



FRANKLIN
TEMPLETON



MARTIN CURRIE

EUROPEAN UNCONSTRAINED

31 MARCH 2022

INVESTING TO IMPROVE LIVES™

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KIID before making any final investment decisions.

For professional investors only

OUTLOOK 2022



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Supportive on equities given negative real rates, but risk of economic slowdown is rising



Lower earnings growth environment, with downside revisions risks from Ukraine conflict



Frictional rather than structural inflation, although stronger and longer lasting



Valuation discipline important given market levels



Monetary policies normalising



Focus on companies with consistent earnings and pricing power



Expect increased volatility between Value and Growth styles

RUSSIA/UKRAINE CRISIS



MARTIN CURRIE



Geopolitics and increased risk aversion

Situation is unpredictable, could embolden China but they also have a role as mediator. Expect elevated volatility



Inflation and monetary policy

Inflationary pressures could be higher and last for longer – notably energy and food - will make difficult for central banks to hold off from further tightening



Macroeconomic outlook

Potential negative impact on economic momentum – could lead to slowdown in cycle. Stagflation still a low probability event



Corporate earnings and valuations

Downgrades to already low earnings growth expectations likely, so focus on earnings momentum is critical. Valuation spread between US and EU equities likely to widen in the near term



Implications of sanctions

Increased risk of financial contagion and stranded assets, but Russia low index weight in terms of revenue and profit. Energy disruption means EU likely to re-examine green transition



Sectors likely to be supported near term



Defence sector



Alternative energy



Oil & gas



Soft commodities, fertilisers and agricultural machinery



Cyber security



Sectors likely to be pressured near term



Industrial Cyclical



Luxury goods



Financials



Quality and more defensive areas of the market

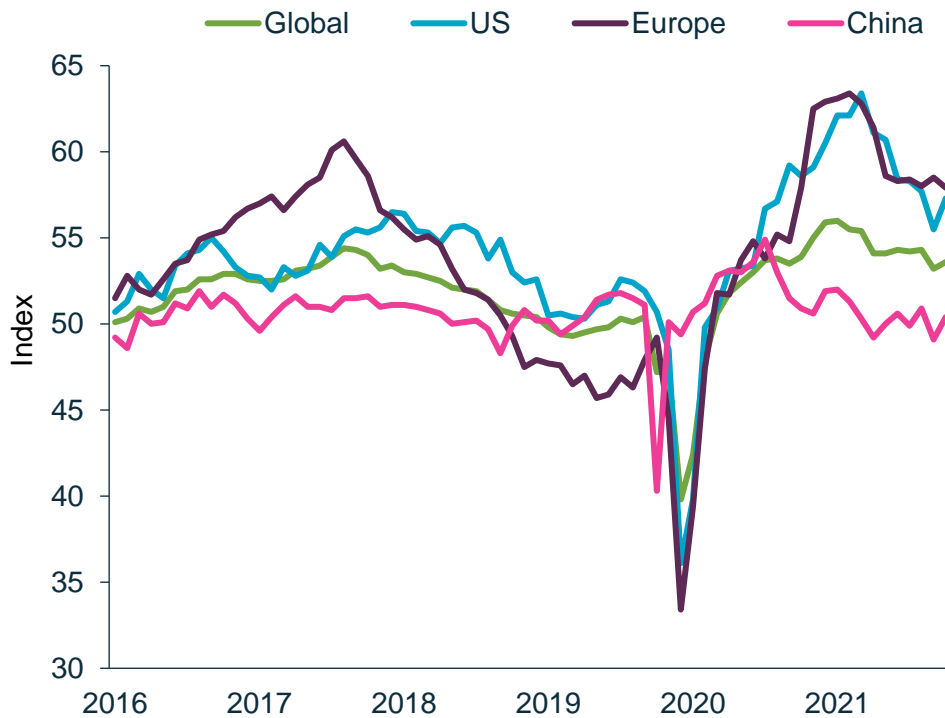


Consistent growth stocks

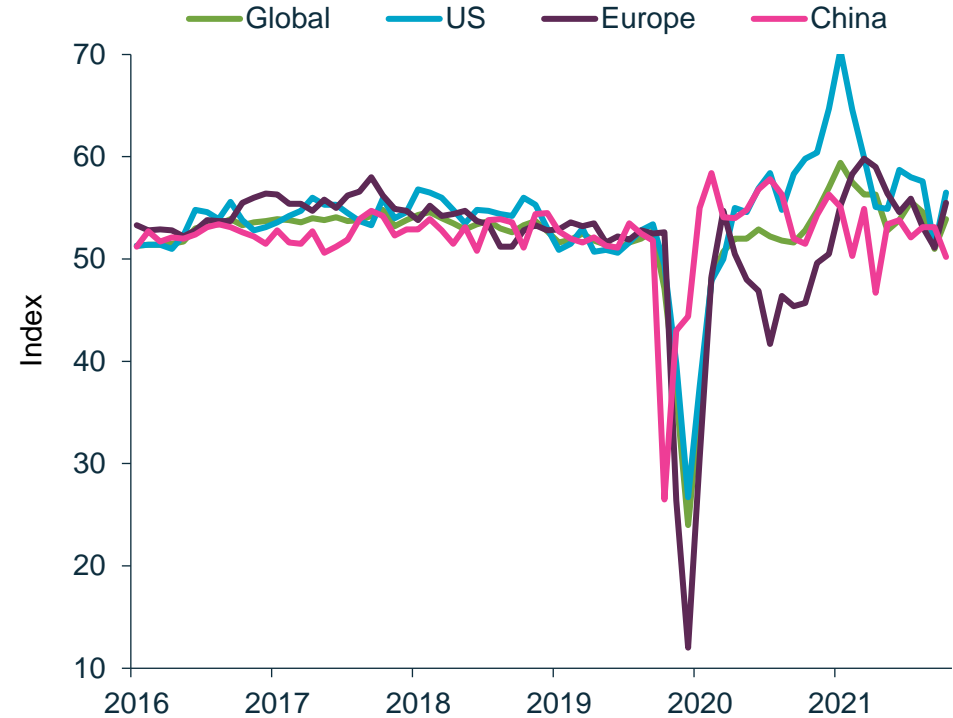
MACRO – LEADING INDICATORS

Purchasing Managers' Index (PMI)

Manufacturing PMIs



Services PMIs

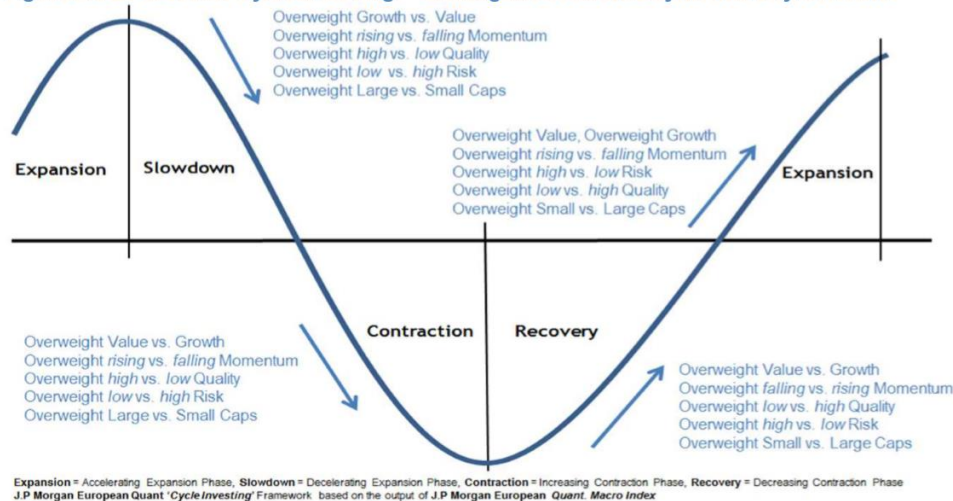


PHASES OF PERFORMANCE THROUGHOUT THE ECONOMIC CYCLE



MARTIN CURRIE

Figure 27: JPM Quant 'Cycle Investing' – Linking the economic cycle with Style returns



Source: J.P. Morgan Quantitative and Derivatives Strategies

Table 4: Average Excess Monthly Style Returns in different phases of the Economic Cycle

JPMQ CI Phase	Value <i>Good</i>	Growth <i>High</i>	Momentum <i>Rising-Falling</i>	Quality <i>High-Low</i>	Risk <i>High-Low</i>	Size <i>Large-Small</i>
Expansion	0.85	0.44	1.11	-0.85	0.99	-0.32
Slowdown	-0.07	0.33	1.41	0.71	-1.24	0.67
Contraction	0.06	-0.44	0.84	0.89	-1.36	0.33
Recovery	1.65	0.57	-0.64	-0.08	1.62	-2.27

Source: J.P. Morgan Quantitative and Derivatives Strategies

Average monthly Price Returns Jan 1994 to Dec 2014

- Our persistent Quality Growth style means the funds should perform across most of the economic cycle
- Quality and/or Growth perform in Expansion, Slowdown and Contraction phases of the cycle
- Our Quality Growth style will likely underperform during the recovery phase, which is typically short lived and driven by a Value and Low quality rally
- Growth and Quality combined performs in all phases of the cycle as the table shows

Past performance is not a guide to future returns.

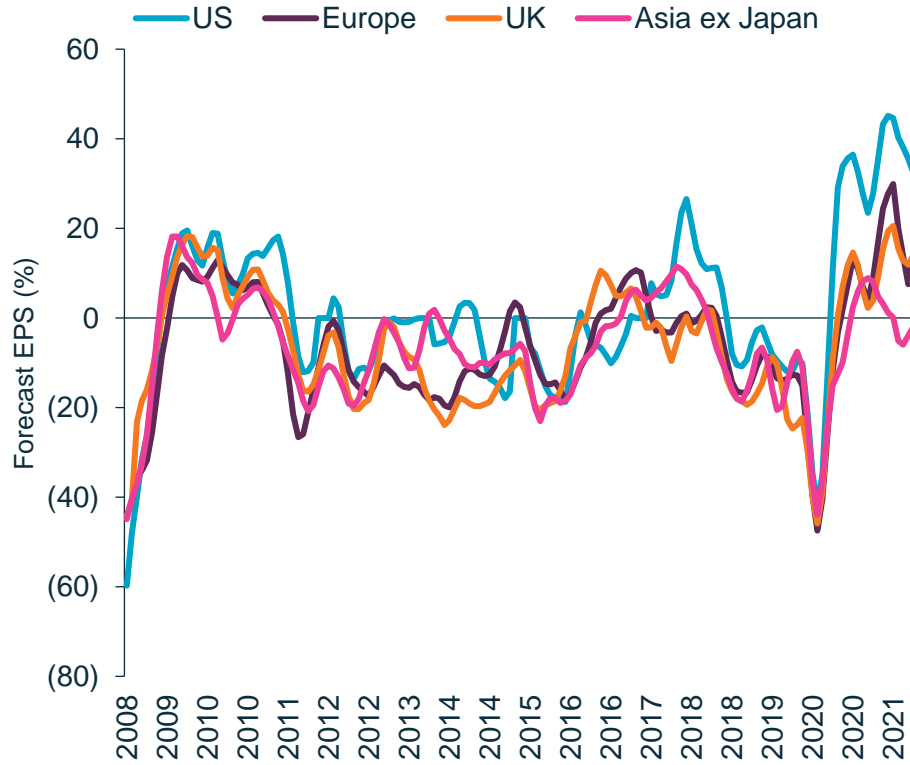
Source: J P Morgan Quantitative & Derivatives Strategy. Average monthly Price Returns – January 1994 to December 2014.

EARNING REVISIONS – DOWNWARD REVISIONS GLOBALLY

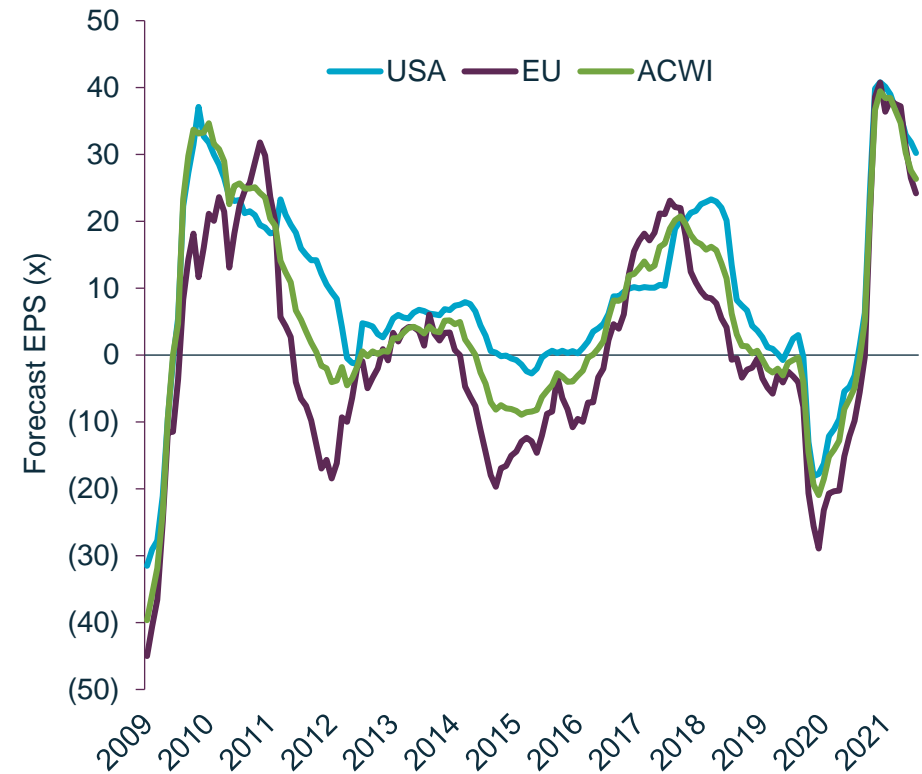


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Earnings momentum



Forecast EPS growth NTM of given markets

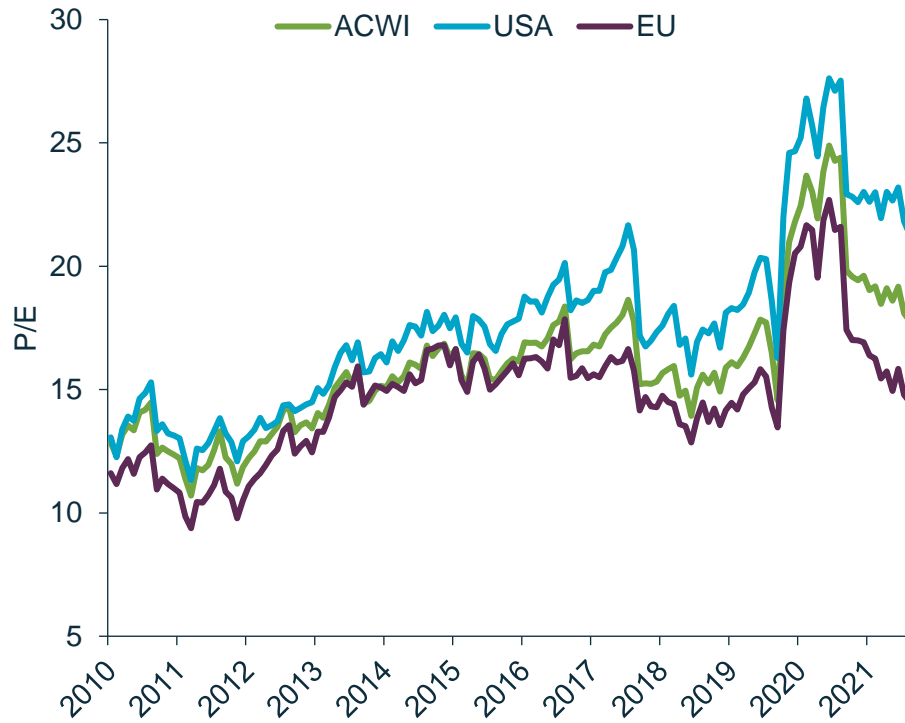


VALUATIONS

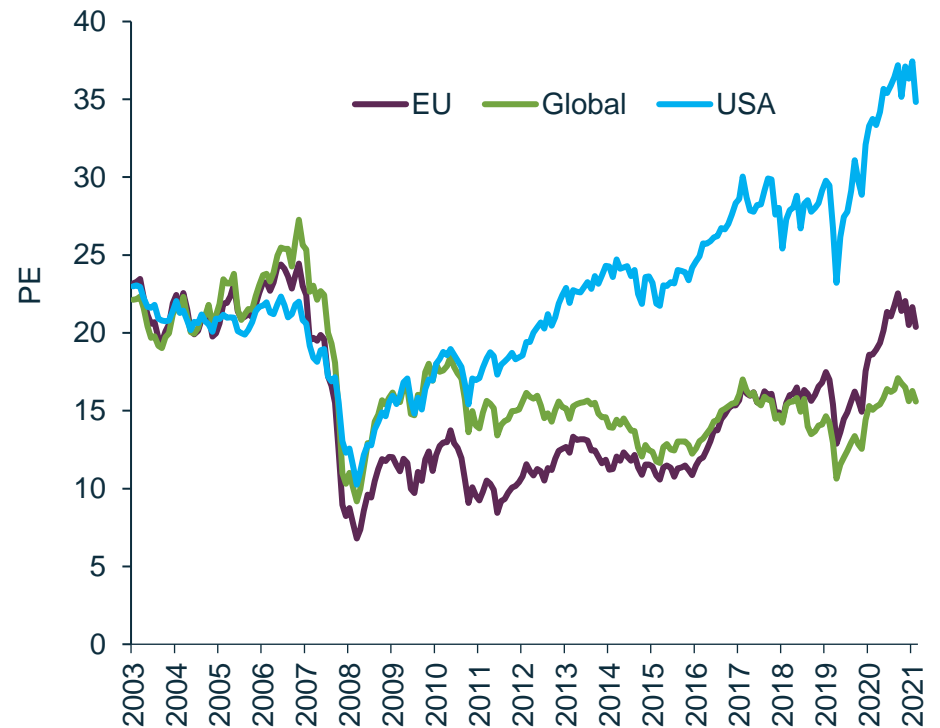


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Forward PE (FY1) of given markets



