

Walter Scott & Partners Limited

Global Equity: MSCI World Benchmark

For the month of: **August** **2020**

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	4.90%	11.99%	19.03%	15.42%	n/a
MSCI World	6.68%	14.74%	16.79%	9.82%	n/a

Performance Attribution & Strategy Comments

At a sector level, the portfolio's financials, communication services and consumer discretionary stocks were the best absolute performers, with AIA Group, The Walt Disney Company and Compass Group particularly strong. Technology stocks lagged their sector index and detracted the most from relative return, with Cisco Systems notably weak. Industrials and consumer staples also underperformed and detracted from relative performance. The financial sector was the primary relative contributor.

From a regional perspective, Pacific ex-Japan stocks were the strongest absolute performers and contributed the most to relative return. Despite contributing the most to absolute return, US holdings, such as Cognizant Technology Solutions, Illumina and the aforementioned Cisco Systems, underperformed and were the largest relative detractors. The portfolio's Japanese and Europe ex UK holdings detracted further from relative return.

It remains to be seen to what extent markets will continue to exhibit the performance disparity between sectors that has been a feature of this year. The pursuit of stocks tied to long-term secular growth themes and new economic paradigms may continue apace, fuelled by a monetary environment that has suppressed bond yields and supported equities. The recent performance of a variety of cyclicals, and the relative torpor of more defensive areas, likely reflects the growing optimism regarding the prognosis for the world economy. The near-term direction of equities is a matter for conjecture and not material to our investment process however. Given the challenges presented by the shifts the world is experiencing, we are confident that the market-leading, financially robust companies we hold will thrive in a changing economic, political and social landscape.

Organizational/Personnel Changes

John Miller resigned as Group Director from the Walter Scott Board on 19 August 2020 with the plan being for Renee LaRoche-Morris, Chief Operating Officer of BNY Mellon Investment Management to join in his place, however, this is subject to regulatory approval.

Account Turnover

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

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. The portfolio consists of roughly 40-60 securities at a time. It is a concentrated global equity portfolio, and as such, may experience more volatility relative to the market.

Walter Scott & Partners Limited

Global Equity: MSCI World Benchmark

Portfolio Guideline Compliance

August

2020

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	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	53%	46%	58%	ok
Japan	8%	2%	15%	ok
Europe ex UK	24%	18%	30%	ok
UK	4%	0%	12%	ok
Pacific ex Japan	6%	0%	12%	ok
Emerging Markets	3%	0%	12%	ok
Total	98%			
B7. Normal Global Portfolio Characteristics				
ROE	19%	10%	20%	ok
CROCE	25%	20%	30%	ok
Operating Margin	17%	15%	25%	ok
Portfolio turnover	0%	0%	20%	ok
Relative P/E	1.3	1.0	1.4	ok
Price/Book Value	6	3	5	check
Price Earnings	32	22	34	ok
Price/Cash Flow	21	13	21	check
Dividend Yield	1%	1%	3%	ok
E2. Brokerage commissions in bps	No Trades	4	13	check
E3. Annual turnover	3%		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: Increase due to recent strong performance when compared to the most recently reported book values of the portfolio's companies.
- B7. Price/Cash Flow: Increase due to recent strong performance when compared to the most recently reported cash earnings of the portfolio's companies.
- E2. Brokerage Commissions: No trades.