

WALTER SCOTT

WHY SHOULD YOU LOOK BEYOND THE USA FOR INVESTMENT OPPORTUNITIES?

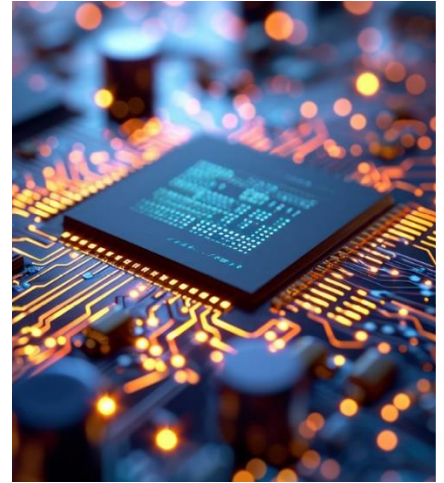
Gustavo Bikkesbakker

Client Investment Manager

In this session, we will:

1. Explore why US market dominance might not last forever
2. Look at how diversifying your portfolio into international markets can reduce volatility and broaden the opportunity set
3. Show examples of exceptional international companies that benefit from structural growth trends

Are you missing out on the best investment opportunities?



The US market has been dominant

Geometric Relative Return - MSCI EAFE vs MSCI USA



Source: Walter Scott, FactSet, MSCI. Geometric relative return, 31 December 1969 to 30 June 2025. Past performance is not a guide to future performance and returns may also increase or decrease as a result of currency fluctuations.

The US market has been dominant

Federal debt:

>\$100K

Debt/person (\$36trn/342m)

Political risk:

1951

Fed independence, the 1951 Accord

Concentration/narrowness:

36/50%

Top 10 stocks in MSCI USA/contribution to 3Y return

Valuation:

66%

P/E premium MSCI US/World ex US: 28x/17x

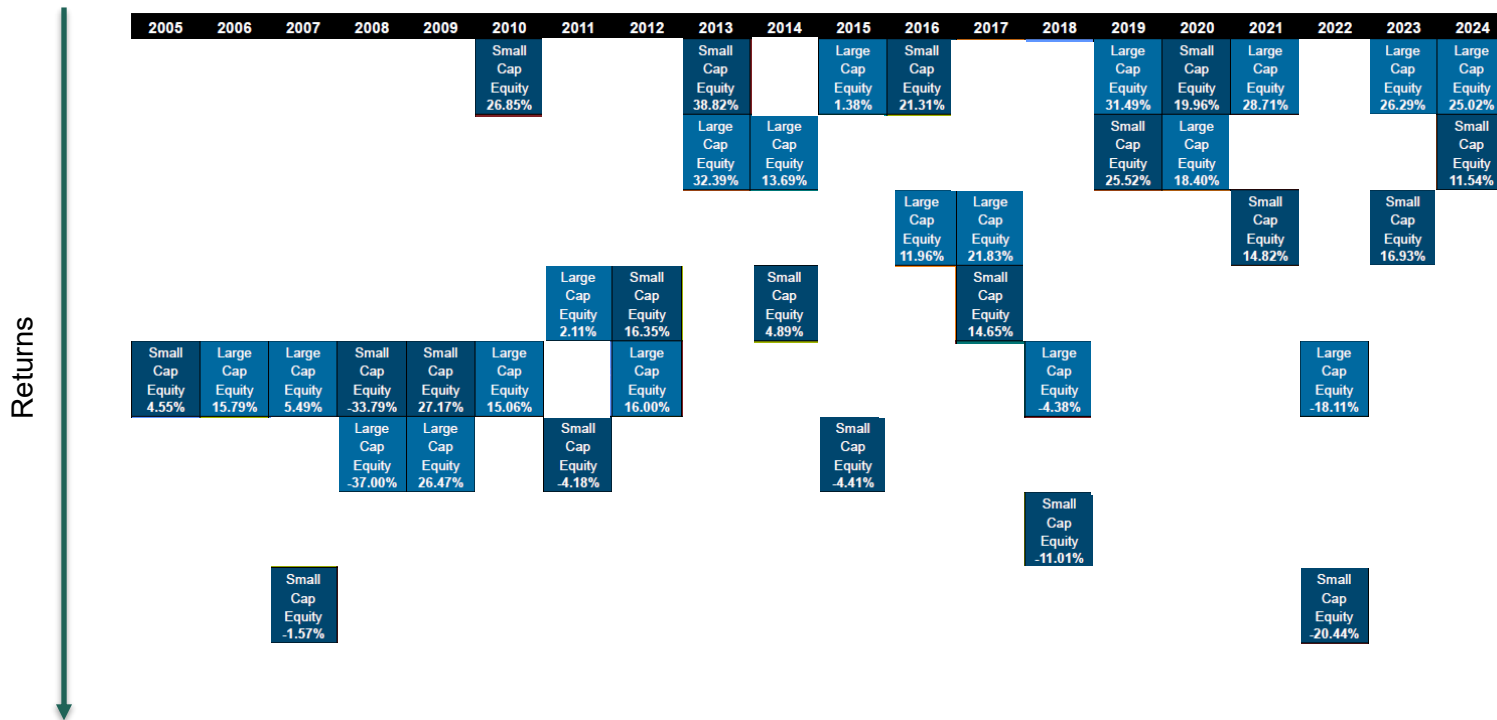
Endpoint bias can hide the cyclical nature of markets