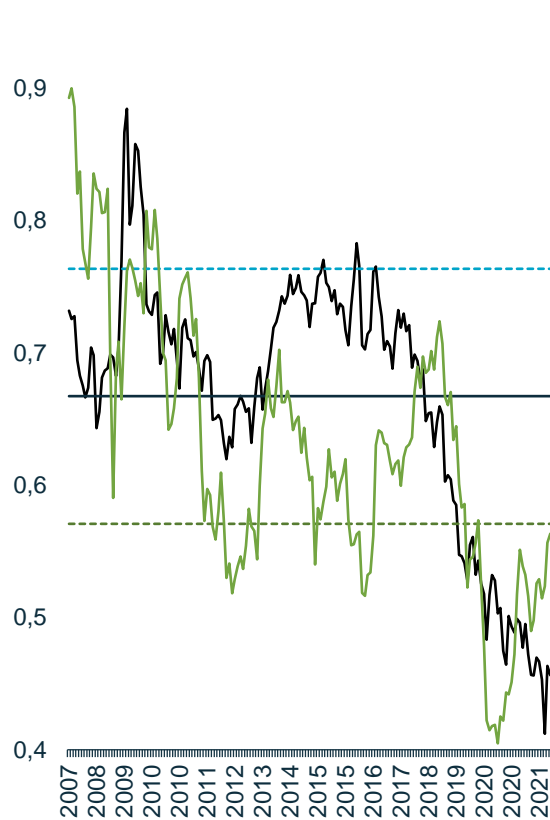
Shiller PE



STYLE ROTATION

Value versus Growth spread versus US 10-year Treasury bond yields

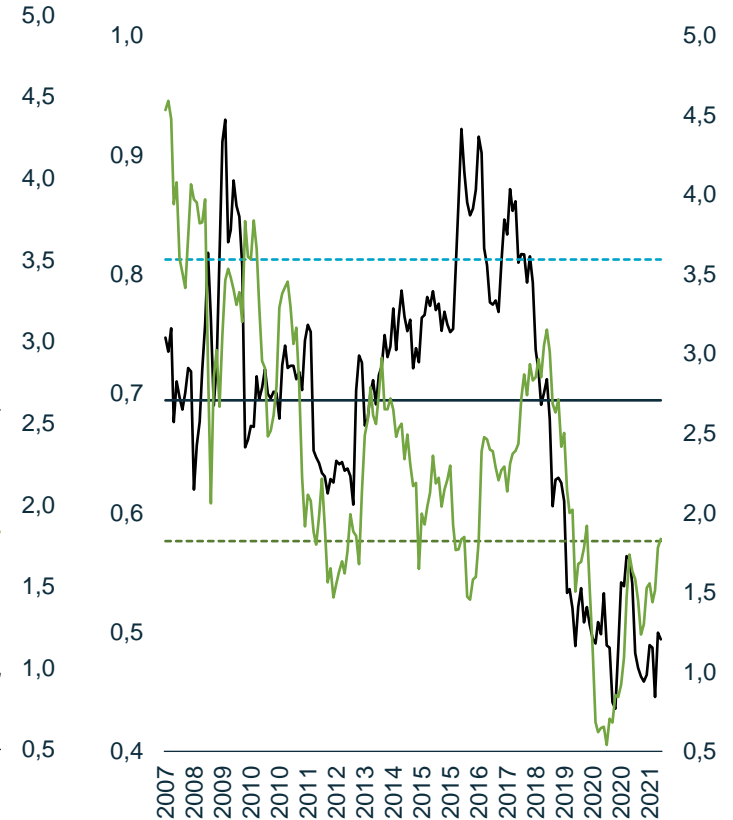
MSCI Europe



MSCI USA



MSCI UK



— Rel price — Average - - - +1 std. dev. - - - -1 std. dev. — US 10Y Bond Yields (rhs)

RISKS FOR INVESTORS IN 2022



Policy mistakes
around initiatives



Localised pandemic
relapse risk



Lower long term
growth outlook



Monetary policies
hiccup



Style rotations could
remain omnipresent



Tax rates
increasing



Stronger and more
prolonged inflationary
pressures



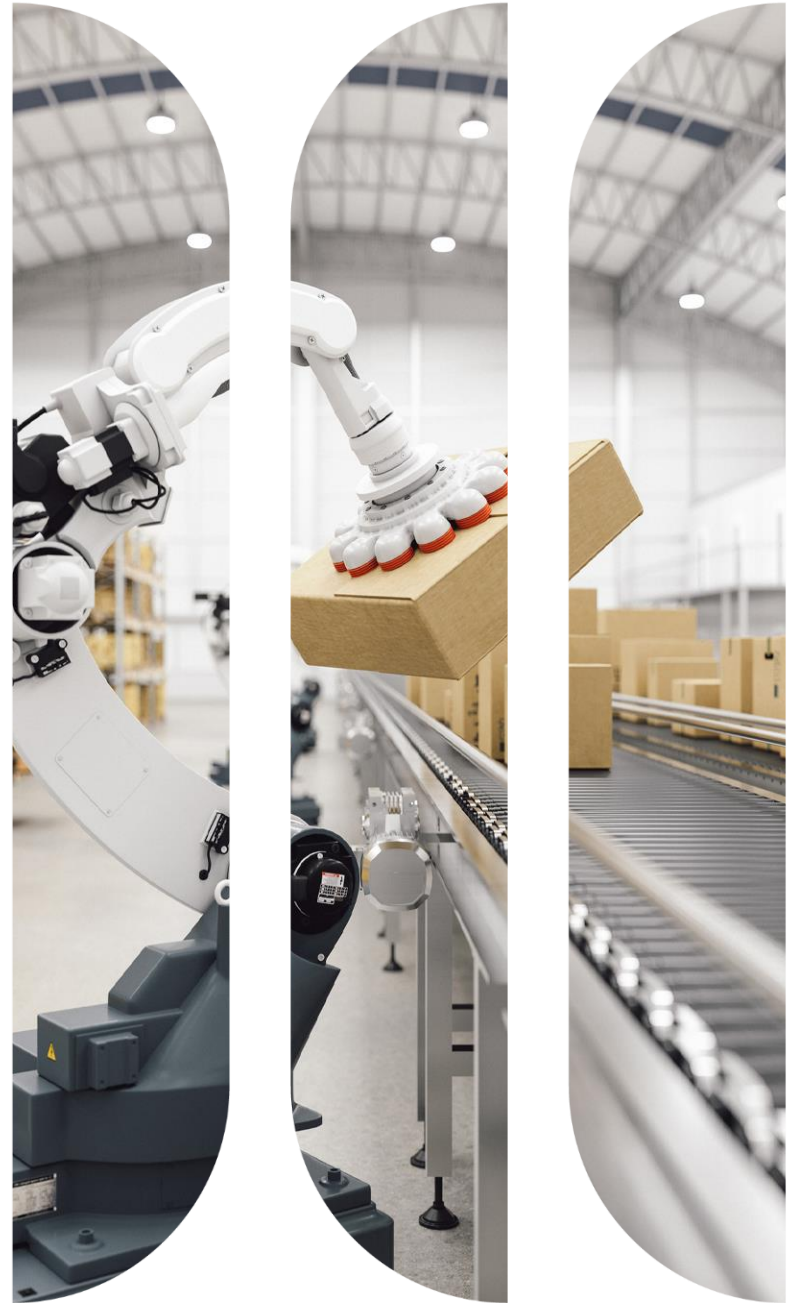
Margin pressure from
higher inflation



Geopolitical tensions
become more open

MEDIUM-TERM OPPORTUNITIES

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MEDIUM-TERM OPPORTUNITIES



Renewable energy



High speed railway



Electric vehicles



Healthcare infrastructure



5G telephony



Cloud computing and cyber security



Robotics and automation

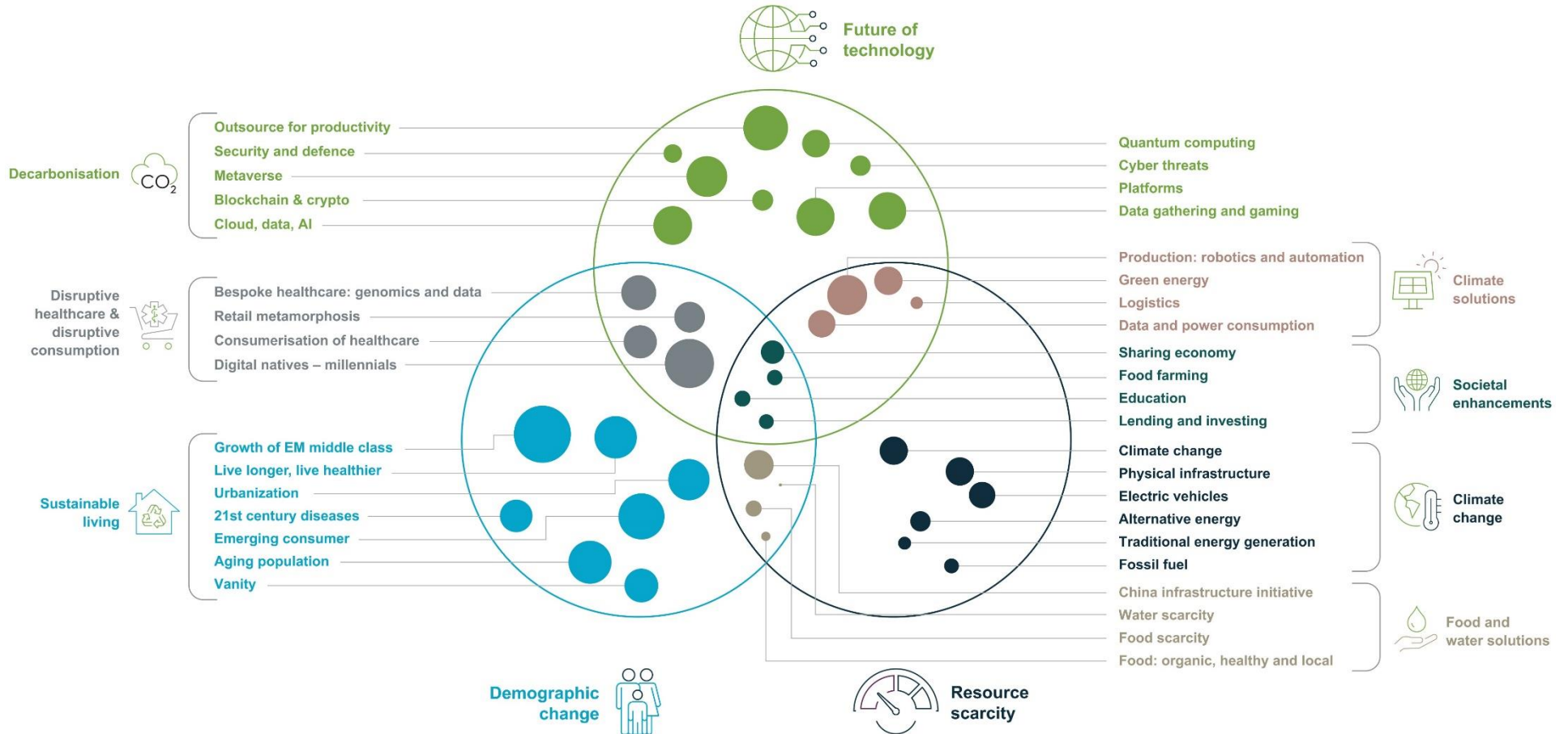


Quantum computing

THEMATIC PRODUCTS DELIVERING DIVERSE EXPOSURES



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Proprietary framework to ensure optimal exposure to structural growth opportunities

ATLAS COPCO

VACUUM AND AIR COMPRESSOR TECHNOLOGY LEADER



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Country	Sweden
Sector	Industrial
	(%)
ROIC	22
ROIC FY5	38
Revenue Growth (NY5 CAGR)	8
EBIT Growth (NY5 CAGR)	13
EPS Growth (NY5 CAGR)	12
FCF Growth (NY5 CAGR)	8

Thematics



China infrastructure initiative



Urbanisation



Growth of EM middle class



Demographic change



Demographic change



Demographic change



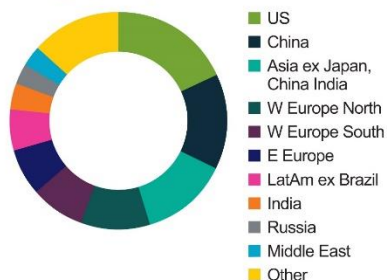
Resource scarcity

Geographic revenues and profits

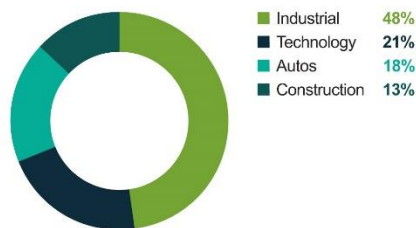
Geographic revenue



Geographic profit



End user markets



Company classifications



Industry lifecycles



The information provided should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the securities discussed here were or will prove to be profitable.

Source: Martin Currie and FactSet as at 31 August 2021.

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Country	Italy
Sector	Consumer Discretionary
ROIC	27
ROIC FY5	47
Revenue Growth (NY5 CAGR)	13
EBIT Growth (NY5 CAGR)	21
EPS Growth (NY5 CAGR)	19
FCF Growth (NY5 CAGR)	19

Thematics



Growth of EM middle class



Demographic change



Vanity



Demographic change



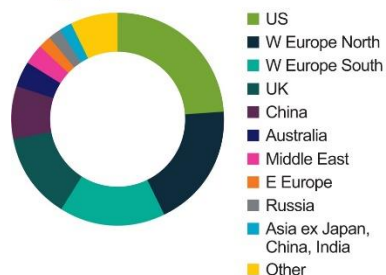
Electric vehicles



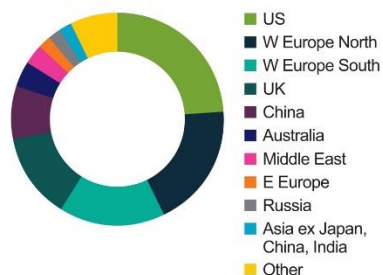
Resource scarcity

Geographic revenues and profits

Geographic revenue



Geographic profit

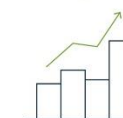


End user markets



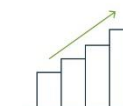
Consumer discretionary: 100%

Company classifications



High growth/
high return companies

Industry lifecycles



Accelerating growth

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Source: Martin Currie and FactSet as at 31 August 2021.

