

Walter Scott & Partners Limited

Global Equity: MSCI World Benchmark

For the month of:		May	2025		
Manager Performance Calculations				* Annualized returns	
	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Walter Scott	5.15%	1.63%	6.74%	10.86%	11.31%
MSCI World	5.92%	2.10%	13.72%	13.18%	14.18%

Performance Attribution & Strategy Comments

Global equity markets saw strong positive returns in May, as easing trade tensions and robust corporate earnings boosted investor sentiment. Against this backdrop the portfolio returned 5.2%, trailing MSCI World (ndr), which returned 5.9%.

Driving these strong returns within the portfolio were the technology (+11.5%) and financials (+8.4%) sectors. Technology stocks have continued to recover since their sharp decline in March, when concerns around US tariffs negatively impacted share prices. The subgroup of semiconductor stocks, such as Taiwan Semiconductor (+16%) and Texas Instruments (+14%), were particularly strong. Within the financials sector, Asia-Pacific life insurance firm AIA Group drove returns, rising 14%.

The portfolio's relative lag was primarily driven by industrials and consumer discretionary stocks.

Within the industrials sector, automotive salvage and auction company, Copart, experienced a decline of 16%. Additionally, absence from the strongly performing aerospace & defence industry hurt relative return. In the consumer discretionary sector, non-held stock Tesla rose 23% in May, negatively impacting relative performance.

Some of these relative losses were offset elsewhere in the portfolio, however.

Whilst the portfolio suffered a relative headwind from greater exposure to the weak healthcare sector, this was more than offset by outperformance within the sector. Sharp declines in two non-held stocks, Eli Lilly (-18%) and UnitedHealth Group (-27%), contributed positively to relative returns.

Although there are hopes that dealmaking and economic pragmatism can stave off the imposition of reciprocal tariffs, the overall rate of US import levies has now been set meaningfully higher. As such there remain concerns over their impact on economic growth, inflation and global supply chains. This could be a recipe for further equity market volatility. Investors have largely been unfazed by rising bond market yields in recent months. However, high budget deficits and excess fiscal generosity may eventually be given greater scrutiny by investors. Rising yields have implications for the cost of credit at a time of Federal Reserve caution over further interest rate cuts, potentially diluting the hopeful narrative of monetary loosening. Nonetheless, we remain confident that portfolio companies, given their financial strength, market leadership and their ability to adapt to changing macroeconomic environments, remain well positioned to weather the current challenges.

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	2%		5%	ok
B3. No more than 5% of the account shall be invested in any one security @ purchase				Yes
B4. Number of issues	46	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	66%	60%	75%	ok
Japan	4%	0%	9%	ok
Europe ex UK	15%	8%	22%	ok
UK	4%	0%	12%	ok
Pacific ex Japan	4%	0%	12%	ok
Emerging Markets	4%	0%	12%	ok
Total	98%			
B7. Normal Global Portfolio Characteristics				
ROE	27%	10%	20%	check
CROCE	32%	20%	30%	check
Operating Margin	19%	15%	25%	ok
Portfolio turnover	4%	0%	20%	ok
Relative P/E	1.2	1.0	1.4	ok
Price/Book Value	8	3	5	check
Price Earnings	28	22	34	ok
Price/Cash Flow	22	13	21	check
Dividend Yield	1%	1%	3%	ok
E2. Brokerage commissions in bps	4	4	13	ok
E3. Annual turnover	14%		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.
B7. Price/Cash Flow:	The price of the portfolio's holdings have increased at a faster pace than the most recently reported cash flows of the portfolio's companies.

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

Gained:	Number of Accounts:	-	Total Market Value (\$m):	-
Lost:	Number of Accounts:	1	Total Market Value (\$m):	\$302.9
Reason(s): Portfolio composition changes.				

Organizational/Personnel Changes

Finance analyst, John Mercer joined on 26 May. Executive Director, Charlie Macquaker will retire in June 2026.