Returns

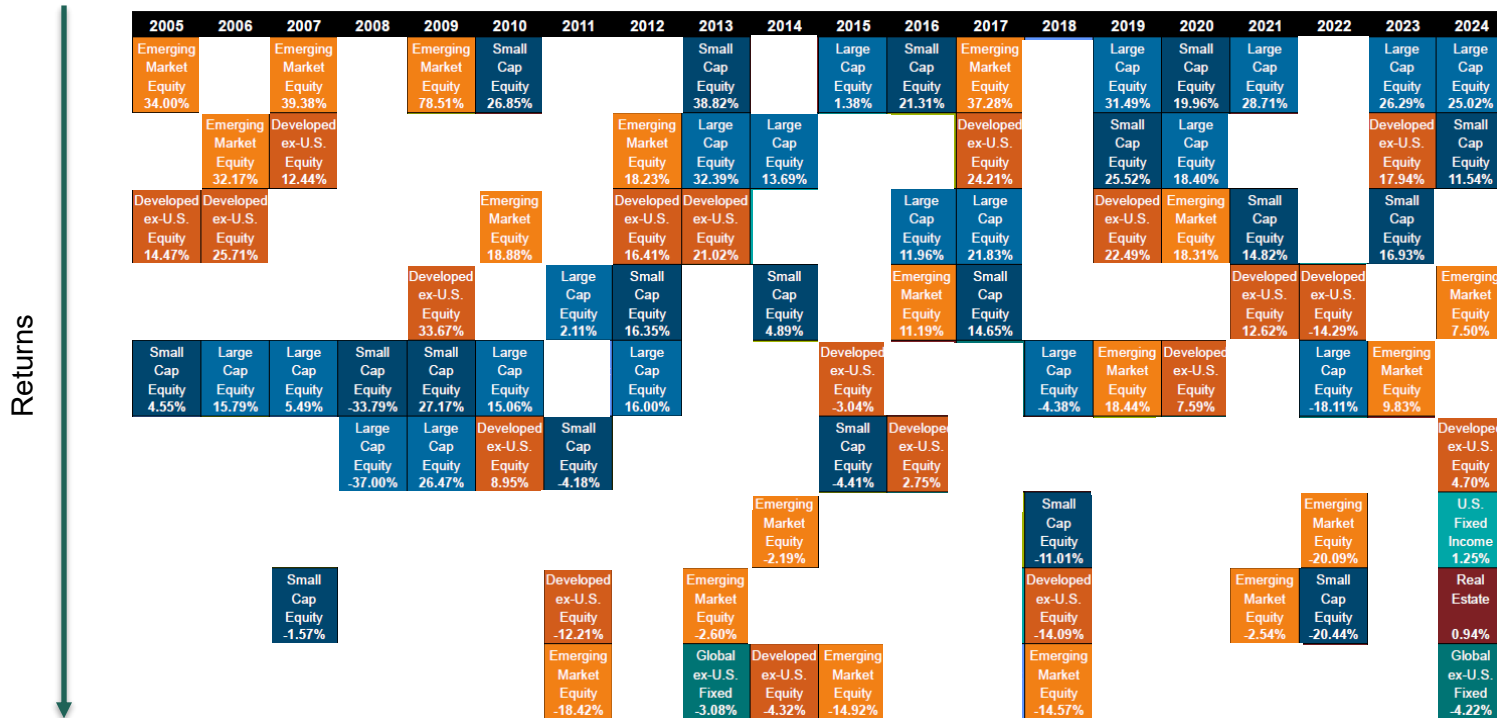
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Emerging Market Equity 34.00%	Real Estate 42.12%	Emerging Market Equity 39.38%	U.S. Fixed Income 5.24%	Emerging Market Equity 78.51%	Small Cap Equity 26.85%	U.S. Fixed Income 7.84%	Real Estate 27.73%	Small Cap Equity 38.82%	Real Estate 15.02%	Large Cap Equity 1.38%	Small Cap Equity 21.31%	Emerging Market Equity 37.28%	Cash Equivalent 1.87%	Large Cap Equity 31.49%	Small Cap Equity 19.96%	Large Cap Equity 28.71%	Cash Equivalent 1.46%	Large Cap Equity 26.29%	Large Cap Equity 25.02%
Real Estate 15.35%	Emerging Market Equity 32.17%	Developed ex-U.S. Fixed Income 12.44%	Global ex-U.S. Fixed Income 4.39%	High Yield 58.21%	Real Estate 19.63%	High Yield 4.98%	Emerging Market Equity 18.23%	Large Cap Equity 32.39%	Large Cap Equity 13.69%	U.S. Fixed Income 0.55%	High Yield 17.13%	Developed ex-U.S. Fixed Income 24.21%	U.S. Fixed Income 0.01%	Small Cap Equity 25.52%	Large Cap Equity 18.40%	Real Estate 26.09%	High Yield -11.19%	Developed ex-U.S. Fixed Income 17.94%	Small Cap Equity 11.54%
Developed ex-U.S. Equity 14.47%	Developed ex-U.S. Equity 25.71%	Global ex-U.S. Fixed Income 11.03%	Cash Equivalent 2.06%	Real Estate 37.13%	Emerging Market Equity 18.88%	Global ex-U.S. Fixed Income 4.36%	Developed ex-U.S. Equity 16.41%	Developed ex-U.S. Equity 21.02%	U.S. Fixed Income 5.97%	Cash Equivalent 0.05%	Large Cap Equity 11.96%	Large Cap Equity 21.83%	High Yield -2.08%	Developed ex-U.S. Equity 22.49%	Emerging Market Equity 18.31%	Small Cap Equity 14.82%	U.S. Fixed Income -13.01%	Small Cap Equity 16.93%	High Yield 8.19%
Large Cap Equity 4.91%	Small Cap Equity 18.37%	U.S. Fixed Income 6.97%	High Yield -26.16%	Developed ex-U.S. Equity 33.67%	High Yield 15.12%	Large Cap Equity 2.11%	Small Cap Equity 16.35%	High Yield 7.44%	Small Cap Equity 4.89%	Real Estate -0.79%	Emerging Market Equity 11.19%	Small Cap Equity 14.65%	Global ex-U.S. Fixed Income -2.15%	Real Estate 21.91%	Global ex-U.S. Fixed Income 10.11%	Developed ex-U.S. Equity 12.62%	Developed ex-U.S. Equity -14.29%	High Yield 13.44%	Emerging Market Equity 7.50%