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Country	Sweden
Sector	Information technology (%)
ROIC	9
ROIC FY5	13
Revenue Growth (NY5 CAGR)	13
EBIT Growth (NY5 CAGR)	15
EPS Growth (NY5 CAGR)	18
FCF Growth (NY5 CAGR)	12

Thematics



Robotics and Automation



Future of technology



Resource scarcity



China infrastructure initiative



Demographic change



Resource scarcity



Logistics



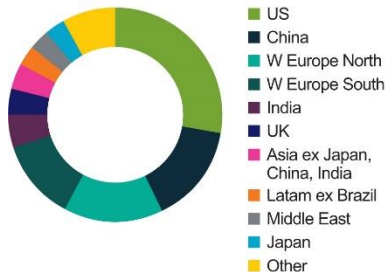
Future of technology



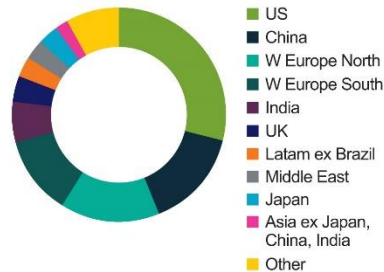
Resource scarcity

Geographic revenues and profits

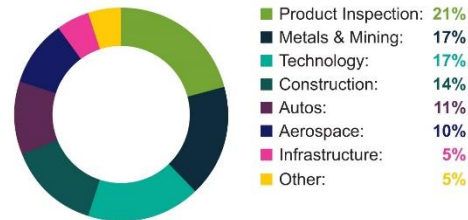
Geographic revenue



Geographic profit



End user markets



Company classifications



Industry lifecycles



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SARTORIUS STEDIM

LIFE SCIENCE TOOLS FOR INCREASING COMPLEX DRUG DEVELOPMENT



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Country	France
Sector	Healthcare
	(%)
ROIC	19
ROIC FY5	26
Revenue Growth (NY5 CAGR)	22
EBIT Growth (NY5 CAGR)	25
EPS Growth (NY5 CAGR)	25
FCF Growth (NY5 CAGR)	20

Thematics



Bespoke healthcare:
Genomics and Data



Demographic
Changes



Future of
Technology



21st Century
Diseases



Demographic
Changes



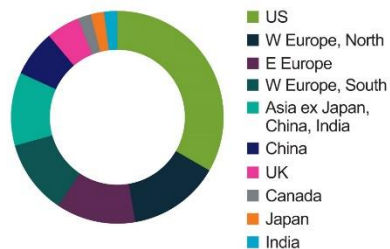
Aging Population



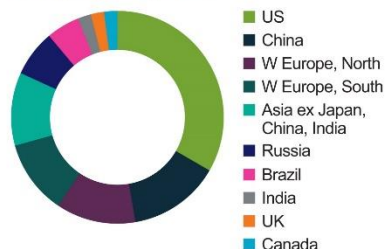
Demographic
Changes

Geographic revenues and profits

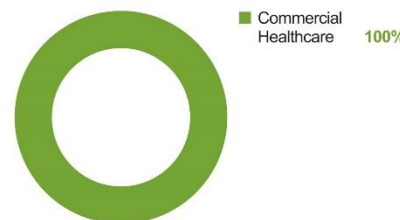
Geographic revenue



Geographic profit



End user markets



Company classifications



Industry lifecycles



The information provided should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the securities discussed here were or will prove to be profitable.

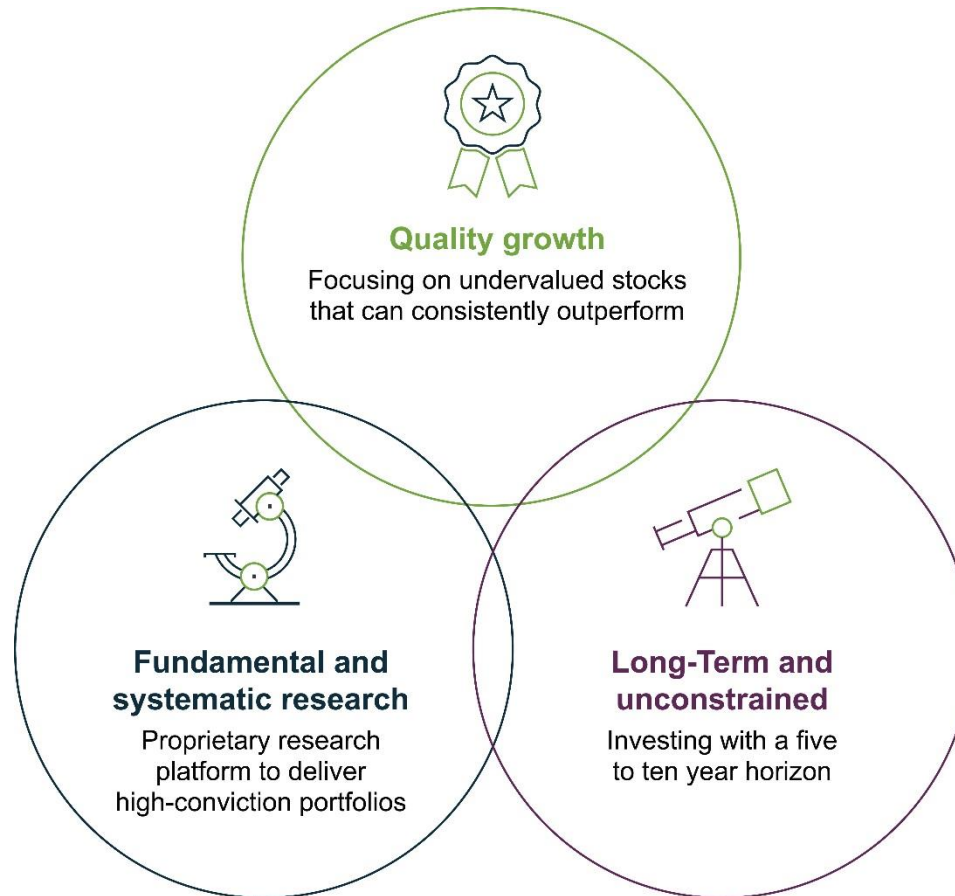
Source: Martin Currie and FactSet as at 28 February 2022.

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INVESTMENT PHILOSOPHY AND PROCESS

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Generating long-term risk adjusted excess alpha

STRUCTURED FUNDAMENTAL RISK ASSESSMENT



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Fundamental research

Systematic risk assessment across four key areas



Industry risks

	1	2	3	4	5
Competition					
New entrant risk					
Customer power					
Supplier power					
Disruption risk					
Pricing power					
Supply chain dependency					



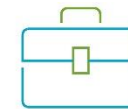
Company risks

	1	2	3	4	5
Financial Leverage					
Regulatory					
Accounting					
Cost Base Inflation					
FX Mismatch					
Political / Country					
Tax Rate					
Acquisitiveness					
Industry Leadership					
Innovation Risk					
Workforce Risk					



Governance and sustainability risks

	1	2	3	4	5
Environmental					
Social					
Governance					
Remuneration					
Ownership					
Customer trust					



Portfolio risks

	1	2	3	4	5
EPS Momentum					
Bid Target					
Cyclicality					
Diversification					
ROIC Quintile					
NOPAT Quintile					
Asset Turn Quintile					
Upside Quintile					
Degree of Consensus					
Dividend Sustainability					
Liquidity Risk					

The framework ensures we focus on the stock's risk reward potential across all relevant fields

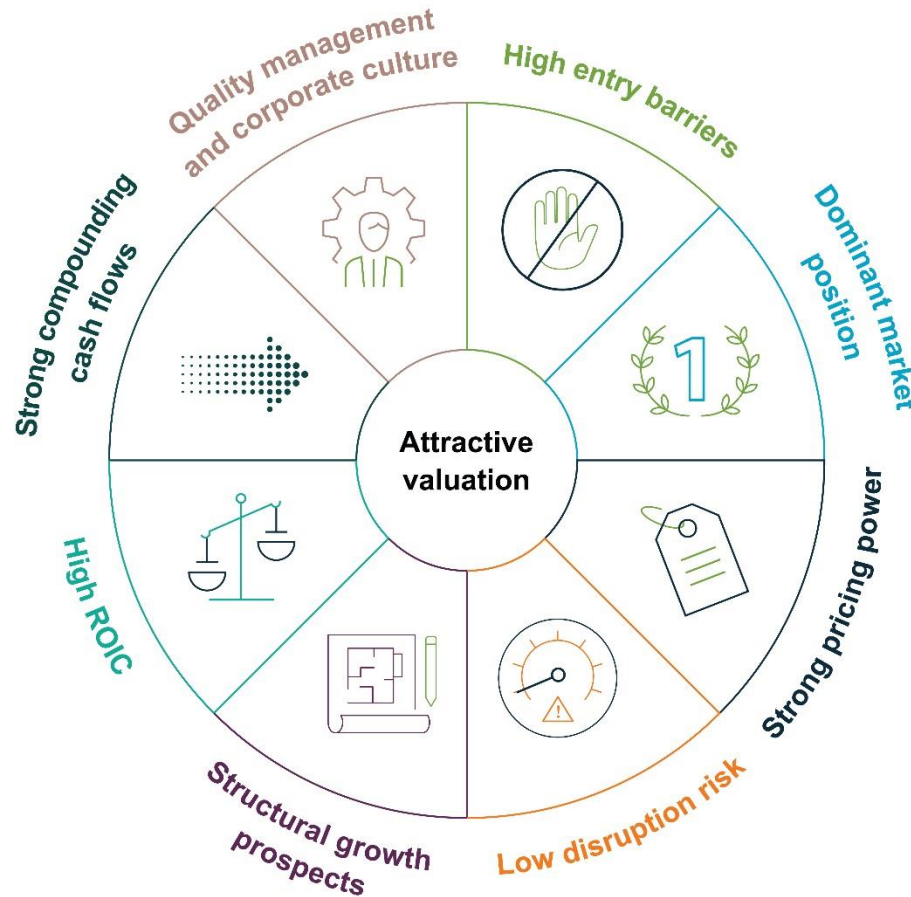
CHARACTERISTICS OF A LTU STOCK



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Fundamental research

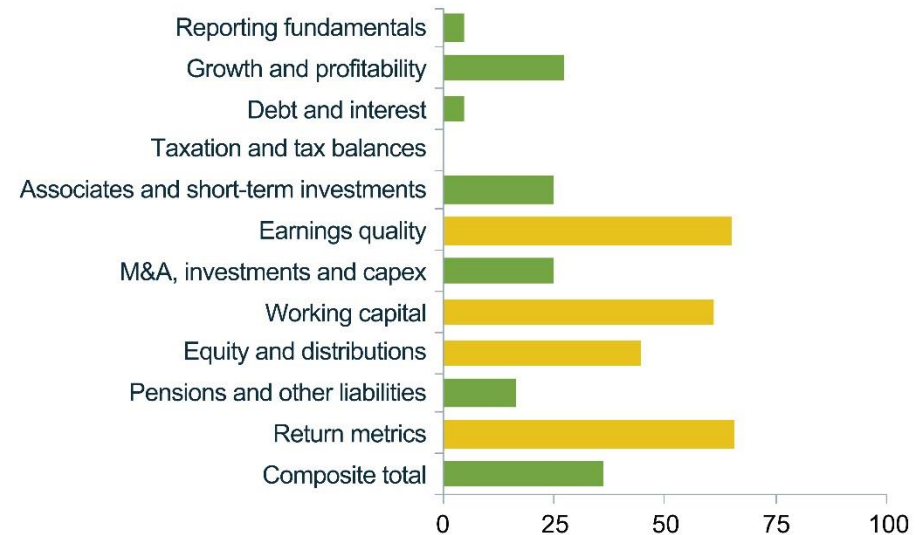


Combining strong industry, financial and governance attributes at the right valuation

ACCOUNTING FOCUS AND EXPERTISE



Proprietary accounting assessment



Accounting risk assessment: 2

Investing only in companies with strong accounting practices

The data supplied is used for illustrative purposes only to demonstrate our research model.

Source: Martin Currie and FactSet.

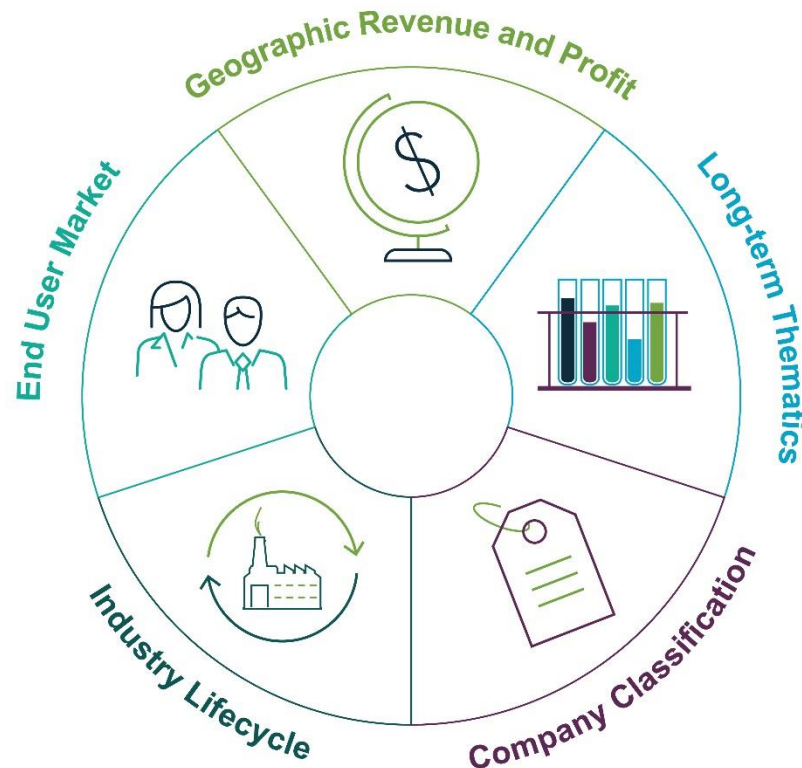
PORTFOLIO CONSTRUCTION – HIGH CONVICTION AND DIVERSIFIED



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Portfolio construction



Full visibility of exposures ensures no unintended portfolio risks

Past performance is not a guide to future returns.

Source: Martin Currie and Style Analytics as at 31 December 2021. FTF Martin Currie European Unconstrained Fund shown. Please note that this fund is unconstrained by any benchmark. We show it against the MSCI Europe ex UK for illustrative purposes only. The company trademark shown is not in any way associated or to be deemed to be associated with Martin Currie or its group companies.

A HIGH CONVICTION LONG-TERM APPROACH



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Aiming to deliver consistent long-term risk adjusted alpha



PROPRIETARY ESG INTEGRATION

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PROPRIETARY ESG ANALYSIS INTEGRATED THROUGHOUT PROCESS



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ESG risk framework

Stocks risk assessed across each material factor



Captures the complexity of the ESG risks facing a company's long-term outlook and sustainability

Builds our management engagement agenda

Feeds into our portfolio analytics

Governance

- Board assessment
- Management score
- Remuneration
- Culture
- Stake vs Shareholders conflict
- Governance Momentum

2.3

		3		
	2			
		3		
		3		
1				
	2			

Board assessment

- Board quality
- Board independence
- Board diversity, age and tenure
- Board oversight
- Board competence
- Board accessibility
- Chairperson quality
- Audit Committee
- Significant votes against
- Shareholder rights alignment

2.5

		3		
		3		
	2			
		3		
		3		
	2			
			4	
1				
1				
		3		

Management

- Management Quality
- Management breadth
- Management depth
- Management Competence
- Management accessibility
- Accounting practices / quality
- Crisis management

2.3

		3		
		3		
	2			
	2			
1				
	2			
		3		

Remuneration

- Remuneration alignment
- Remuneration transparency
- Remuneration appropriateness
- Remuneration disparity
- Remuneration benchmark

2.4

		3		
1				
			4	
1				
		3		

Culture

- Corporate Culture
- Sustainability focus
- Diversity
- Integrity & ethics
- Relationship with stakeholders

2.6

		3		
		3		
		3		
	2			
	2			

Sustainability

- Environmental risks
- Social risks
- Understanding and integration
- Common Factors risks
- Sustainability momentum

2.0

1				
1				
	2			
		3		
		3		

Environmental risks

- Carbon footprint
- Pollution risk
- Resources risk
- Supply chain
- Environmental momentum

1.4

1				
1				
1				
	2			
	2			

Social risks

- Social Impact
- Social improvements
- Exploitation risk
- Political lobbying
- Overall involvement
- Social momentum

2.2

	2			
	2			
1				
	2			
		3		
		3		

Understanding and integration

- Understanding of material risks and opps
- Management of risks and opps
- Highest level of ownership
- Integration into strategy
- Integration into remuneration
- Integration into reporting

2.2

	2			
	2			
	2			
1				
		3		
		3		

Common Factors

- Climate Change
- Cyber Security
- Human Capital
- Customer Trust
- Taxation

2.2

1				
		3		
		3		
	2			
	2			

Ensuring we invest in sustainable business models

SOCIAL EXPLOITATION RISK



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Detailed assessment

Social Exploitation Risk	2.4			
Production geographic footprint risk	2			
Country exposure risk (prevalence risk, vulnerability risk)		3		
Country Exposure human rights risks		3		
Country Labour rights risk		3		
Supply chain fragmentation risk		3		
Supply chain knowledge	1			
Supply chain reporting process		2		
Supply chain monitoring process		2		
Active involvement in improving supply chain		2		
Wage exploitation risk		2		
Age exploitation risk	1			
Gender exploitation risk			3	
Racial/Ethnic/Religious exploitation risk			3	
Working conditions risks (accidents, fatalities, safety)		2		
Labour captivity risk			3	
Freedom of Association risk		2		
Staff turnover in lower wage group			3	
Degree of skilled labour (1-high, 5-low)			3	
Degree of unionised workforce in supply chain (1-high, 5-low)			3	
Overall Momentum in exploitation risk		2		

Sustainability

2.0

Environmental risks	1			
Social risks	1			
Understanding and integration		2		
Common Factors risks			3	
Sustainability momentum			3	

Environmental risks

2.2

Carbon footprint	1			
Pollution risk	1			
Resources risk	1			
Supply chain		2		
Environmental momentum		2		

Social risks

2.2

Social Impact		2		
Social improvements		2		
Exploitation risk	1			
Political lobbying		2		
Overall involvement			3	
Social momentum			3	

Understanding and integration

2.2

Understanding of material risks and opps		2		
Management of risks and opps		2		
Highest level of ownership			2	
Integration into strategy	1			
Integration into remuneration			3	
Integration into reporting			3	

Common Factors

2.2

Climate Change	1			
Cyber Security			3	
Human Capital			3	
Customer Trust		2		
Taxation		2		

ESG template is populated with example data.

