

# USA EQUITY STRATEGY

as at 30 June 2023

We have a highly selective, concentrated approach to investing in companies that can deliver compound wealth creation over the long term, because we believe that it is companies that create wealth, not equity markets.

## INVESTMENT APPROACH

### Company focus

Unconstrained, rigorous in-house company research is based on our consistently applied philosophy and process. We only select those businesses which meet our stringent investment criteria.

### Team approach

We invest as a team. Our long-tenured, experienced investment team challenges and debates all proposals.

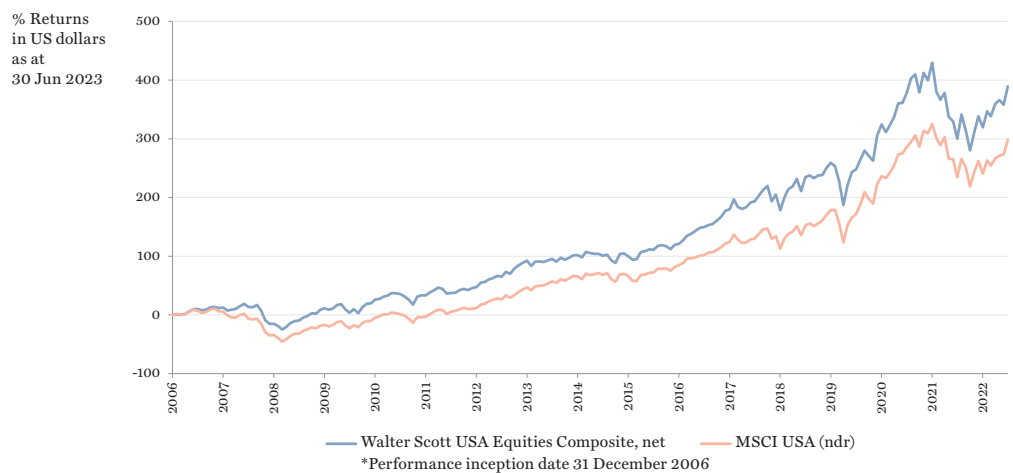
### Long-term investment horizon

Our buy-and-hold approach is focused on sustainable growth. We invest for the long term in order to exploit the power of compound growth.

### Sustainability

Analysis of environmental, social and governance factors is integrated into our investment process. We believe that good ESG practices and successful businesses typically go hand-in-hand.

## CUMULATIVE PERFORMANCE SINCE INCEPTION\*



## ANNUALISED PERFORMANCE

Returns in US dollars % as at 30 June 2023	1 Year	3 Years	5 Years	10 Years	15 Years
Walter Scott USA Equities Composite, net	22.4	12.1	10.8	11.5	10.2
MSCI USA (ndr)	19.0	13.6	11.6	12.2	10.2

## CALENDAR YEAR PERFORMANCE

Returns in US dollars % as at 30 June 2023	YTD	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Walter Scott USA Equities Composite, gross	17.1	-20.2	25.6	19.1	30.0	0.2	27.4	11.5	-0.4	5.8	31.4
Walter Scott USA Equities Composite, net	16.6	-20.8	24.7	18.2	29.1	-0.5	26.5	10.7	-1.1	5.0	30.5
MSCI USA (ndr)	16.8	-19.8	26.5	20.7	30.9	-5.0	21.2	10.9	0.7	12.7	31.8
Excess Returns (net vs index)	-0.2	-0.9	-1.7	-2.5	-1.8	4.5	5.3	-0.2	-1.8	-7.7	-1.3

**Past performance is not a guide to future performance and returns may also increase or decrease as a result of currency fluctuations.**

Source: Walter Scott (Strategy), MSCI (Index). Gross performance returns do not reflect the deduction of investment advisory fees which if applied would reduce returns but do reflect the reinvestment of dividends and/or other earnings. Net performance returns reflect the deduction of a model management fee of 0.72% per annum and the reinvestment of dividends and/or other earnings. Please note that the maximum management fee rate payable is 0.50% per Part II of Form ADV for Walter Scott. Please refer to the back page for further information.

MSCI USA is used as a comparative index for this strategy for illustrative purposes. The strategy does not aim to replicate the composition or performance of the comparative index.

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## STRATEGY OVERVIEW

The USA Equity strategy aims to provide investors with a favourable real rate of return over the long term by investing in a portfolio of leading companies located in the US. Stocks are selected through bottom-up, in-house company analysis.

