

## Walter Scott & Partners Limited

Global Equity: MSCI World Benchmark

For the month of:		March	2025		
Manager Performance Calculations				* Annualized returns	
	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Walter Scott	-5.54%	-3.57%	-2.52%	5.07%	12.77%
MSCI World	-4.45%	-1.79%	7.04%	7.58%	16.13%

### Performance Attribution & Strategy Comments

Due to concerns regarding the potential economic impact of US tariffs, global equity markets experienced share price declines broadly across sectors and geographies during March. Against this backdrop, the portfolio returned -5.5% over the month, trailing MSCI World (ndr) which returned -4.5%. The portfolio's European and healthcare holdings were relatively weak, down 10% and 7% respectively. These were the primary relative detractors from a regional and sector perspective. Danish pharmaceutical stock Novo Nordisk was the worst performing stock in the portfolio, returning -23%. The Danish diabetes and obesity pioneer has suffered from underwhelming drug trial results and concerns around the scale of the obesity drug opportunity. Robotic surgery stock, Intuitive Surgical, and France-listed LVMH were also weak, down 14% and 15% respectively. We have spoken frequently with Novo Nordisk in recent months. Broadly speaking, we are optimistic about its mid-term outlook, given the low level of penetration for its obesity therapies and the huge potential patient population. Inevitably, more competition will emerge in time, but we believe the opportunity is big enough for all players to grow meaningfully. Longer term, there is uncertainty about the growth profile of the business in the early 2030s due to the expiry of its patent on semaglutide, the key molecule that underpins its most successful products, such as Ozempic and Wegovy. The stock champion and the wider Research team continue to analyse and discuss these issues.

How long the present bifurcation in performance between US and international equities continues is uncertain. Whilst the narrative around Europe and China has undoubtedly improved in recent months, this has yet to translate into consistently better economic data. Sweeping US tariffs further cloud the outlook. Equally, it is unlikely that the current uncertainty stalking the US market will disappear in the very near term. Investors are grappling with the implications of some of the government's more radical policies and further bouts of tariff-induced volatility appear inevitable. Given the backdrop, it would not be a surprise if investors were to favour markets outside the US in the near term and we may see the latter's valuation premium erode further. As long-term company-focused investors, however, our focus will be on the continued identification of those businesses that can compound wealth consistently over time, irrespective of domain or geopolitical vagaries.

### 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. This is a concentrated global equity portfolio, and as such, may experience more volatility relative to the market.

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**Portfolio Guideline Compliance**

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				Yes
B4. Number of issues	45	40	60	ok
B5. No shares of investment companies or pooled funds sponsored/managed by manager or affiliates				Yes
B6. Normal Regional Exposures (* benchmark +/- min/max):				
North America	68%	60%	75%	ok
Japan	4%	0%	9%	ok
Europe ex UK	14%	8%	22%	ok
UK	4%	0%	12%	ok
Pacific ex Japan	4%	0%	12%	ok
Emerging Markets	4%	0%	12%	ok
Total	97%			
B7. Normal Global Portfolio Characteristics				
ROE	28%	10%	20%	check
CROCE	32%	20%	30%	check
Operating Margin	19%	15%	25%	ok
Portfolio turnover	0%	0%	20%	ok
Relative P/E	1.2	1.0	1.4	ok
Price/Book Value	7	3	5	check
Price Earnings	27	22	34	ok
Price/Cash Flow	21	13	21	ok
Dividend Yield	1%	1%	3%	ok
E2. Brokerage commissions in bps	0	4	13	check
E3. Annual turnover	9%		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. ROE:	Net income has grown faster than shareholder equity for the portfolio's companies in aggregate.
B7. CROCE:	Net cash from operating activities has grown faster than capital employed for the portfolio's companies in aggregate.
B7. Price/Book:	As with net income (see ROE explanation), the price of the portfolio's holdings has increased at a faster pace than their book values.
E2. Brokerage Commissions:	No trading activity.

<b>Total Firm Assets Under Management (\$m) as of:</b>	Qtr 1	\$ 73,440
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**Account Turnover**

Gained:	Number of Accounts:	0	Total Market Value (\$m):	\$ -
Lost:	Number of Accounts:	1	Total Market Value (\$m):	\$ 57.3
Reason(s): Adjusting equity allocation.				

**Organizational/Personnel Changes**

Lesley Smart, Facilities Manager, retired on 31 March 2025.