Small Cap Equity 4.55%	Large Cap Equity 15.79%	Large Cap Equity 5.49%	Large Cap Equity -33.79%	Small Cap Equity 27.17%	Large Cap Equity 15.06%	Cash Equivalent 0.10%	Large Cap Equity 16.00%	Real Estate 3.67%	High Yield 2.45%	Developed ex-U.S. Equity -3.04%	Real Estate 4.06%	Global ex-U.S. Fixed Income 10.51%	Large Cap Equity -4.38%	Emerging Market Equity 18.44%	Developed ex-U.S. Equity 7.59%	High Yield 5.28%	Large Cap Equity -18.11%	Emerging Market Equity 9.83%	Cash Equivalent 5.25%
Cash Equivalent 3.07%	High Yield 11.85%	Cash Equivalent 5.00%	Large Cap Equity -37.00%	Large Cap Equity 26.47%	Developed ex-U.S. Equity 8.95%	Small Cap Equity -4.18%	High Yield 15.81%	Cash Equivalent 0.07%	Cash Equivalent 0.03%	Small Cap Equity -4.41%	Developed ex-U.S. Equity 2.75%	Real Estate 10.36%	Real Estate -5.63%	High Yield 14.32%	U.S. Fixed Income 7.51%	Cash Equivalent 0.05%	Global ex-U.S. Fixed Income -18.70%	Real Estate 9.67%	Developed ex-U.S. Equity 4.70%
High Yield 2.74%	Global ex-U.S. Fixed Income 8.16%	High Yield 1.87%	Developed ex-U.S. Equity -43.56%	Global ex-U.S. Fixed Income 7.53%	U.S. Fixed Income 6.54%	Real Estate -6.46%	U.S. Fixed Income 4.21%	U.S. Fixed Income -2.02%	Emerging Market Equity -2.19%	High Yield -4.47%	U.S. Fixed Income 2.65%	High Yield 7.50%	Small Cap Equity -11.01%	U.S. Fixed Income 8.72%	High Yield 7.11%	U.S. Fixed Income -1.54%	Emerging Market Equity -20.09%	Global ex-U.S. Fixed Income 5.72%	U.S. Fixed Income 1.25%
U.S. Fixed Income 2.43%	Cash Equivalent 4.85%	Small Cap Equity -1.57%	Real Estate -48.21%	U.S. Fixed Income 5.93%	Global ex-U.S. Fixed Income 4.95%	Developed ex-U.S. Equity -12.21%	Global ex-U.S. Fixed Income 4.09%	Emerging Market Equity -2.60%	Global ex-U.S. Fixed Income -3.09%	Global ex-U.S. Fixed Income -6.02%	Global ex-U.S. Fixed Income 1.49%	U.S. Fixed Income 3.54%	Developed ex-U.S. Equity -14.09%	Global ex-U.S. Fixed Income 5.09%	Cash Equivalent 0.67%	Emerging Market Equity -2.54%	Small Cap Equity -20.44%	U.S. Fixed Income 5.53%	Real Estate 0.94%
Global ex-U.S. Fixed Income -8.65%	U.S. Fixed Income 4.33%	Real Estate -7.39%	Emerging Market Equity -53.33%	Cash Equivalent 0.21%	Cash Equivalent 0.13%	Emerging Market Equity -18.42%	Cash Equivalent 0.11%	Global ex-U.S. Fixed Income -3.08%	Developed ex-U.S. Equity -4.32%	Emerging Market Equity -14.92%	Cash Equivalent 0.33%	Cash Equivalent 0.86%	Emerging Market Equity -14.57%	Cash Equivalent 2.28%	Real Estate -9.04%	Global ex-U.S. Fixed Income -7.05%	Real Estate -25.10%	Cash Equivalent 5.01%	Global ex-U.S. Fixed Income -4.22%