The portfolio will typically consist of 40-60 world-class companies we consider capable of generating superior real returns over the long-term. These will be companies which we believe demonstrate high levels of sustainable growth and profitability, alongside strong balance sheets.

Our unconstrained approach typically leads to portfolios that bear little or no resemblance to any stock market index.

**US\$81.3bn firm wide AUM**  
**US\$0.5bn US equity strategy AUM**  
**Composite inception date: 28 February 2000**

## PORTFOLIO CHARACTERISTICS

	Portfolio
Number of Securities	49
Operating Margin	16.7%
ROE	23.9%
Net Debt to Equity	42%
P/E Ratio	32.5x
Dividend Yield	0.8%
Active Share	83%

Source: Walter Scott, FactSet & MSCI. Portfolio Characteristics are subject to change and are based on a Walter Scott USA Equity representative portfolio as at 30/06/23.

Net Debt to Equity figure excludes securities from the financial sector.

## TOP TEN STOCKS

Stock	% of portfolio
Alphabet	4.2
Microsoft Corporation	4.1
Eli Lilly	2.6
Adobe	2.4
Texas Instruments	2.3
Old Dominion Freight Line	2.3
Mastercard	2.3
Edwards Lifesciences	2.2
Resmed	2.2
Moody's Corp	2.2

## SECTOR

Information technology	26.3%	<div style="width: 26.3%;"></div>
Healthcare	19.2%	<div style="width: 19.2%;"></div>
Industrials	13.8%	<div style="width: 13.8%;"></div>
Consumer discretionary	11.8%	<div style="width: 11.8%;"></div>
Financials	8.9%	<div style="width: 8.9%;"></div>
Communication services	7.4%	<div style="width: 7.4%;"></div>
Materials	5.8%	<div style="width: 5.8%;"></div>
Consumer staples	5.3%	<div style="width: 5.3%;"></div>
Liquidity	1.5%	<div style="width: 1.5%;"></div>

Source: Walter Scott, USA Equity representative portfolio as at 30/06/23 used to demonstrate Top Ten Stocks, Sector and Region information. The representative portfolio adheres to the same investment approach as the Walter Scott USA Equity Strategy. All holdings are subject to change. Information is historical and may not reflect current or future portfolio's. Percentages may not equal 100% due to rounding.

This information should not be considered a recommendation to purchase or sell any security. The data shown should not be relied upon as a complete listing of the strategy's holdings as information on particular holdings may be withheld. There is no assurance that any securities shown will remain in a portfolio at the time you receive this factsheet or that securities sold have not been repurchased. It should not be assumed that the holdings listed were or will prove to be profitable or that the investment decisions Walter Scott makes in the future will be profitable or will equal the investment performance illustrated.

## CONTACT

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## EXPLANATORY NOTES

To receive a list of composite descriptions of Walter Scott and/or GIPS® reports, please email [clientservice@walterscott.com](mailto:clientservice@walterscott.com) or contact the Client Management team using the telephone number or address shown at the end of this document.

## COMPOSITE DESCRIPTION

This includes all USA portfolios. Portfolios within the composite typically hold 40 to 60 stocks.

## FEES

Net of management fee composite returns are calculated by deducting a model fee from the gross return. Actual management fees may differ from the model fees used and performance-based fees may result in higher fees than model fees applied. The model fee rate of 0.72% per annum reflects the highest calendar year fee rate over the last 10 years to 31 December 2022. The highest fee rate that would be charged to the intended audience is 0.50%. For further details of fee rates see Part II of Form ADV.

## PORTFOLIO CHARACTERISTICS DEFINITIONS

Please contact us on [clientservice@walterscott.com](mailto:clientservice@walterscott.com) for further information on the methodologies used in the calculation of the portfolio characteristics shown.

## BENCHMARK DEFINITION

MSCI USA: a US equity benchmark that represents large and mid-cap equity performance. It is not directly exposed to emerging markets. Further information can be found at [www.msci.com](http://www.msci.com).

## KEY INVESTMENT RISKS

**Equities** are subject to market, market sector, market liquidity, issuer, and investment style risks, to varying degrees. **Small and mid-sized company stocks tend** to be more volatile and less liquid than larger company stocks as these companies are less established and have more volatile earnings histories. Investing in **foreign denominated and/or domiciled securities** involves special risks, including changes in currency exchange rates, political, economic, and social instability, limited company information, differing

auditing and legal standards, and less market liquidity. These risks generally are greater with emerging market countries.

Investment return and principal value of an investment will fluctuate, so that when an investment is sold, the amount returned may be less than that originally invested.

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