PORTFOLIO ANALYTICS – UN SDGS PROPRIETARY RISK ASSESSMENT



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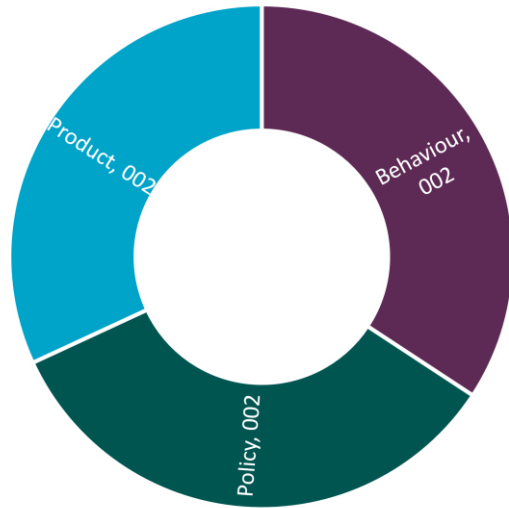
Applied across the 17 SDG goals

Provides framework to understand areas of highest potential risk

Assessed across three broad categories

1 = strong positive contribution

5 = strong negative contribution





PERFORMANCE

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LEGG MASON MARTIN CURRIE EUROPEAN UNCONSTRAINED FUND



MARTIN CURRIE

ELTU

Inception	9 November 2018
Benchmark*	MSCI Europe (Net Dividends) Index
Stock conviction	Maximum position: 10% of portfolio
Number of stocks (current)	20-40 (24)
Cash	< 10%
Sector/Country	Unconstrained
Market capitalisation	Mid- and large-cap
Portfolio turnover	Circa < 25% p.a.

Objective	The investment objective of the Fund is to provide long-term capital appreciation through investment in a concentrated portfolio comprised primarily of European equities
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ROLLING 12-MONTH PERFORMANCE

Past performance does not predict future returns.

Rolling 12 month performance

Legg Mason Martin Currie European Unconstrained Fund performance

Rolling 12 month performance (%)	1 Mar 2021 - 28 Feb 2022	1 Mar 2020 - 28 Feb 2021	1 Mar 2019 - 28 Feb 2020	1 Mar 2018 - 28 Feb 2019	1 Mar 2017 - 28 Feb 2018
Legg Mason Martin Currie European Unconstrained X EUR Acc Fund	2.9	24.7	13.6	N/A	N/A
MSCI Europe (Net Dividend)	15.4	8.9	3.0	N/A	N/A

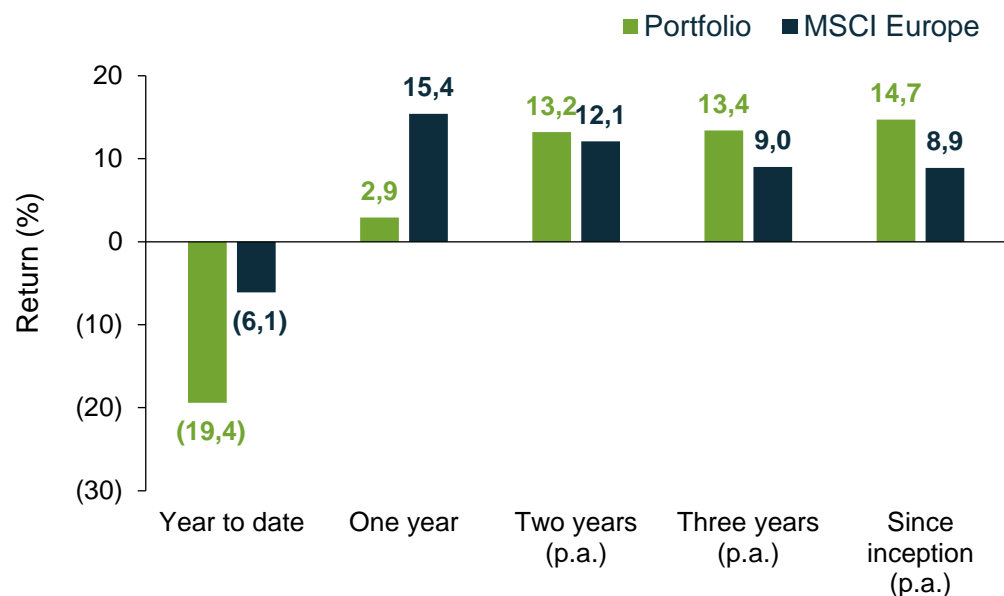
Source: Franklin Templeton and Morningstar Inc as at 28 February 2022. Legg Mason Martin Currie European Unconstrained X EUR Acc Fund shown in €. Net data is presented net of investment advisory fees, broker commissions, and all other expenses borne by investors. An annual fee rate of 0.75% has been applied for the net data. The figures provided include the re-investment of dividends. The fund's returns may increase or decrease as a result of changes to foreign exchange rates. Please note that this fund is unconstrained by any benchmark. We show it against the MSCI Europe (Net Dividend) for illustrative purposes only. * Inception 9 November 2018.

PERFORMANCE

Past performance does not predict future returns.

Outperformance of the index

Performance since inception



Outperformance of peers

Morningstar Category EAA Fund Europe Large-Cap Growth

	Quartile	Percentile
Year to date	4	97
One year	4	82
Two years	1	25
Three years	1	19
Since inception	1	5

Source: Franklin Templeton and Morningstar Inc as at 28 February 2022. Legg Mason Martin Currie European Unconstrained X EUR Acc Fund shown in €. Net data is presented net of investment advisory fees, broker commissions, and all other expenses borne by investors. An annual fee rate of 0.75% has been applied for the net data. The figures provided include the re-investment of dividends. The fund's returns may increase or decrease as a result of changes to foreign exchange rates. Please note that this fund is unconstrained by any benchmark. We show it against the MSCI Europe (Net Dividend) for illustrative purposes only. Inception 9 November 2018.

Legg Mason Martin Currie European Unconstrained Fund

This fund has been classified as Article 8 under the Regulation on sustainability related disclosures in the financial services sector (EU) 2019/2088. These are Funds which have an ESG integration approach and, in addition, have binding environmental and/or social characteristics in their investment process.





Further information in relation to the sustainability-related aspects of the Fund can be found at [Legg Mason Martin Currie European Long-Term Unconstrained Fund – A EUR Acc](#)

Please review all of the fund's objectives and characteristics before investing.

- **Investment in company shares:** The fund invests in shares of companies, and the value of these shares can be negatively affected by changes in the company, its industry or the economy in which it operates.
- **Geographical focus:** This fund invests primarily in Europe, which means that it is more sensitive to local economic, market, political or regulatory events in Europe, and will be more affected by these events than other funds that invest in a broader range of regions.
- **Concentrated fund:** The fund invests in fewer companies than other funds which invest in shares usually do. This means that the fund does not spread its risk as widely as other funds and will therefore be affected more if an individual company has significant losses.
- **Fund currency:** Changes in exchange rates between the currencies of investments held by the fund and the fund's base currency may negatively affect the value of an investment and any income received from it.
- **Derivatives:** The use of derivatives can result in greater fluctuations of the fund's value and may cause the fund to lose as much as or more than the amount invested.
- **Fund operations:** The fund is subject to the risk of loss resulting from inadequate or failed internal processes, people or systems or those of third parties such as those responsible for the custody of its assets.

Complete information on the risks of investing in the Fund are set out in the Fund's prospectus

EUROPEAN UNCONSTRAINED – TOP 10

Stock	Sector	Country	Weight (%)
ASML	Information Technology		9.1
Ferrari	Consumer Discretionary		6.6
Kering	Consumer Discretionary		5.4
Mettler-Toledo	Health Care		5.3
Infineon	Information Technology		4.9
Kingspan	Industrials		4.8
Hexagon	Information Technology		4.8
Moncler	Consumer Discretionary		4.7
Sartorius Stedim	Health Care		4.7
Atlas Copco	Industrials		4.7

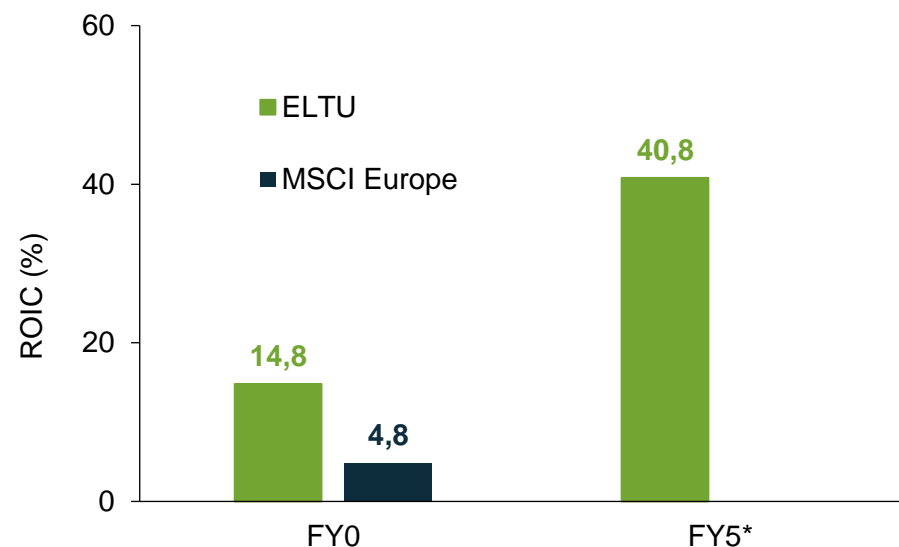
The information provided should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the security transactions discussed here were, or will prove to be, profitable.

Source: Martin Currie as at 31 December 2021. Legg Mason Martin Currie European Unconstrained X EUR Acc Fund shown. Mettler-Toledo is US listed stock, headquartered in Switzerland.

FUNDAMENTAL DATA – QUALITY GROWTH PORTFOLIO

	Portfolio	Index
Price Earnings (NTM)*	39.3	15.4
EV/EBITDA	26.2	10.0
Net debt/EBITDA	0.6	1.3
Revenue Growth (NY 5 CAGR)	15%	7%
EBIT Growth (NY 5 CAGR)	20%	16%
EPS growth (NY 5 CAGR)	19%	22%
DPS growth (NY 5 CAGR)	13%	12%
Free cash flow growth (NY5 CAGR)	13%	16%

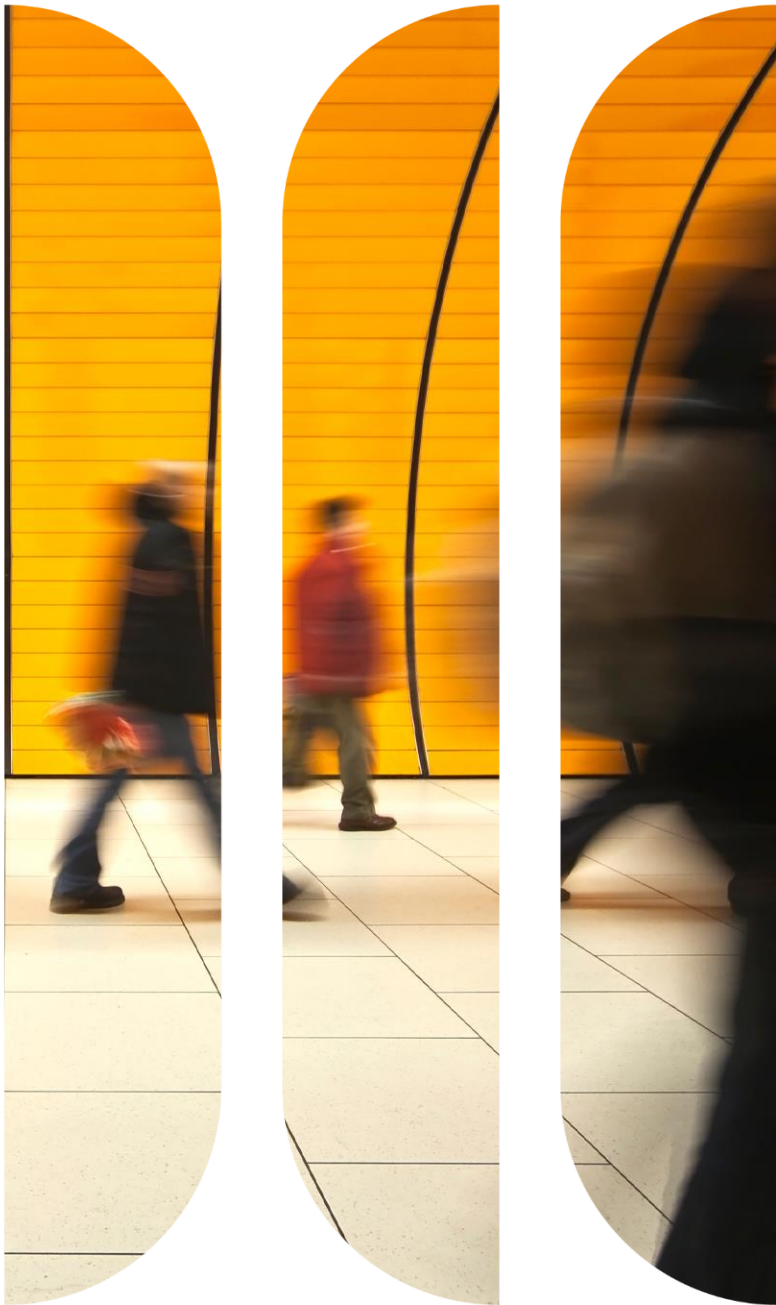
Portfolio ROIC versus index



Past performance does not predict future returns.

	ELTU	Upside and downside capture	
		Since inception	
Beta	0.99	Upside capture (%)	118.5
Tracking error	8.6%	# months	25
Active Share	92.0%	Downside capture (%)	72.0
R-Squared	75.4%	# months	13

Source: Martin Currie, FactSet and FIS APT as at 31 December 2021. Legg Mason Martin Currie European Unconstrained X EUR Acc Fund shown. Please note that this fund is unconstrained by any benchmark. We show it against the MSCI Europe for illustrative purposes only. Net data is presented net of investment advisory fees, broker commissions, and all other expenses borne by investors. An annual fee rate of 0.75% has been applied for the net data. The fund's returns may increase or decrease as a result of changes to foreign exchange rates. Since inception performance is from 1 December 2018.



THEMATIC CASE STUDY

INVESTING TO IMPROVE LIVES™

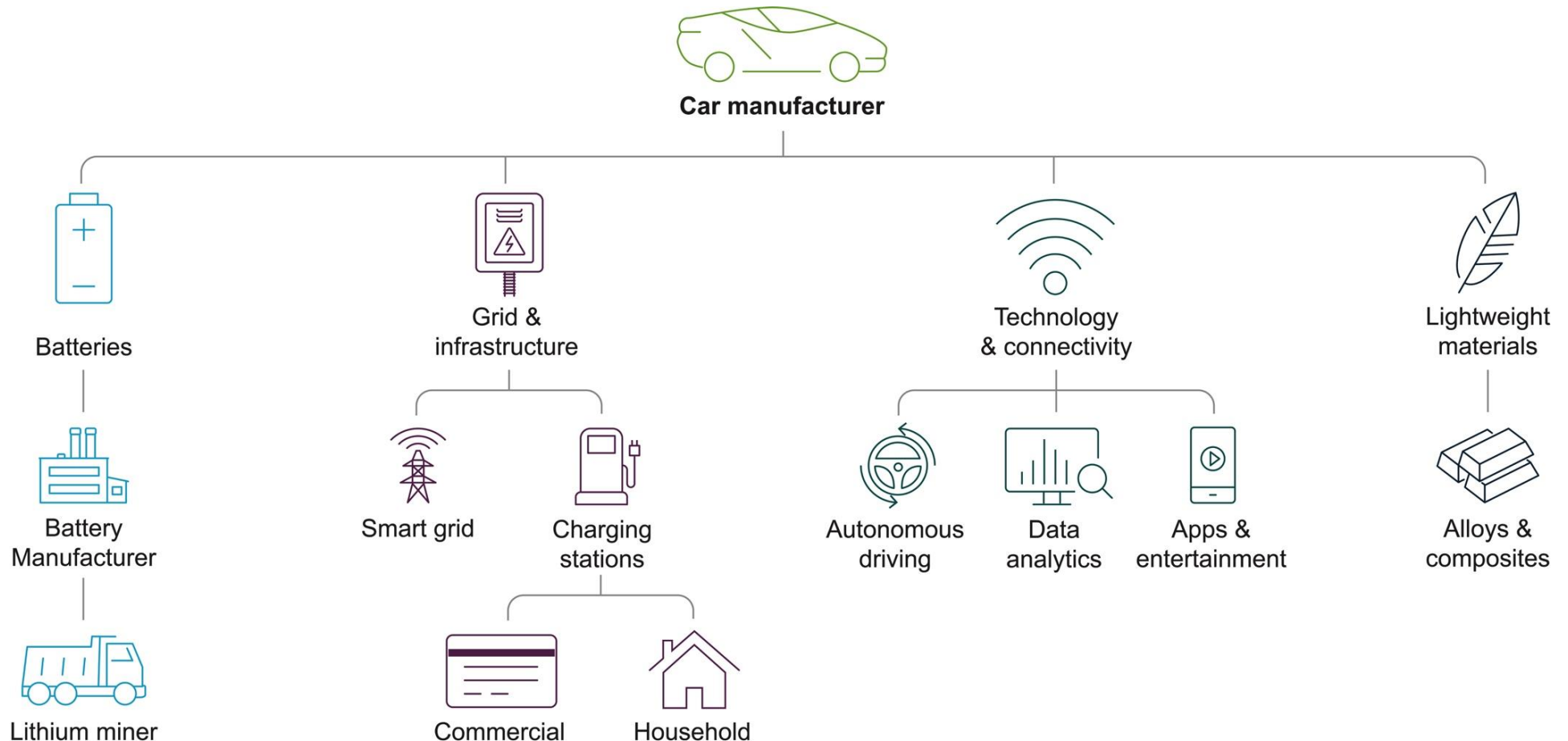
THE ELECTRIC VEHICLE ECOSYSTEM OPPORTUNITIES



MARTIN CURRIE

Opportunities exist beyond the car manufacturer....

