
Walter Scott & Partners LimitedGlobal Equity: MSCI World Benchmark

For the month of: **January** **2025**

Manager Performance Calculations** Annualized returns*

	Last <u>Month</u>	Last <u>3 Months</u>	Last <u>1 Year</u>	Last <u>3 Years*</u>	Last <u>5 Years*</u>
Walter Scott	3.90%	3.32%	10.65%	7.43%	10.76%
MSCI World	3.53%	5.46%	21.40%	9.54%	12.08%

Performance Attribution & Strategy Comments

From a sector perspective, communication services and healthcare holdings were the strongest absolute performers over the period. Technology holdings outperformed their sector index peers and contributed the most to relative return. On the downside, less exposure to the strong financials sector, coupled with underperformance from held names, detracted the most from a relative viewpoint. AIA Group was one of the portfolio's weakest names.

The portfolio's UK holdings were the strongest in absolute terms – Experian was of note. From a relative viewpoint, the portfolio's US holdings were strong and contributed the most to relative performance. Pacific ex-Japan stocks weighed marginally on relative return.

Equity market sentiment was broadly positive this month, but a variety of issues may trigger near-term turbulence. President Trump's fiscal measures could provide a shot in the arm for the US economy, including the manufacturing sector which has been in the doldrums. However, tariffs complicate the outlook for US inflation and may disrupt supply chains. In tandem with a less-generous Fed, some of the positive aspects of the Trump stimulus could be outweighed by the impact of higher prices on the consumer. The descent into a prolonged trade war would have repercussions on global growth. The DeepSeek episode has reminded investors that the progression of any technology is never linear and may prompt more circumspection towards equity valuations in the sector. Indeed, this vigilance applies to all stocks where valuations have run ahead of underlying fundamentals, with earnings disappointments likely to be dealt with harshly by investors.

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	4%		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	67%	60%	75%	ok
Japan	4%	0%	9%	ok
Europe ex UK	15%	8%	22%	ok
UK	4%	0%	12%	ok
Pacific ex Japan	3%	0%	12%	ok
Emerging Markets	4%	0%	12%	ok
Total	96%			
B7. Normal Global Portfolio Characteristics				
ROE	26%	10%	20%	check
CROCE	31%	20%	30%	check
Operating Margin	18%	15%	25%	ok
Portfolio turnover	3%	0%	20%	ok
Relative P/E	1.3	1.0	1.4	ok
Price/Book Value	8	3	5	check
Price Earnings	30	22	34	ok
Price/Cash Flow	24	13	21	check
Dividend Yield	1%	1%	3%	ok
E2. Brokerage commissions in bps	5	4	13	ok
E3. Annual turnover	11%		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 4 \$ 78,175

Account Turnover

Gained:	Number of Accounts:	3	Total Market Value (\$m):	\$	34.4
Lost:	Number of Accounts:	1	Total Market Value (\$m):	\$	235.5
	Reason(s):	Reallocation of assets.			

Organizational/Personnel Changes

Alicia Zhang joined Walter Scott as an Investment Manager on 6 January 2025. John Rae joined Walter Scott as a Client Investment Manager on 13 January 2025. Matthew Gerlach and Dom Butvilas, both Investment Managers, left the firm effective 31 January 2025. There were no organisational changes.