
Walter Scott & Partners LimitedGlobal Equity: MSCI World Benchmark

For the month of: **August** **2021**

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	2.35%	8.90%	30.90%	18.69% N/A	
MSCI World	2.49%	5.88%	29.76%	14.96% N/A	

Performance Attribution & Strategy Comments

From a sector viewpoint, healthcare stocks were strong in absolute terms and also contributed the most to relative return, with Novo Nordisk amongst the best performers. Communication services stocks, most notably Alphabet, were strongest in absolute terms. Technology holdings, Fortinet in particular, were the largest contributors to absolute return. Consumer discretionary holdings, such as LVMH, lagged their sector index and were noteworthy relative detractors. A lower exposure to the strong financials sector, as well as underperformance from within this sector, was a further drag on relative performance.

From a regional perspective, Japanese companies were the top performers and contributed the most in relative terms; Keyence was one of the portfolio's strongest individual stocks. US holdings contributed the most to absolute return. Europe ex-UK holdings lagged their index and were the most notable relative detractors.

Despite the occasional wobble during August, global equity markets finished the month trading around record levels. Whether this can be sustained in the near term will likely rest on continued earnings support for valuations and investors staying relatively sanguine about risks to the recovery narrative. The recent underperformance of cyclical stocks may, however, suggest waning confidence in the 'reflation trade'. With the bar to further equity market progress now set relatively high, some bouts of turbulence would come as little surprise.

Thankfully, given the unprecedented nature of many current risks, second-guessing the direction of markets is not part of our analytical mandate. What can appear a fool's errand at the best of times seems to offer even less chance of success today. Instead, we remain focused on the underlying fundamentals of our investee companies, ensuring that they remain capable of delivering long-term sustainable growth irrespective of macroeconomic and market 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	2%		5%	ok
B3. No more than 5% of the account shall be invested in any one security @ purchase				Yes
B4. Number of issues	52	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	56%	46%	58%	ok
Japan	8%	2%	15%	ok
Europe ex UK	23%	18%	30%	ok
UK	3%	0%	12%	ok
Pacific ex Japan	5%	0%	12%	ok
Emerging Markets	3%	0%	12%	ok
Total	98%			
B7. Normal Global Portfolio Characteristics				
ROE	15%	10%	20%	ok
CROCE	26%	20%	30%	ok
Operating Margin	16%	15%	25%	ok
Portfolio turnover	0%	0%	20%	ok
Relative P/E	1.5	1.0	1.4	check
Price/Book Value	7	3	5	check
Price Earnings	36	22	34	check
Price/Cash Flow	26	13	21	check
Dividend Yield	1%	1%	3%	ok
E2. Brokerage commissions in bps	0%	4	13	check
E3. Annual turnover	4%		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/Earnings:	Price Earnings increased due to recent strong performance when compared to the most recently reported earnings of the portfolio's companies.
B7. Price/Cash Flow:	The P/CF has increased due to recent strong performance when compared to the most recently reported cash earnings of the portfolio's companies.
B7. Relative P/E:	Relative P/E has increased due to recent appreciation of the portfolio's PE metric when compared to the benchmark.
E2. Brokerage Commissions:	There were no trades over the period.

Total Firm Assets Under Management (\$m) as of: Qtr 2 \$101,573.3

Account Turnover

Gained:	Number of Accounts:	0	Total Market Value (\$m):	-
Lost:	Number of Accounts:	0	Total Market Value (\$m):	-
Reason(s):				

Organizational/Personnel Changes

Julie Bradley, Compliance Analyst, joined the Risk and Compliance team on 2 Aug 2021. Ross McCallay and Stephen MacPherson, Client Admin Analysts, joined the Client Admin team on 16 and 23 Aug 2021. There was no organisational change during the period.