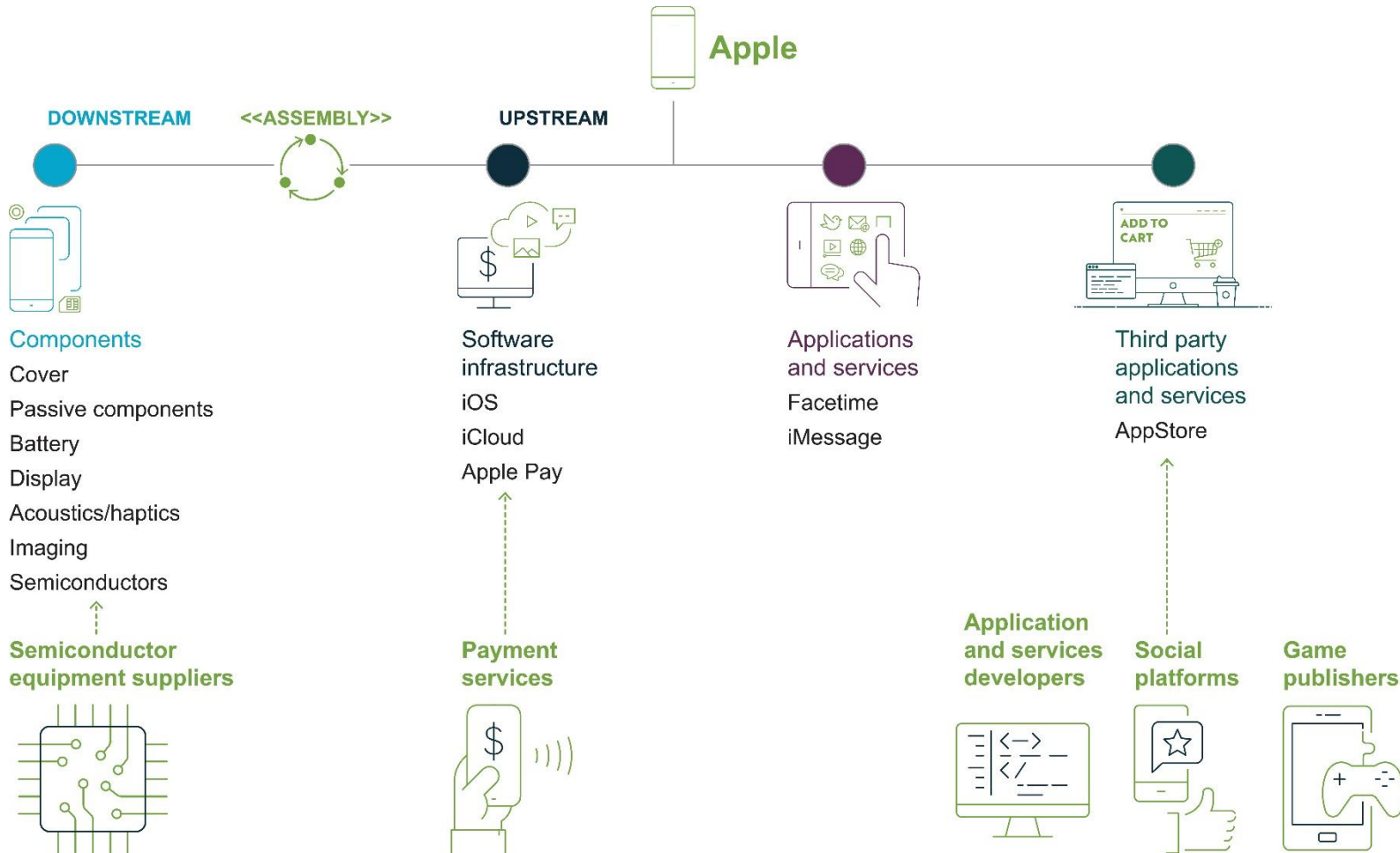
... we select the most attractive companies to gain exposure to this theme, where there is the most value-add across the value-chain



IPHONE ECOSYSTEM



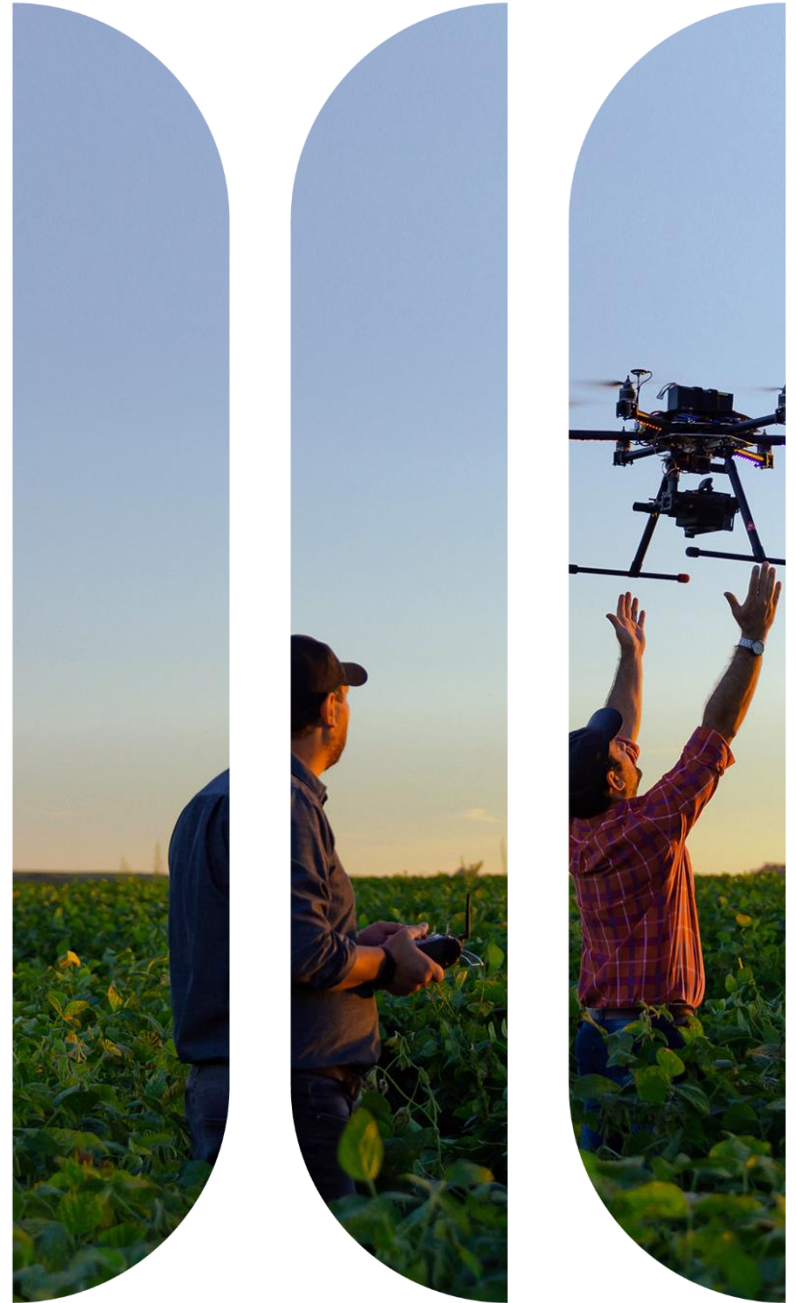
MARTIN CURRIE



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APPENDIX

INVESTING TO IMPROVE LIVES™



PORTFOLIO ANALYTICS – GEOGRAPHIC SOURCE OF REVENUE



MARTIN CURRIE



Portfolio construction

Geographic source of revenue (%)

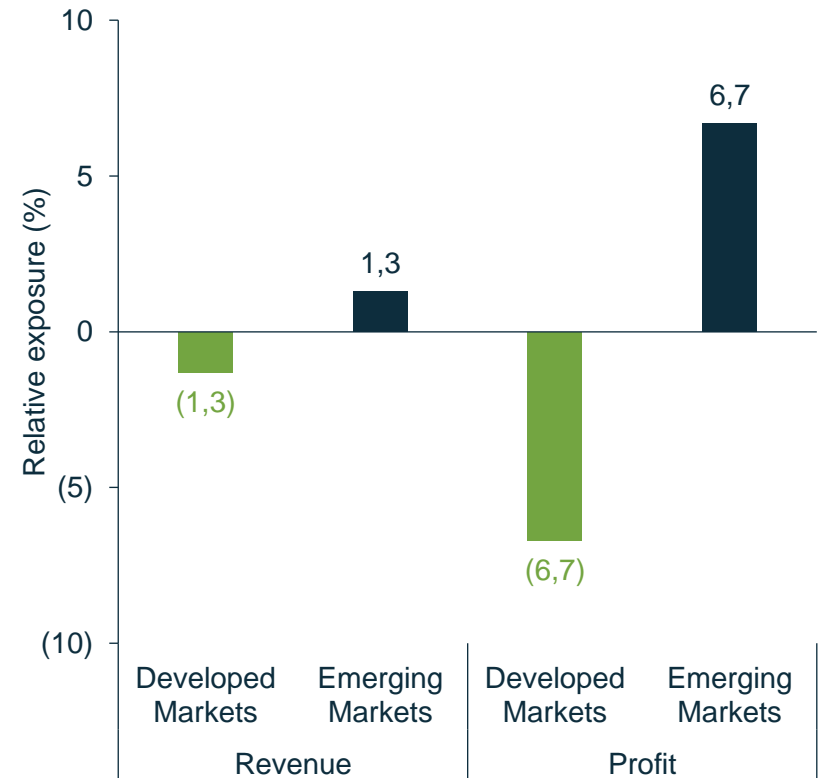


- US
- Canada
- UK
- Western Europe North
- Western Europe South
- Eastern Europe
- Russia
- Turkey
- Middle East
- Africa
- China
- India
- Asia ex Japan, China, India
- Brazil
- Latam ex Brazil
- Japan
- Australia

Geographic source of profit (%)



Source of revenue versus MSCI Europe



PORTFOLIO ANALYTICS – END USER MARKET EXPOSURE

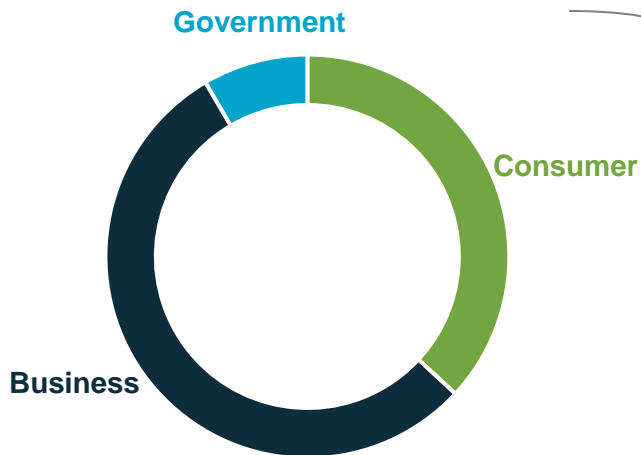


MARTIN CURRIE

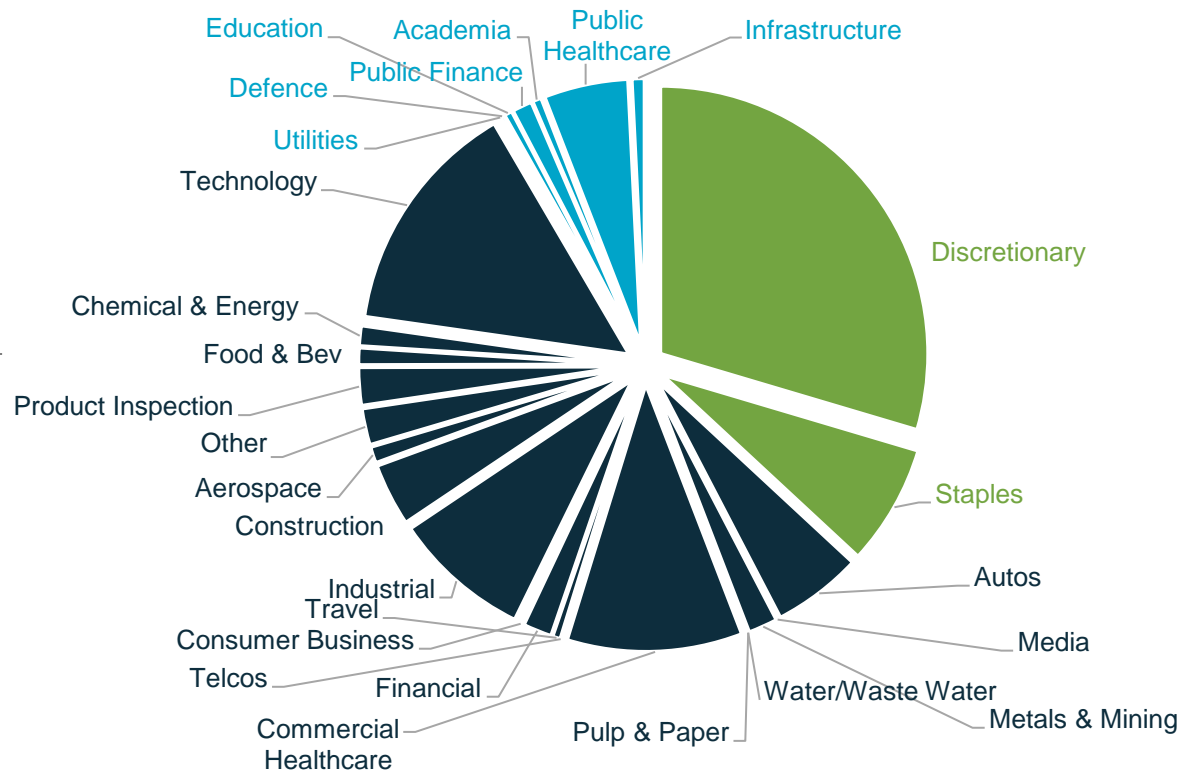


Portfolio construction

Level one analysis



Level two analysis



PORTFOLIO ANALYTICS – COMPANY CLASSIFICATIONS

Company classifications – Quality versus growth

Companies are categorised as:

