

Walter Scott & Partners Limited

Global Equity: MSCI World Benchmark

For the month of: **September** 2020

Manager Performance Calculations	* Annualized returns				
	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Walter Scott	-1.15%	8.91%	16.12%	14.23%	n/a
MSCI World	-3.45%	7.93%	10.41%	7.74%	n/a

Performance Attribution & Strategy Comments

The majority of sectors posted negative returns, with healthcare and communication services holdings the most noteworthy absolute detractors, with **illumina** and **Alphabet** notably weak. Technology holdings led their sector index and were the greatest contributors to relative return, with **Keyence** the portfolio's best individual performer. Consumer discretionary companies, in particular **NIKE**, also outperformed and contributed notably to the positive relative return.

From a regional perspective, Japanese stocks were the best performers and, leading their index, contributed notably to relative return; **Fanuc**, **Shin-Etsu Chemical** and the aforementioned Keyence were amongst the portfolio's strongest performers. US stocks detracted the most from absolute return. Europe ex-UK stocks, such as **Novo Nordisk**, were key relative contributors.

The prospect of renewed pandemic containment measures and ongoing economic disruption may temper hopes regarding the scale of an earnings rebound next year. Quantitative easing in tandem with fiscal stimulus will remain the cornerstones of economic resuscitation policies in most major economies, and may underpin sentiment to a degree. However, against the backdrop of an uncertain economic environment and heady valuations in a number of sectors, the scene could be set for equity market volatility, with the US elections, Brexit, and deteriorating Sino-US relations contributing to investor unease. The pandemic has highlighted the importance of balance sheet rigour, market leadership, and the ability to adapt and innovate. Whatever the twist and turns of equity markets, we will continue to focus on companies that display these attributes, and can weather the challenges ahead.

Organizational/Personnel Changes

There were no organisational changes during the period.

There were no additions or departures during the period.

Account Turnover

Gained:	Number of Accounts:	3	Total Market Value (\$m):	\$	389.4
Lost:	Number of Accounts:	x	Total Market Value (\$m):		x
	Reason(s):				

Manager Style Summary

Walter Scott is a "bottom-up" manager whose process is driven by individual security selection. They invest in companies with high rates of internal wealth generation (IRR > 20%) which translates into total return to the investor over time (real return = 7-10%). Country and sector exposures are by-products of the security selection process. The portfolio consists of roughly 40-60 securities at a time. It is a concentrated global equity portfolio, and as such, may experience more volatility relative to the market.

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Portfolio Guideline Compliance

September

2020

Portfolio Guideline:	WS	Min	Max	Compliance
A2. Cash balance <= 5% of portfolio market value	3%		5%	ok
B3. No more than 5% of the account shall be invested in any one security @ purchase				
B4. Number of issues	52	40	60	ok
B5. No shares of investment companies or pooled funds sponsored/managed by manager or affiliates				
B6. Normal Regional Exposures (* benchmark +/- min/max):				
North America	53%	46%	58%	ok
Japan	9%	2%	15%	ok
Europe ex UK	24%	18%	30%	ok
UK	4%	0%	12%	ok
Pacific ex Japan	5%	0%	12%	ok
Emerging Markets	3%	0%	12%	ok
Total	97%			
B7. Normal Global Portfolio Characteristics				
ROE	19%	10%	20%	ok
CROCE	25%	20%	30%	ok
Operating Margin	17%	15%	25%	ok
Portfolio turnover	0%	0%	20%	ok
Relative P/E	1.3	1.0	1.4	ok
Price/Book Value	6	3	5	check
Price Earnings	32	22	34	ok
Price/Cash Flow	22	13	21	check
Dividend Yield	1%	1%	3%	ok
E2. Brokerage commissions in bps	8%	4	13	check
E3. Annual turnover	3%		30%	ok
The portfolio is in compliance with all other aspects of the Portfolio Guidelines			<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Manager Explanations for Deviations from Portfolio Guidelines

- B7. Price/Book: The P/B has increased due to recent strong performance when compared to the most recently reported book values of the portfolio's companies.
- B7. Price/Cash Flow: The P/CF has increased due to recent strong performance compared to the most recently reported cash earnings of the portfolio's companies.
- E2. Brokerage Commissions: Within range.