
Walter Scott & Partners LimitedGlobal Equity: MSCI World Benchmark

For the month of: **April** **2023**

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	1.32%	4.98%	7.80%	12.68%	10.94%
MSCI World	1.75%	2.38%	3.18%	13.10%	8.14%

Performance Attribution & Strategy Comments

From a sector perspective, healthcare and consumer discretionary holdings, particularly Intuitive Surgical and LVMH, were strong and contributed the most to absolute and relative performance. The portfolio's technology stocks were the biggest absolute and relative detractors, with Texas Instruments, Taiwan Semiconductor and Cisco Systems amongst the weakest individual performers.

From a geographical viewpoint, the portfolio's Japanese stocks, SMC Corporation, Keyence and Shin-Etsu Chemical, detracted the most in absolute and relative terms. Sole emerging markets holding, the aforementioned Taiwan Semiconductor, was weak and detracted from absolute and relative performance. Europe ex-UK stocks, such as Roche and L'Oréal, were the primary absolute and relative contributors.

The predictions of an economic slowdown this year have become common currency, with inflation continuing to chip away at incomes, and Western central banks on an anti-inflation warpath. Events in the US banking sector have highlighted the consequences of higher rates on vulnerable business models, and there has been growing concern about the commercial real estate market. There are fears that a credit crunch may ultimately push the US and indeed other countries into a mild recession, but for now, most indicators still point to a degree of resilience in global economies, with banking sector stresses confined to weaker players. The reopening of the Chinese economy is positive for global growth, and despite the growing political chasm between the West and China, their respective economies remain deeply interconnected. The conflict in Ukraine is currently not in the market's gaze, but it remains a potential source of volatility.

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	50	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	59%	52%	64%	ok
Japan	6%	2%	9%	ok
Europe ex UK	21%	18%	30%	ok
UK	5%	0%	12%	ok
Pacific ex Japan	5%	0%	12%	ok
Emerging Markets	3%	0%	12%	ok
Total	98%			
B7. Normal Global Portfolio Characteristics				
ROE	22%	10%	20%	check
CROCE	31%	20%	30%	check
Operating Margin	17%	15%	25%	ok
Portfolio turnover	0%	0%	20%	ok
Relative P/E	1.4	1.0	1.4	check
Price/Book Value	6	3	5	check
Price Earnings	27	22	34	ok
Price/Cash Flow	20	13	21	ok
Dividend Yield	1%	1%	3%	ok
E2. Brokerage commissions in bps	8	4	13	ok
E3. Annual turnover	8%		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:	The price of the portfolio's holdings increased at a faster pace than the most recently reported book values of the portfolio's companies.
B7. Relative P/E:	Relative P/E is above the maximum threshold. This is because the portfolio's P/E has increased at a faster pace than the benchmark's P/E.

Total Firm Assets Under Management (\$m) as of: Qtr 1 \$79,348.1m

Account Turnover

Gained:	Number of Accounts:	1	Total Market Value (\$m):	\$15.0
Lost:	Number of Accounts:	-	Total Market Value (\$m):	-
	Reason(s):	-		

Organizational/Personnel Changes

No organisational changes during the month. Aimee Rendall joined the firm as a Portfolio & Cash Management – Analyst on 17 April. Sasha Thompson, Investment Analyst, left on 6 April. Loren Turner, Client Operations Manager – Fee Billing and Alex Mew, Senior Performance Analyst, left on 4 April.