to us that ESG analysis, engagement and voting should be done by those making investment decisions rather than being outsourced as they are best positioned to develop an informed view of the ESG risks, opportunities and impacts that companies face or create. Therefore, this responsibility lies directly with our experienced team of research analysts and portfolio managers.

Drawing from our extensive experience, we've come to understand that engagement is an ongoing, iterative process that demands both patience and a persistent effort yielding results that unfold over time. Our investment team's long-term experience with management engagements bolsters our ability to effectively affect company level changes.

We have cultivated strong relationships and established open dialogues giving us the opportunity to express any areas of concern and encourage greater transparency on their management of these risks.

By incorporating material and relevant ESG factors that we have uncovered through our bottom-up fundamental research and engagement activities directly into the Quality and Valuation lenses, the investment process specifically reflects how ESG factors can increase or reduce the risk of companies delivering the normalised earnings that our analysts forecast.

For further information on our embedded ESG process, please refer to our Active Ownership brochure on our [website](#).

Process customised to suit the Australian market

Our extensive experience in managing Australian equities for more than 40 years has allowed us to reflect the Australian market's structural inefficiencies into our proprietary multi-lensed investment process:



High benchmark concentration

Dominance of large caps, finance and materials stocks

- We are high conviction and we have a natural bias away from the largest securities.
- We cover all market capitalisations and sectors.

Few stocks per industry/sector

- We use a common framework to research stocks across the whole Australian market rather than by sector.
- We leverage Martin Currie global investment floor knowledge on global peers.
- We improve diversification via non-benchmark stocks such as IPOs and dual listed names.

Oligopolistic nature of Australian companies

- Our process explicitly considers the impact of market structure within our **Quality** and **Direction** lenses.



Benefit of franking credits for domestic investors only

- Significant portion of international investors in Australian equities leads to inefficient valuing of companies with high franking levels.
- We explicitly value franking credits and penalise unfranked dividends in our **Valuations**.



Market's propensity to be impacted by global equity factors

- We undertake big-picture analysis of global markets and factors and their impact on Australian companies.
- Our portfolio construction process is factor aware.



Mixed success of traditional Value factors in Australia

- While we are stylistically Value managers, we can avoid value traps.
- Our **Valuation** model is risk-adjusted based on **Quality**, Debt and Size.
- We use Momentum as a component in our **Direction** signal.

With the structural inefficiencies in the Australian market deeply ingrained, we believe that our advantage will continue for the long term.

The MCA investment team

The MCA Value Equity strategy is managed by Reece Birtles, Chief Investment Officer & Portfolio Manager, and Michael Slack, Portfolio Manager & Head of Research. Reece Birtles has ultimate management responsibility for the Value Equity strategy.



Reece Birtles
Chief Investment Officer
& Portfolio Manager



Michael Slack
Portfolio Manager
& Head of Research

The Value Equity investment process draws on a wide range of proprietary fundamental and quantitative research metrics, and the strategy benefits from the close collaboration of the well-resourced and experienced MCA investment team.



**Deep industry expertise
generating best ideas**



**A learning culture and
growth mindset**



**Highest standard of
professional conduct**



**Passion for investment
excellence and focus on risk
management**

- MCA team of 17 led by Chief Investment Officer Reece Birtles
- Average tenure of 14 years, average industry experience of 22 years - across a variety of industry backgrounds¹
- Additional insights from broader Martin Currie global investment floor
- Investment expertise and rigour gained through peer review
- Key focus on continuous development and improvement
- Team culture, built on coaching and mentoring
- Living the values of investing to improve lives through the responsible management of our own business
- Consistent investment philosophy and process applied to an extensive range of investment products
- Tailored investment options aligned to client needs
- Sophisticated, interactive risk analysis
- Robust risk culture

¹As of 31 December 2023.



Key facts

Launch date	26 October 2006
Performance objective	The strategy aims to earn an after fee return in excess of the benchmark over rolling five-year periods
Benchmark	S&P/ASX 200 Accumulation Index
Investable universe	Australian listed securities/all-cap
Number of securities	Typically 33
Security limits	Benchmark +/-7%
Sector limits	Benchmark +/-12%
Portfolio turnover	Typically 25% p.a.
Tracking error	We do not target a specific tracking error level
How to access	Segregated mandate Martin Currie Select Opportunities Fund (An Australian Unit Trust)

The characteristics shown are guidelines only and are not hard risks limits.

Industry recognition

Signatory of:



Latest PRI Rating¹

Since 2009



Policy governance
and strategy



Direct - Listed
equity - Active
fundamental



Confidence
building
measures

Top quartile

Ranking vs peers
across all three pillars²

¹Source: Martin Currie and PRI 2022. Ratings relate to the period 1 January 2022 - 31 December 2022.

Martin Currie has been awarded the highest possible rating from the Principles of Responsible Investment (PRI), with a five-star rating across all categories relevant to its investment activities. A copy of the PRI's assessment and transparency report are available on our [website](#).

²Policy governance and strategy: 95%; Direct - Listed equity - Active fundamental: 100%; Confidence building measures: 100%

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About Martin Currie Australia



A leading innovator of **Australian Equity, Real Asset and Multi-Asset strategies**



Specialist investment manager
of **Franklin Resources Inc.**



40+ years in
Australian equities



World class
ESG credentials*



Tailored investment options
aligned to client needs



17 member team of
specialist investment analysts



A\$6 billion in
Australian equities

Source: Martin Currie, as at 31 December 2023.

For further information on our market leading ESG credentials please refer to full details on our website:
www.martincurrie.com/our-story/our-stewardship-approach



Important information

This information is issued and approved by Martin Currie Investment Management Limited ('MCIM'), authorised and regulated by the Financial Conduct Authority. It does not constitute investment advice. Market and currency movements may cause the capital value of shares, and the income from them, to fall as well as rise and you may get back less than you invested.

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Past performance is not a guide to future returns.

The distribution of specific products is restricted in certain jurisdictions, investors should be aware of these restrictions before requesting further specific information.

The views expressed are opinions of the portfolio managers as of the date of this document and are subject to change based on market and other conditions and may differ from other portfolio managers or of the firm as a whole. These opinions are not intended to be a forecast of future events, research, a guarantee of future results or investment advice.

The analysis of Environmental, Social and Governance (ESG) factors forms an important part of the investment process and helps inform investment decisions. The strategy/ies do not necessarily target particular sustainability outcomes.

Risk warnings – Investors should also be aware of the following risk factors which may be applicable to the strategy shown in this document.

- Investing in foreign markets introduces a risk where adverse movements in currency exchange rates could result in a decrease in the value of your investment.
- This strategy may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the strategy's value than if it held a larger number of investments.
- Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.
- The strategy may invest in derivatives (index futures) to obtain, increase or reduce exposure to underlying assets. The use of derivatives may restrict potential gains and may result in greater fluctuations of returns for the portfolio. Certain types of derivatives may become difficult to purchase or sell in such market conditions.

For wholesale investors in Australia:

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