 High cashflow mature companies

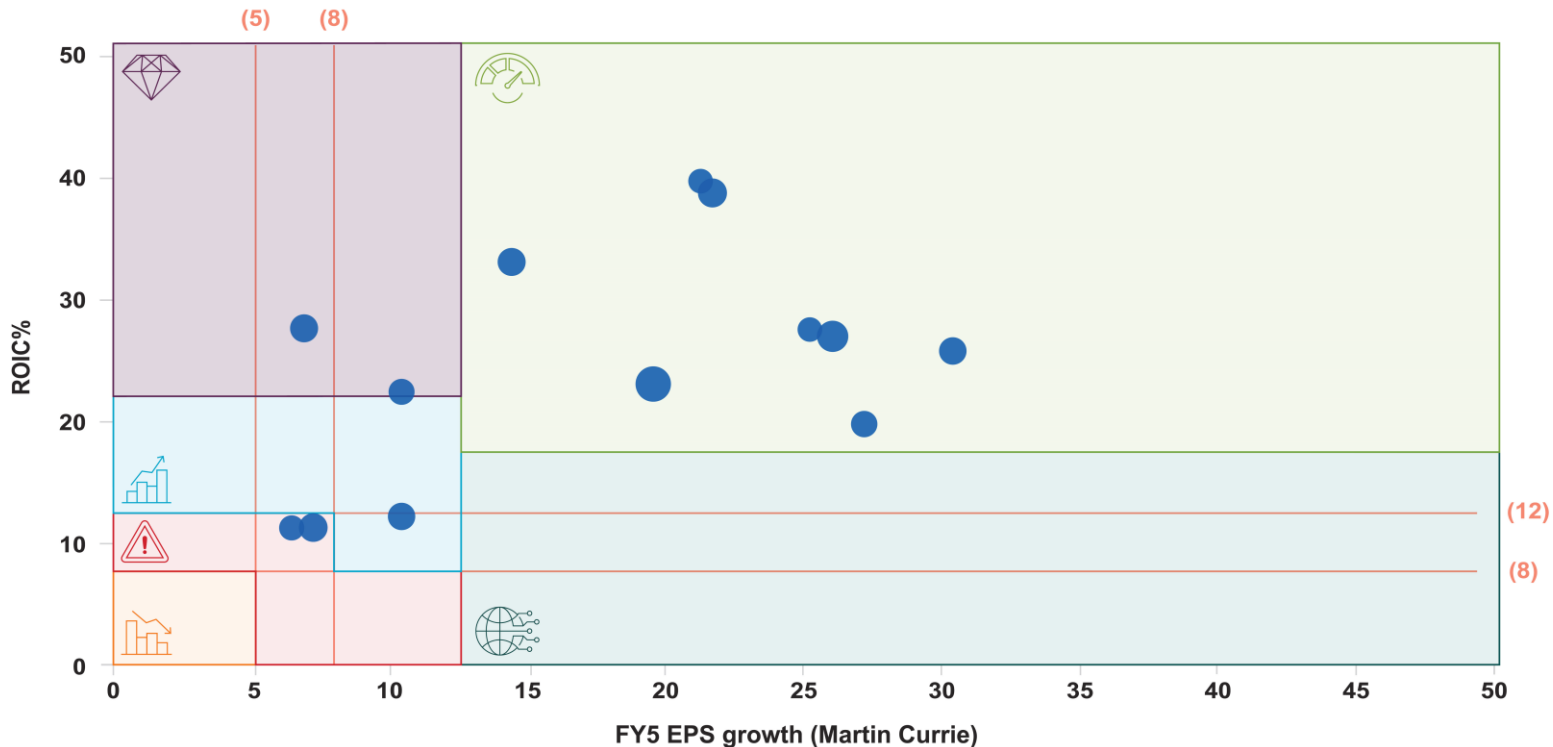
 Steady value creators

 Danger zone

 High growth/return companies

 Future disruptors

 Long term value destroyers



PORTFOLIO ANALYTICS – ADDITIONAL PORTFOLIO ANALYSIS



MARTIN CURRIE



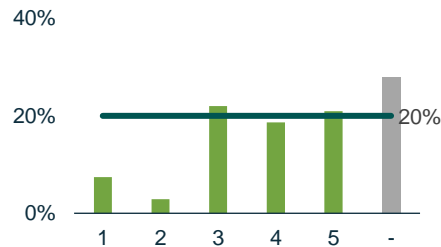
Portfolio construction

Aggregate Portfolio risk assessment

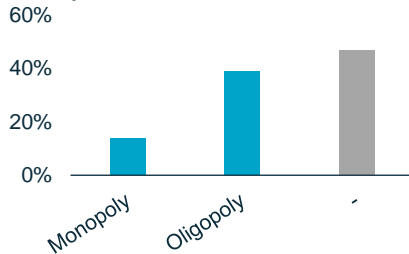
From our company classification research we can look at the portfolio's aggregate exposure to:

-  **Cyclicity**
-  **Industry structure**
-  **Industry lifecycle**

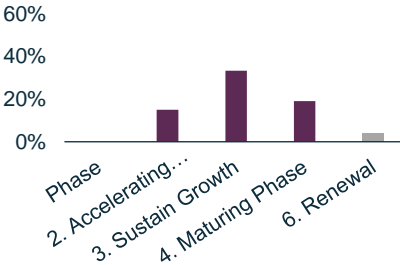
Cyclicality buckets



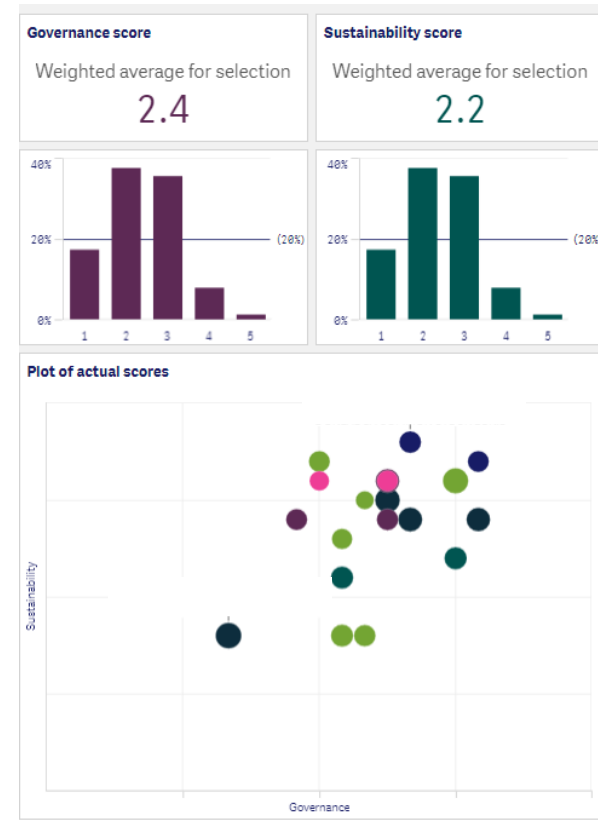
Industry structure



Industry lifecycle



Aggregate Portfolio ESG assessment

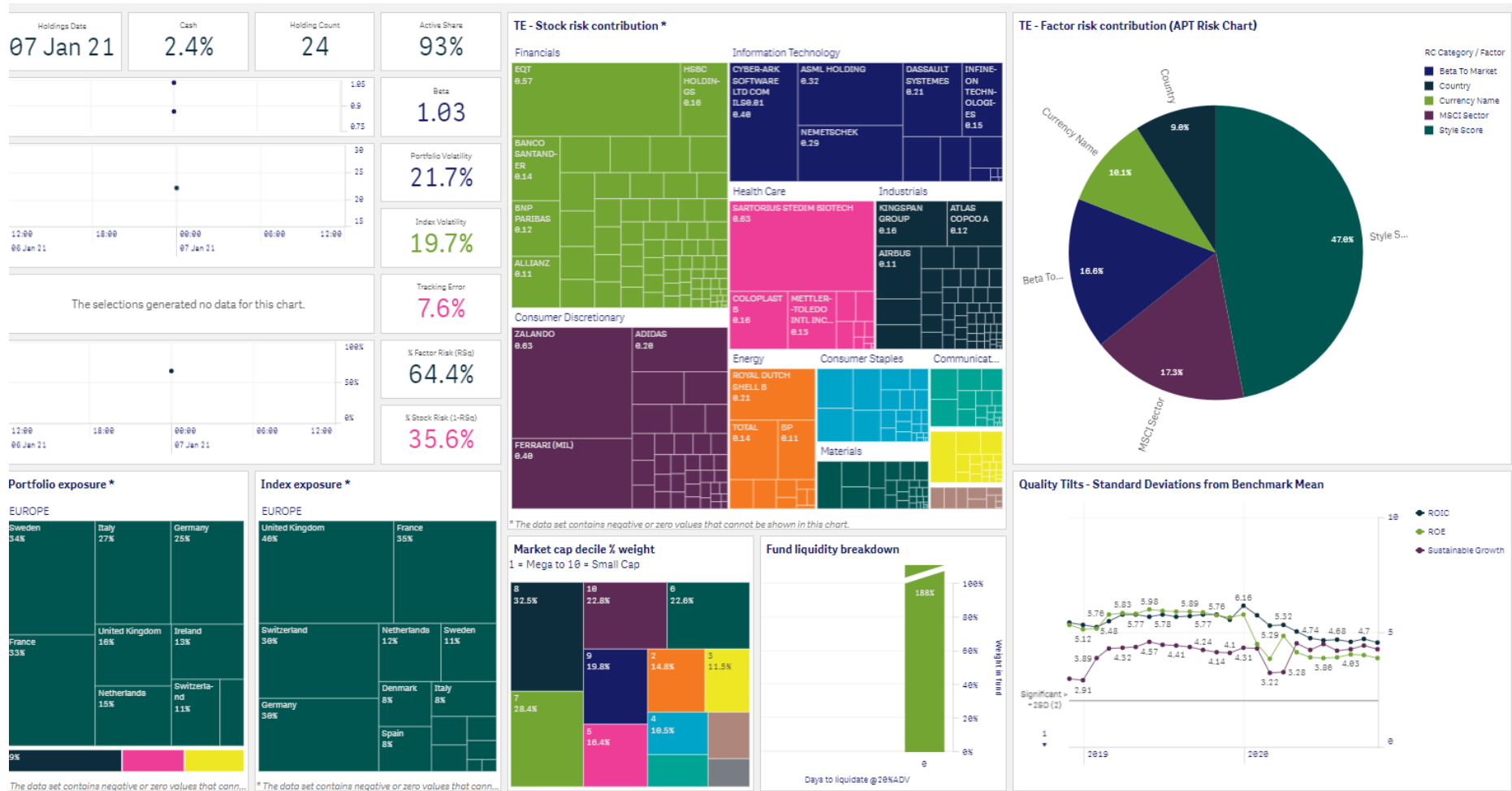


Source: Martin Currie and FactSet as at 31 December 2021. Legg Mason Martin Currie European Unconstrained X EUR Acc Fund shown. Portfolio ESG assessment data shown for illustrative purposes only.

PORTFOLIO ANALYTICS – SOPHISTICATED RISK ANALYTICS



MARTIN CURRIE



The information provided should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the security transactions discussed here were, or will prove to be, profitable.

Source: Martin Currie and FactSet as at 7 January 2021. Legg Mason Martin Currie European Long-Term Unconstrained X EUR Acc Fund shown.

RISK MANAGEMENT EMBEDDED AT EVERY STAGE

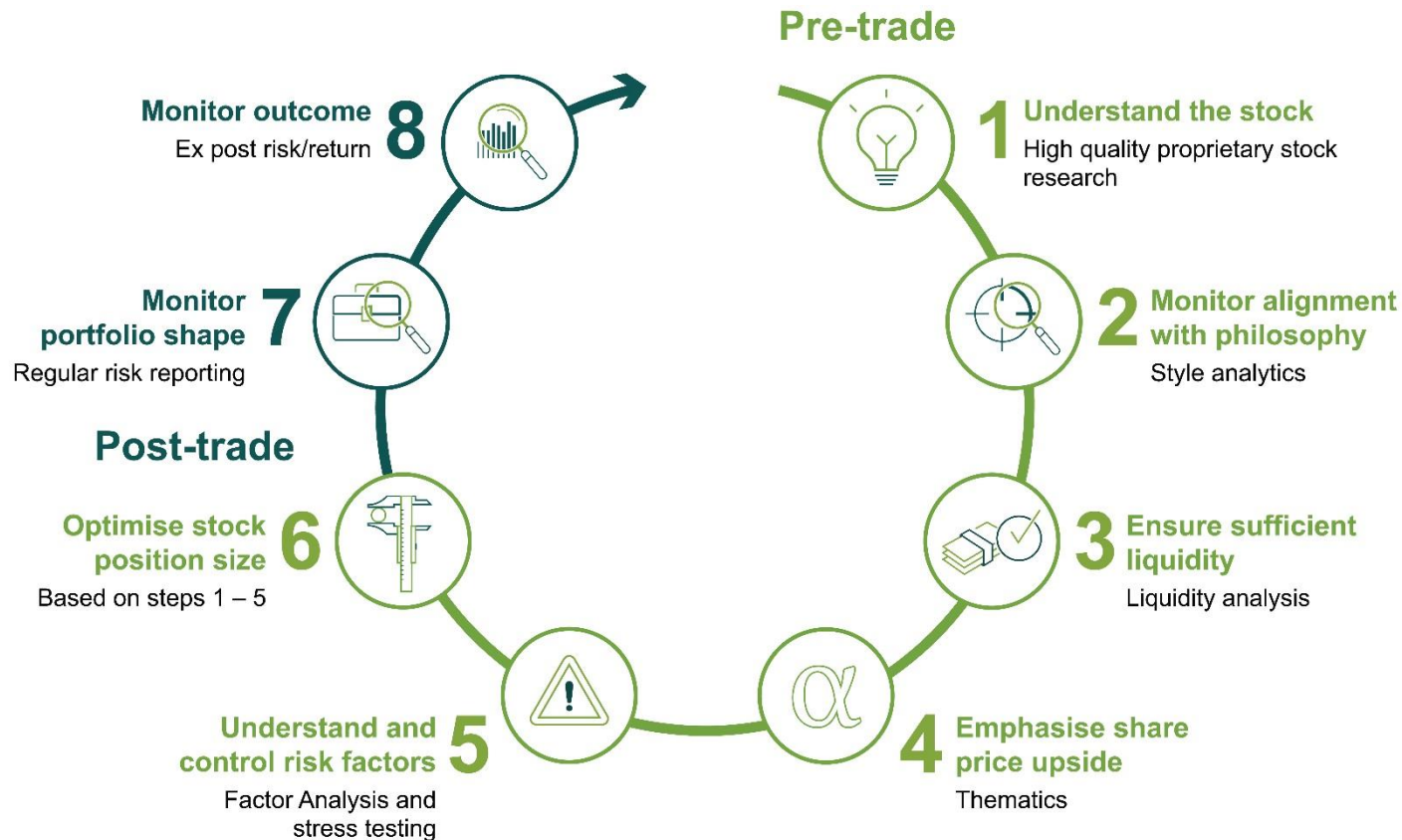


MARTIN CURRIE



Portfolio construction

Proprietary insight ensures full visibility on all aspects of the portfolio and the delivered outcome





Zehrid Osmani

24 years investment experience

Zehrid is Martin Currie's Head of Global Long-Term Unconstrained.

He was previously a Managing Director and Head of European Equities Research at BlackRock for 10 years, latterly becoming Head of Global Investment Process

Proven track record in:

Unconstrained investing

He had a specific focus on managing unconstrained, high conviction mandates

Fundamental research

The European equity research platform Zehrid built was rolled out across all BlackRock's fundamental strategies

Developing a franchise

Grew the BlackRock European equity business to scale

PROPRIETARY RESEARCH TEMPLATE

LONG TERM UNCONSTRAINED RESEARCH REPORT



Ferrari NV

In Pole Position

INDUSTRY RISKS 1.7

COMPANY RISKS 2.3

GOVERNANCE & SUSTAINABILITY 2.5

PORTFOLIO RISKS 2.7

PE (FY1) Absolute and relative (to MSCI ACWI)

ROIC

Investment Thesis

1. Investment case - 1. Strong buy

2. Key thesis indicators

3. Risk to recommendation

4. Revenue and Profit outlook

5. Cash flow and Balance Sheet

6. Valuation

SWOT Analysis

Strengths:

Weaknesses:

Opportunities:

Threats:

Key debates and business risks:

Active Ownership engagement, milestones and outcomes:

Next steps:

Method	% Attrib.	TP	% upside	Imp Y15 PE	Thematic Exposure
DCF	50%	181.1	(2%)	21x	Theme
EV/IC	25%	171.3	(7%)	20x	Shareholder
Target multiples	25%	260.0	+11%	30x	Electric Vehicles
Target Price	100%	188.4	+8%	23x	Growth in emerging markets middle class

Divisional analysis	% of sales	Market share	Market position
Cars and spare parts	87%	25%	1
Engines	3%	25%	1
Sponsorship	11%	20%	1
Other	2%	20%	1

Income statement	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025	LSY CAGR	NSY CAGR
Sales - MC	3,165	3,417	3,420	3,767	3,460	3,169	4,253	4,929	5,268	6,348	+4%	+13%
EBITDA - MC	739	934	1,116	1,271	1,157	1,030	1,446	1,725	2,068	2,539	+9%	+17%
EBIT	895	774	827	919	730	558	1,033	1,324	1,647	2,088	+9%	+23%
Profit before tax	867	748	803	875	667	502	978	1,289	1,582	2,034	+9%	+20%
Net income	410	549	917	828	816	819	827	1,052	1,301	1,755	+17%	+22%
EPS - MC	2.11	2.82	4.14	3.71	3.28	3.30	3.95	5.13	6.43	8.77	+17%	+22%
DPS	0.46	0.64	0.71	1.03	1.13	1.13	1.24	1.43	1.54	1.89	+11%	(9%)
Payout ratio	22%	23%	17%	28%	34%	49%	31%	28%	26%	22%		

Cash flow statement	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025	LSY CAGR	NSY CAGR
CF from operations	1,008	663	924	1,306	824	913	1,063	1,321	1,583	2,044	+3%	+20%
CF from financing	(300)	(379)	(637)	(791)	(708)	(317)	(425)	(581)	(671)	(764)		
CF from investment	(104)	(281)	(638)	(706)	(706)	(445)	(445)	(671)	(762)	(824)	+2%	+1%
Change in cash	22	12	1	5	1	0	0	0	0	0		
Free cash flow	279	154	63	24	(221)	387	438	465	607	931		
Capex	468	468	794	898	1,902	1,749	2,187	2,652	3,259	4,190		
FCF	663	271	296	600	125	596	668	730	912	1,282		

