

# Walter Scott Global Equity

Quarterly Investment Option Update

31 March 2021

## Aim and Strategy

Aims to achieve a long-term return (before fees and expenses) that exceeds the MSCI World ex-Australia Index, in Australian dollars unhedged with net dividends reinvested. The portfolio provides exposure to a concentrated portfolio of global equities by investing in securities which, in Walter Scott's opinion, offer strong and sustained earnings growth. The portfolio is actively managed using a benchmark unaware, fundamental, bottom-up and research-driven approach to build a portfolio of strong growth companies capable of generating wealth over long periods of time.

The investment approach combines detailed financial analysis with business and management analysis.

The investment portfolio is constructed with a primary focus on stock-based analysis.

The Fund Manager expects that on average, and based on long-term experience, 15 to 25% of the stocks in the portfolio will be turned over each year, which reflects the investment manager's long-term buy and hold approach. The portfolio's exposure to international assets is not hedged back to Australian dollars.

## Investment Option Performance

To view the latest investment performances for each product please visit [amp.com.au/performance](http://amp.com.au/performance)

## Investment Option Overview

<b>Investment Category</b>	Global Shares
<b>Suggested Investment timeframe</b>	7 years
<b>Relative risk rating</b>	6 / High
<b>Investment style</b>	Growth
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100	97.26
Cash	0	2.74

Sector Allocation	%
Information Technology	33.68
Health Care	17.64
Consumer Discretionary	12.69
Industrials	11.23
Consumer Staples	9.10
Communication Services	5.10
Materials	4.49
Financials	2.67
Utilities	0.66
Energy	0.00
Real Estate	0.00

Regional Allocation	%
North America	56.99
Europe ex UK	18.13
Japan	8.71
United Kingdom	5.05
Asia ex Japan	4.49
Emerging Markets	3.88

Top Holdings	%
Taiwan Semiconductor Manufacturing	3.88
Microsoft Corp.	3.42
Keyence Corp.	3.21
Mastercard Inc.	2.97
Alphabet Inc.	2.68
AIA Group	2.67
Edwards Lifesciences Corp.	2.65
The Walt Disney Company	2.42
LVMH Moët Hennessy	2.36
Cognizant Technology Solutions	2.34

## Investment Option Commentary

**Taiwan Semiconductor (TSMC)** was among the top individual contributors to performance during the quarter. 2020 was a banner year for IC foundry company TSMC, with data-centre investment, 5G telecommunication spending in China, and to a lesser extent WFH-related hardware expenditure the principle drivers of growth. The company recorded a 27% and 52% year-on-year increase in operating profit in the fourth quarter and full year respectively. TSMC continues to be very positive about future growth trends, with management raising its long-term 2020-2025 average revenue growth targets from between 5-10% to 10-15%.

**Keyence** was among the top individual detractors from performance during the quarter. The company reported third-quarter results which showed a return to year-on-year growth after a six-quarter spell of declining sales. The improvement was driven by all the international geographies, with only Japan remaining modestly negative. There was also positive commentary across multiple industry categories and management noted that the backdrop for capex investment had improved markedly. The weakness in the share price was likely driven in part by the rotation into more cyclical 'value' stocks.

During the quarter, Walter Scott completed the initial purchases of **Jardine Matheson**, **SGS** and **Fortinet**, and the final sales of **Hong Kong & China Gas** and **Cerner**.

## Market Commentary

Economic and political uncertainty is a constant, but the particular issues at play at the moment do help explain the market environment. The prospects of higher rates and inflation are not amongst the uncertainties investors have had to consider in recent years. Both issues are now prominent. The market rotation that began last year reflects higher yields and an expectation of growth, and with that the prospect of inflation. That is an environment that benefits cyclicals and banks, and Walter Scott have noted recent share price moves in those sectors reflect that view of the future. Whether these expectations hold out or not, has a lot to do with politics. Never before has data on vaccine rollouts been quite so critical to economic growth models. More recent data has certainly been encouraging but any hiccups have the potential to quash hopes of an economic rebound.

## Outlook

Daily reports on vaccine numbers, across the US and Europe in particular, will continue to come under close scrutiny. In turn, many will be keeping a very close eye on economic data looking for signs of the anticipated flood of pent-up demand. The pool of savings needed to fund that demand certainly exists, but the extent to which it will be spent, and when, very much remains an open question. It is also very difficult to judge whether this demand will be the beginning of a sustained economic recovery, or a more temporary phenomenon. Predicting the direction of equity markets over the short term is also very difficult. The strikingly confident tone, alongside actual financial support, coming from the US Federal Reserve, amongst others, might continue to bolster areas of the market that Walter Scott remains deliberately absent. Alternatively, notes of concern, such as that from the head of the IMF, who has warned of a dangerous wave of pending bankruptcies, might inject sufficient uncertainty to bring a change in market focus and with it a change in the Fund's short-term relative performance. What Walter Scott can say with certainty is that the investment team will continue to do what they have always done. Walter Scott's focus will remain on the fundamental prospects of the portfolio's investments, and Walter Scott are confident that over time, they will deliver sustainable, superior returns.

## Availability

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