Balance sheet	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025	LSY CAGR	NSY CAGR
Current assets	1,331	1,534	1,887	1,955	2,416	2,177	3,473	4,136	4,937	6,091	+1%	+20%
Current liabilities	2,318	2,607	2,995	3,491	3,891	3,909	3,163	3,894	4,143	4,654	+2%	+2%
Long-term liabilities	1,177	1,080	1,132	1,275	1,738	1,865	1,900	2,096	2,287	2,443	+10%	+11%
Shareholders' equity	1,846	1,808	2,000	2,000	2,755	2,755	2,755	2,755	2,755	2,755		
Net debt / EBITDA	1.9x	1.2x	1.0x	0.9x	1.1x	0.9x	0.3x	0.0x	-0.3x	-0.6x		

Growth	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025	LSY CAGR	NSY CAGR
Sales	+9%	+10%	+0%	+10%	(8%)	(8%)	+34%	+16%	+13%	+14%	+4%	+13%
EBITDA	(1%)	+26%	+19%	+14%	(9%)	(11%)	+40%	+19%	+20%	+23%	+9%	+17%
EBIT	+26%	+30%	+7%	+11%	(2%)	(24%)	+85%	+28%	+24%	+27%	+9%	+23%
Profit before tax	+21%	+22%	+6%	+9%	(24%)	(24%)	+95%	+30%	+25%	+25%	+9%	+25%
DPS	+39%	+34%	+47%	(0%)	(12%)	(30%)	+72%	+30%	+28%	+37%	+17%	+22%
FCF	+89%	(59%)	+9%	+10%	(7%)	+27%	+12%	+9%	+20%	+41%	(19%)	+19%

Capital Intensity / Returns	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025
Capex	11.0%	11.5%	18.7%	18.7%	20.5%	10.0%	10.0%	12.0%	12.0%	12.0%
Capex / Depreciation (x)	2.6x	2.7x	4.1x	3.7x	3.3x	1.3x	1.5x	2.2x	2.4x	2.6x
FCF/E / Adj. Net Income	162.0%	49.8%	32.2%	72.9%	15.3%	80.7%	69.4%	70.1%	73.1%	73.1%
ROCE	27.2%	27.6%	31.2%	24.2%	19.8%	12.7%	19.0%	21.2%	22.8%	25.8%
ROIC	21.3%	27.4%	34.6%	28.8%	21.6%	15.0%	24.8%	30.5%	35.1%	43.7%
FCF Yield - MC ests.	32.4%	18.3%	24.4%	28.9%	15.6%	15.5%	17.4%	19.5%	21.0%	23.6%
ROE	286.0%	97.0%	73.8%	49.2%	37.2%	22.5%	32.6%	33.4%	32.8%	34.9%
Debt / (Debt+Equity)	65.0%	49.8%	58.1%	64.0%	62.0%	57.9%	46.1%	40.1%	38.1%	33.7%

Valuation	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024	12/2025	5Y Average	10Y Average
P/E - MC ests.	26.2x	30.9x	20.8x	19.4x	57.3x	79.9x	45.5x	20.8x	28.6x	20.9x	29.6x	29.6x
P/E - cont. ests.	16.1x	19.1x	16.0x	22.8x	31.7x	42.9x	39.1x	34.0x	28.3x	29.9x	16.2x	16.2x
EV/EBITDA - MC ests.	16.1x	19.1x	16.0x	22.8x	31.7x	42.9x	39.1x	34.0x	28.3x	29.9x	16.2x	16.2x
EV/EBIT - cont. ests.	22.3x	20.7x	30.9x	49.5x	62.6x	33.4x	25.7x	20.3x	19.5x	22.5x	22.5x	22.5x
EV/Gross - MC ests.	9.0x	9.0x	9.0x	9.0x	9.0x	9.0x	9.0x	9.0x	9.0x	9.0x	9.0x	9.0x
EV/Net Income - MC ests.	1.7%	1.8%	2.2%	0.4%	1.8%	2.0%	2.1%	2.7%	3.8%	2.3%	2.3%	2.3%
Dividend Yield - MC ests.	0.7%	0.8%	0.7%	0.6%	0.8%	0.7%	0.8%	0.9%	1.0%	1.0%	1.0%	1.0%

Geographic revenue	Dev. mnts	% Rev	Emerg mnts	% Rev	Asia (excl. Ch, In)	% Rev	Dev. mnts	% Prof	Emerg mnts	% Prof		
USA	225	5.0%	E. Europe	5.0%	Asia (excl. Ch, In)	26.23%	USA	225	5.0%	E. Europe	5.0%	
Canada	1.0	0.0%	Russia	1.0	China	21.3%	Canada	1.0	0.0%	Russia	1.0	
UK	19.0	0.4%	Turkey	1.0	India	1.0	UK	19.0	0.4%	Turkey	1.0	
W. Europe	27.3	0.6%	Middle East	3.3	Other	2.0%	W. Europe	27.3	0.6%	Middle East	3.3	
Japan	5.0	0.1%	Africa	1.0	Australia	1.0	Japan	5.0	0.1%	Africa	1.0	
Australia	1.0	0.0%	S. America	1.0	India	1.0	Australia	1.0	0.0%	S. America	1.0	
Other	1.0	0.0%	Asia (excl. Ch, In)	6.3	Other	2.0%	Other	1.0	0.0%	Asia (excl. Ch, In)	6.3	
TOTAL	100.0	100.0%	Lat Am ex Brazil	3.0	TOTAL	100.0	100.0%	Lat Am ex Brazil	3.0	TOTAL	100.0	100.0%

The data supplied is used for illustrative purposes only to demonstrate our research model.

Source: Martin Currie and FactSet. The information provided should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the security transactions discussed here were, or will prove to be, profitable.

RESEARCH TEMPLATE – SYSTEMATIC RISK ASSESSMENT

Ferrari NV

Div. Yield	Price (local)	Price (target)	% Diff.	Recommendation	Category	Total Score
0.8%	184.15	198.38	+8%	1. Strong buy	High growth/return company	2.3

In Pole Position

INDUSTRY RISKS 1.7

Competition		2			
New entrant risk	1				
Customer power	1				
Supplier power		2			
Disruption risk			3		
Pricing power	1				
Supply chain depend		2			

COMPANY RISKS 2.3

Financial Leverage		2			
Regulatory			4		
Accounting		2			
Cost base inflation		2			
FX Mismatch			3		
Political / Country	1				
Tax Rate		2			
Acquisitiveness	1				
Disruptor/Defender			3		
Innovation Risk			3		

GOVERNANCE & SUSTAINABILITY 2.5

Environmental			3		
Social		2			
Governance			3		
Remuneration			3		
Ownership			3		
Customer Trust	1				

PORTFOLIO RISKS 2.7

EPS Momentum		2			
Bid Target			4		
Cyclicality			3		
Diversification			3		
ROIC Quintile			3		
NOPAT Quintile		2			
Asset Turn Quintile			3		
Upside Quintile	1				
Degree of consensus			4		
Div. Sustainability		2			

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Source: Martin Currie and FactSet. The information provided should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the security transactions discussed here were, or will prove to be, profitable.



UN SUSTAINABLE DEVELOPMENT GOALS (SDG)

Each of our holding's exposures has been mapped to the 17 SDG and our proprietary risk assessment applied



TARGETED ENGAGEMENT AND RISK MANAGEMENT



Monitor the portfolio's percentage of 4's and 5's risk ratings against each goal

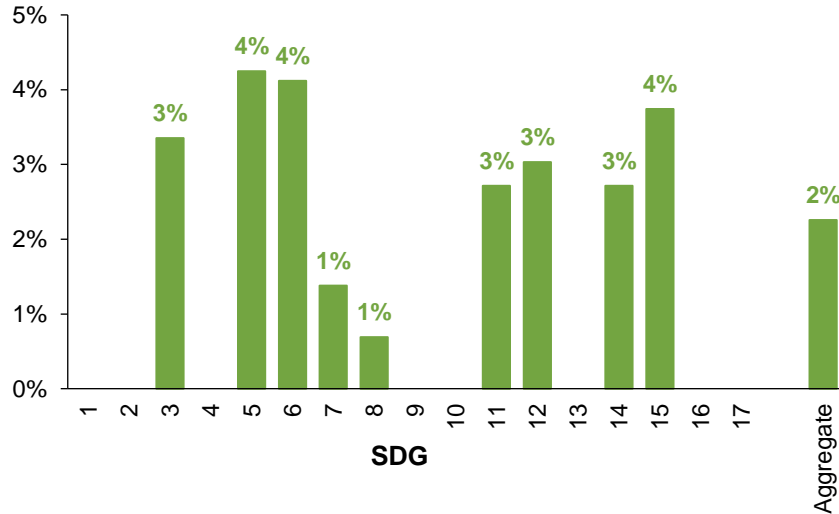


Target our engagement with the companies with areas of higher risk

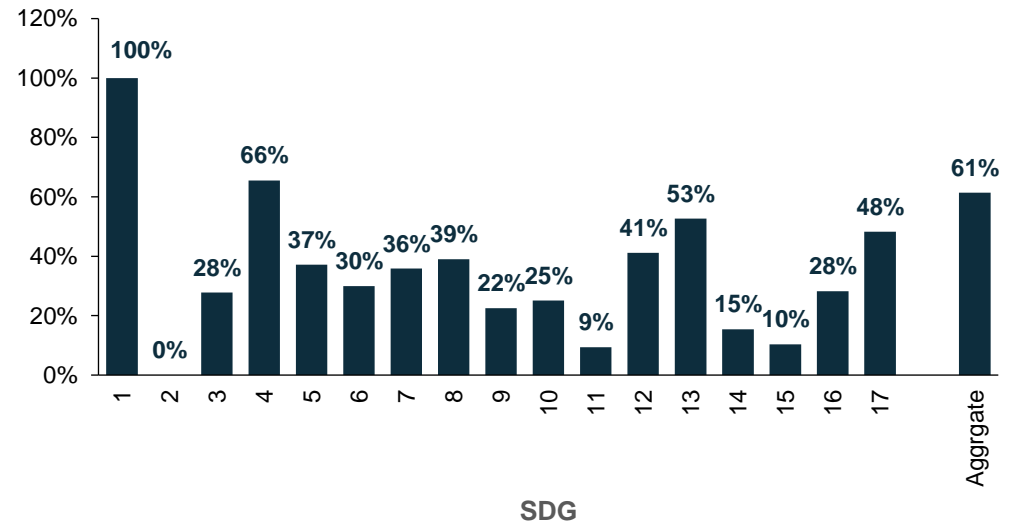


Complement our proprietary ESG risk assessment and thematic research

GLTU - % of SDG's rated 4 or 5



ELTU - % of SDG's assessed by corporates vs Portfolio (Scaled)



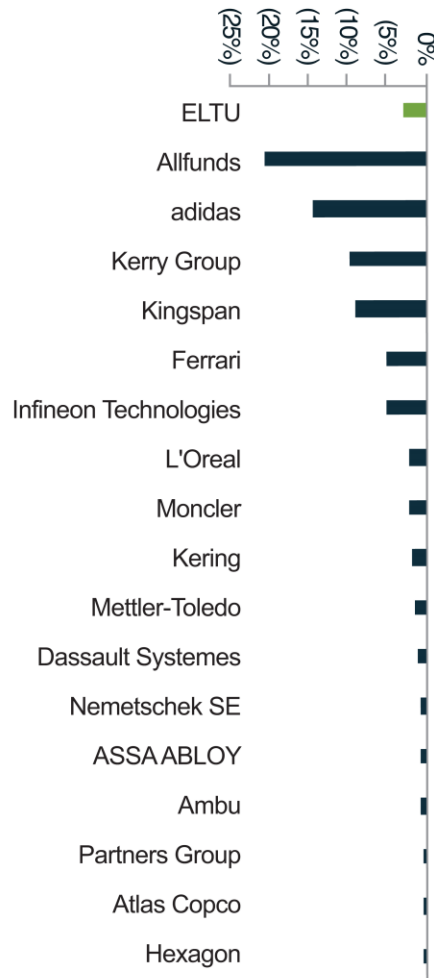
Constructively engaging and driving positive change

PORTFOLIO ANALYTICS - PROPRIETARY CARBON INTENSITY ANALYSIS

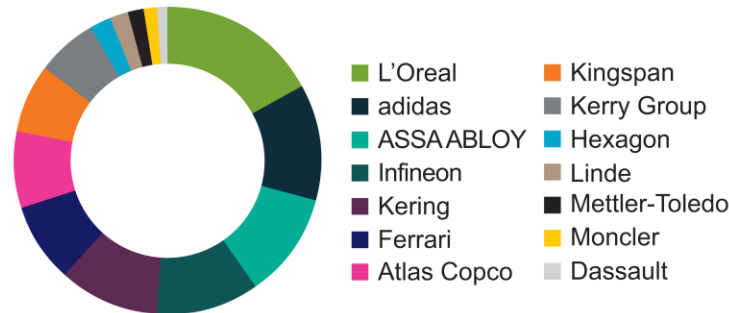


MARTIN CURRIE

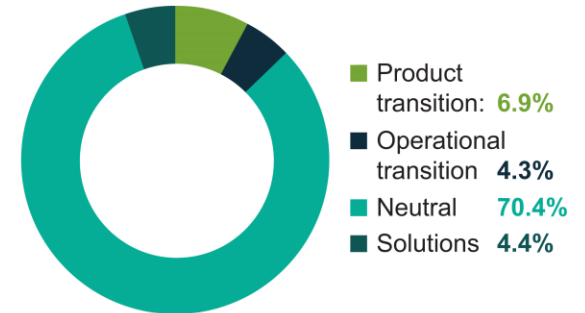
EBIT Impact From Carbon (%)



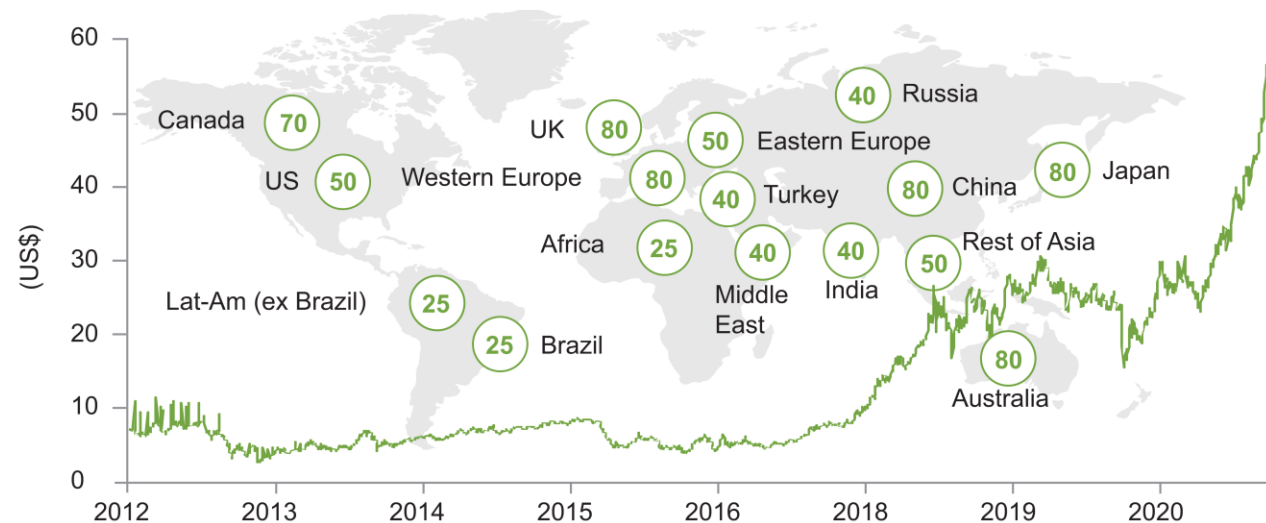
Contribution to Total Carbon Cost by holding (%)



Distribution of Pass Through Ability



Carbon credit price (US\$)



Source: Martin Currie and FactSet as at 15 January 2022. Data shown for the Legg Mason Martin Currie European Unconstrained Fund. Not all totals sum to 100% due to rounding.



MARTIN CURRIE

ACTIVE OWNERSHIP – THE HEART OF OUR APPROACH

Investment team company interaction

Over **700** interactions with companies we are invested in or on our bench



495 company meetings last year and **c. 220** earnings calls

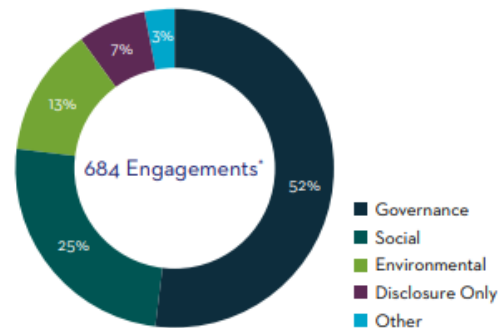
Martin Currie engagements

NUMBER OF ENGAGEMENTS

681: NUMBER OF PRIVATE ENGAGEMENTS

3: NUMBER OF STRUCTURED ENGAGEMENT PROGRAMMES

ENGAGEMENTS BY THEME



Building partnerships through collaborative engagements



Climate change



Employee relations



Fracking



Cyber security



Tax reform



Water risks

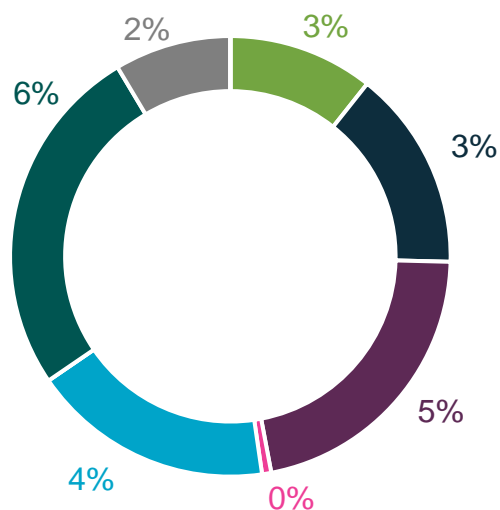
Top A+ PRI rating for Active Ownership four years in a row

Source: Martin Currie. Engagement activity for the period 1 January 2020 to 31 December 2020. PRI A+ rating awarded for Active Ownership for last four consecutive years.

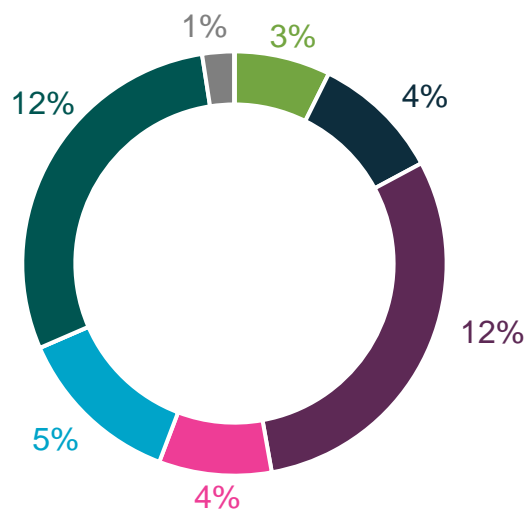


GEOGRAPHIC REVENUE BY SECTOR

North America



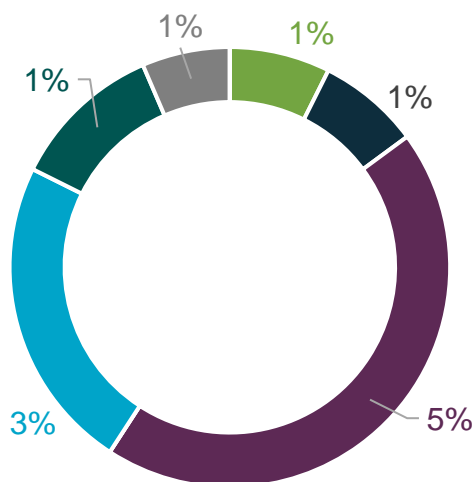
Europe (including UK)



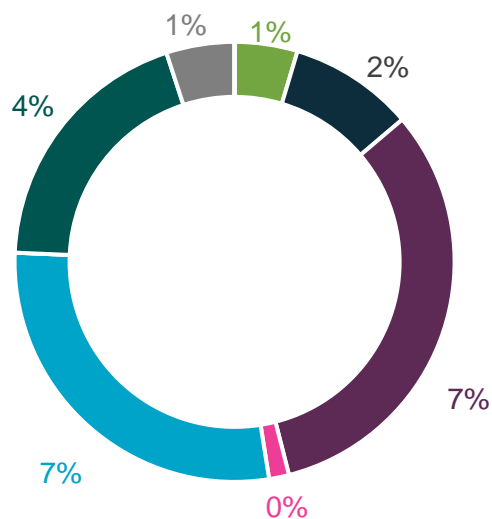
Legend

- Health Care
- Consumer Staples
- Consumer Discretionary
- Financials
- Information Technology
- Communication Services
- Industrials
- Materials
- Energy
- Real Estate
- Utilities

China



Rest of world



OUTLOOK 2022



Supportive on equities given real rates and longer economic cycle



Lower earnings growth environment



Frictional inflation rather than structural



Valuation discipline important given market levels



Monetary policies normalising



Focus on companies with consistent earnings and pricing power



Expect increased volatility between value and growth

RISKS FOR INVESTORS IN 2022



Policy mistakes
around initiatives



Localised pandemic
relapse risk



Lower long term
growth outlook



Monetary policies
hiccup



Style rotations could
remain omnipresent



Tax rates
increasing



Stronger and more
prolonged inflationary
pressures



Margin pressure from
higher inflation



Geopolitical tensions
become more open

MEDIUM-TERM OPPORTUNITIES



Future of
Technology



Resource
Scarcity

Renewable energy



Future of
Technology



Resource
Scarcity

High speed railway



Future of
Technology



Resource
Scarcity

Electric vehicles



Future of
Technology



Demographic
Changes

Healthcare infrastructure



Future of
Technology



Resource
Scarcity

5G telephony



Future of
Technology

Cloud computing and cyber security



Future of
Technology



Resource
Scarcity

Robotics and automation



Future of
Technology

Quantum computing

PROPRIETARY ACCOUNTING ASSESSMENT

Scaling

10-year factor	0.33
5-year factor	0.66

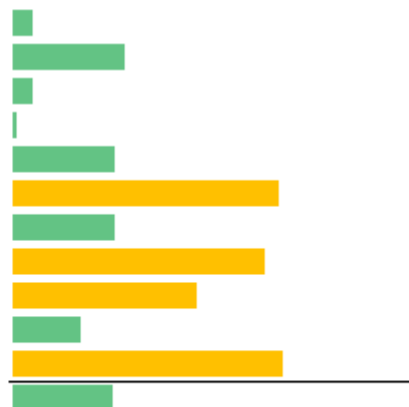
Select peers

Ref	Input ticker	Name
Peer 1		
Peer 2		
Peer 3		

Summary of screen

	Result	Weight
Reporting fundamentals	5.0%	7.5%
Growth and profitability	27.5%	5.0%
Debt and interest	5.0%	10.0%
Taxation and tax balances	0.0%	5.0%
Associates and short-term investments	25.0%	2.5%
Earnings quality	65.0%	17.5%
M&A, investments and capex	25.0%	15.0%
Working capital	61.3%	17.5%
Equity and distributions	45.0%	7.5%
Pensions and other liabilities	16.7%	7.5%
Return metrics	66.0%	5.0%
Composite	36.6%	100.0%
"Accounting score"	2	

Accounting screen



The data supplied is used for illustrative purposes only to demonstrate our research model.

Source: Martin Currie and FactSet.

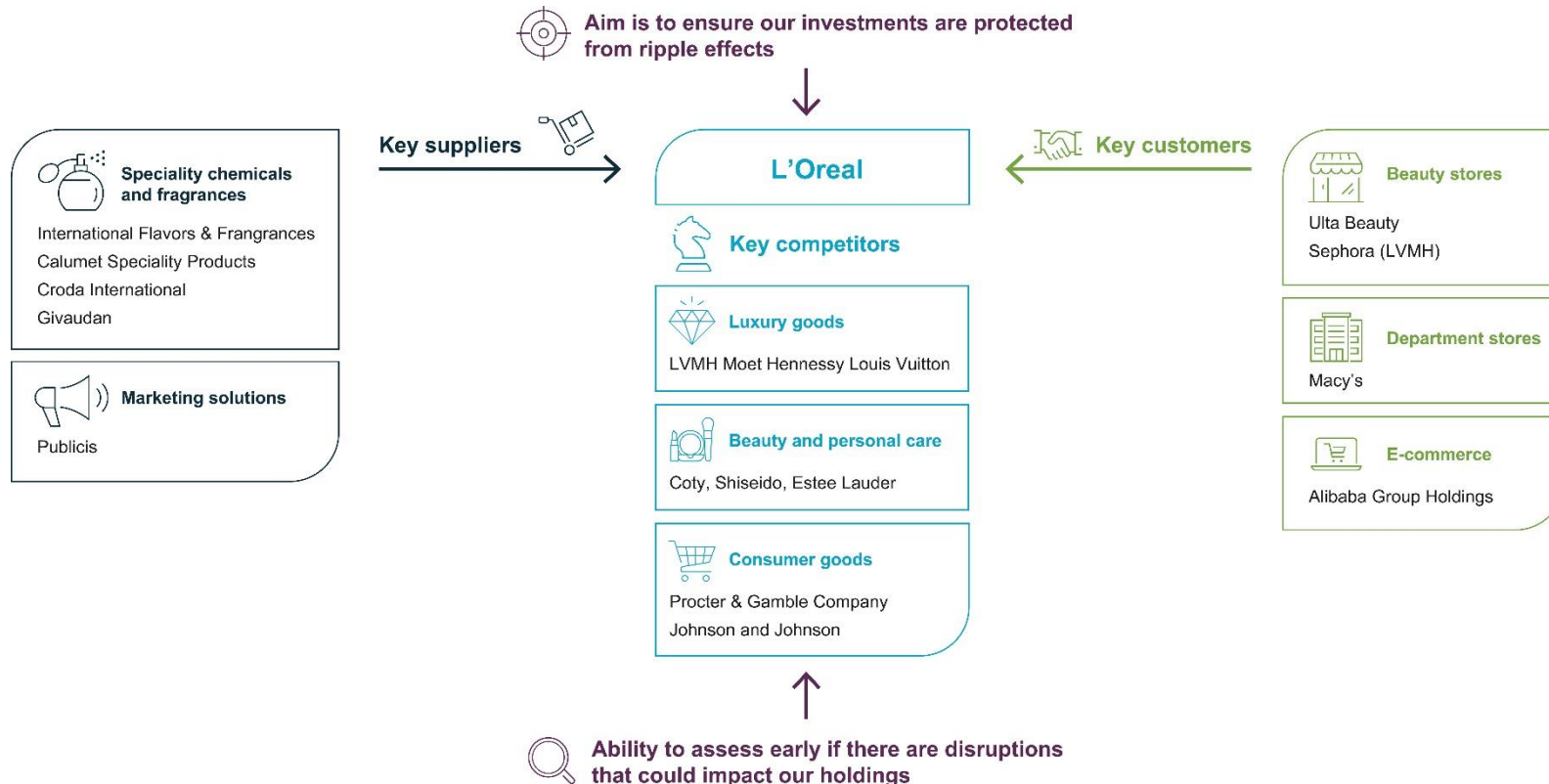
SUPPLY CHAIN DATABASE - ASSESSING RISKS ACROSS THE CHAIN



MARTIN CURRIE

Risk assessing industry dynamics across the supply chain

Suppliers, Customers and Competitors are monitored for sales, profits and balance sheet risks



Ability to assess early if there are disruptions that could impact our holdings

The information provided should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the security transactions discussed here were, or will prove to be, profitable.

PORTFOLIO ANALYTICS – INDUSTRY RISKS

Analysing industry risks at both a stock and portfolio level



The scores from the Industry risks in the research template are aggregated at a portfolio level



This allows us to drill down and analyse our exposures to areas such as disruption and supply chain risk

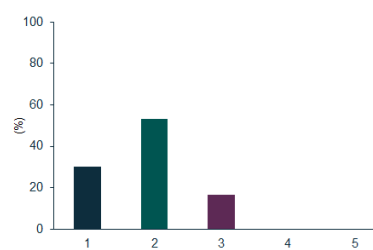


Industry risks

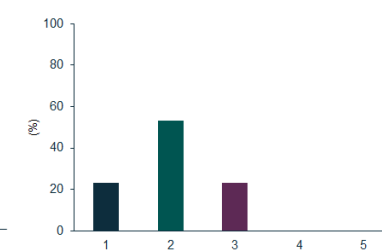
	1	2	3	4	5
Competition					
New entrant risk					
Customer power					
Supplier power					
Disruption risk					
Pricing power					
Supply chain dependency					

Portfolio aggregate industry risk scores

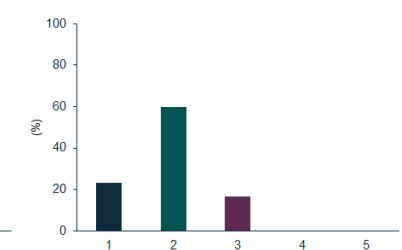
Competition



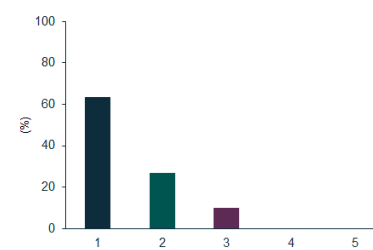
New entrant



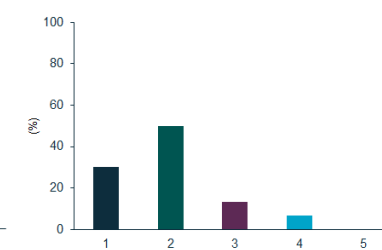
Customer



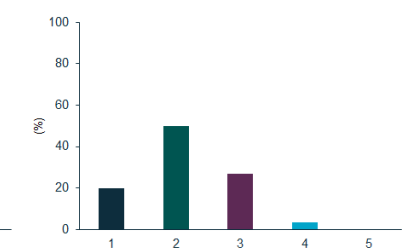
Supplier



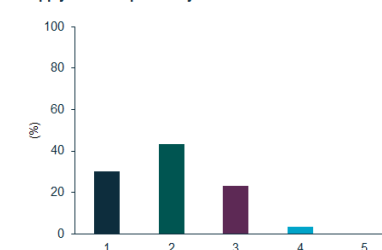
Disruption



Pricing Power



Supply Chain Dependency



The data supplied is used for illustrative purposes

Source: Martin Currie, template is populated with example data.

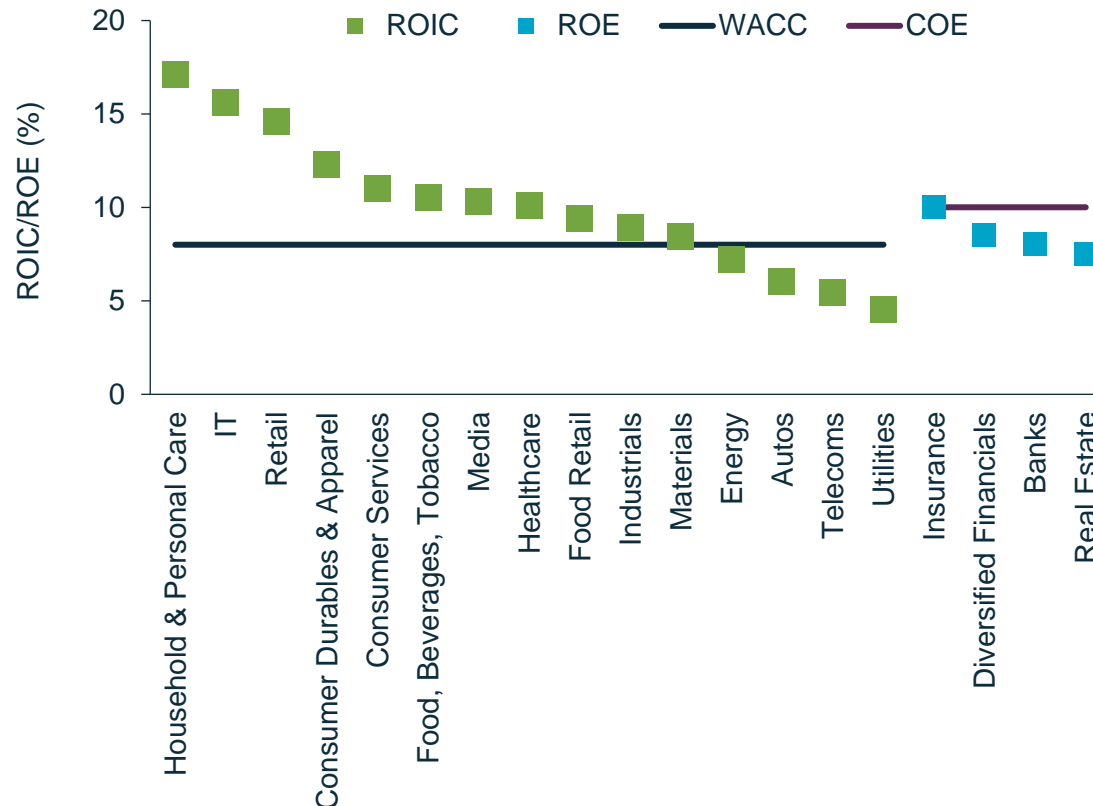
TOP DOWN ANALYSIS OF ROIC ACROSS SECTORS/INDUSTRIES



MARTIN CURRIE

Many sectors/industries struggle to meet their cost of capital

ROIC/ROE: sector average



- Top down analysis globally shows sectors that struggle to meet a cost of capital threshold of c.8% (cost of equity c.10% for financials)
- Our research focus is on sectors that generate value-add, i.e. that have a positive ROIC/WACC spread
- We have no exposure to industries that struggle to meet their cost of capital
- Screening focusing on ROIC increases our ability to find sustainable quality growth stocks

Past performance is not a guide to future returns.

Source: Martin Currie and FactSet as at 30 June 2019. ROE is used for financial sub sectors and ROIC for non financials.

IMPORTANT INFORMATION



MARTIN CURRIE

All Information as at 28 February 2022, unless otherwise stated.

This fund has been classified as Article 8 under the Regulation on sustainability related disclosures in the financial services sector (EU) 2019/2088. These are Funds which have an ESG integration approach and, in addition, have binding environmental and/or social characteristics in their investment process.

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