Source: The Callan Periodic Table of Investment Returns. Annual returns for key indices in order of performance (2005 – 2024). <https://www.callan.com/periodic-table/>. Past performance is not a guide to future performance and returns may also increase or decrease as a result of currency fluctuations.

Endpoint bias can hide the cyclical nature of markets

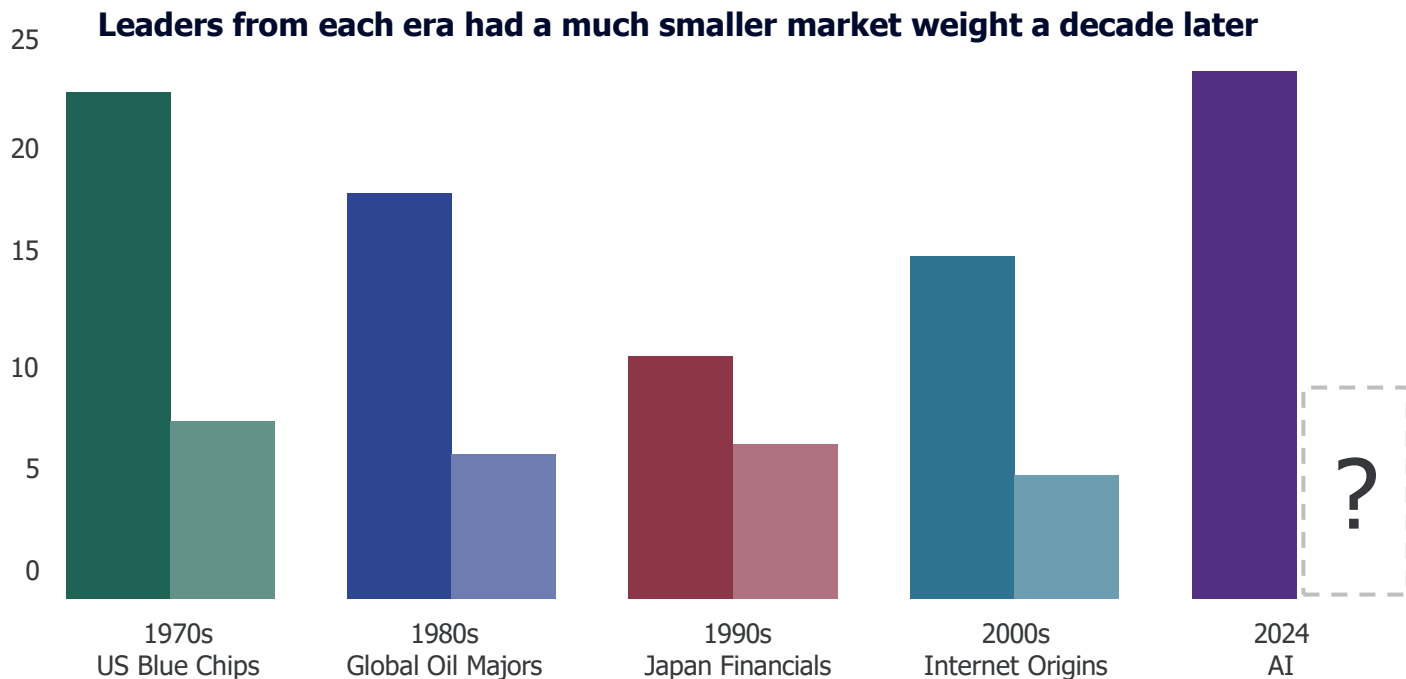


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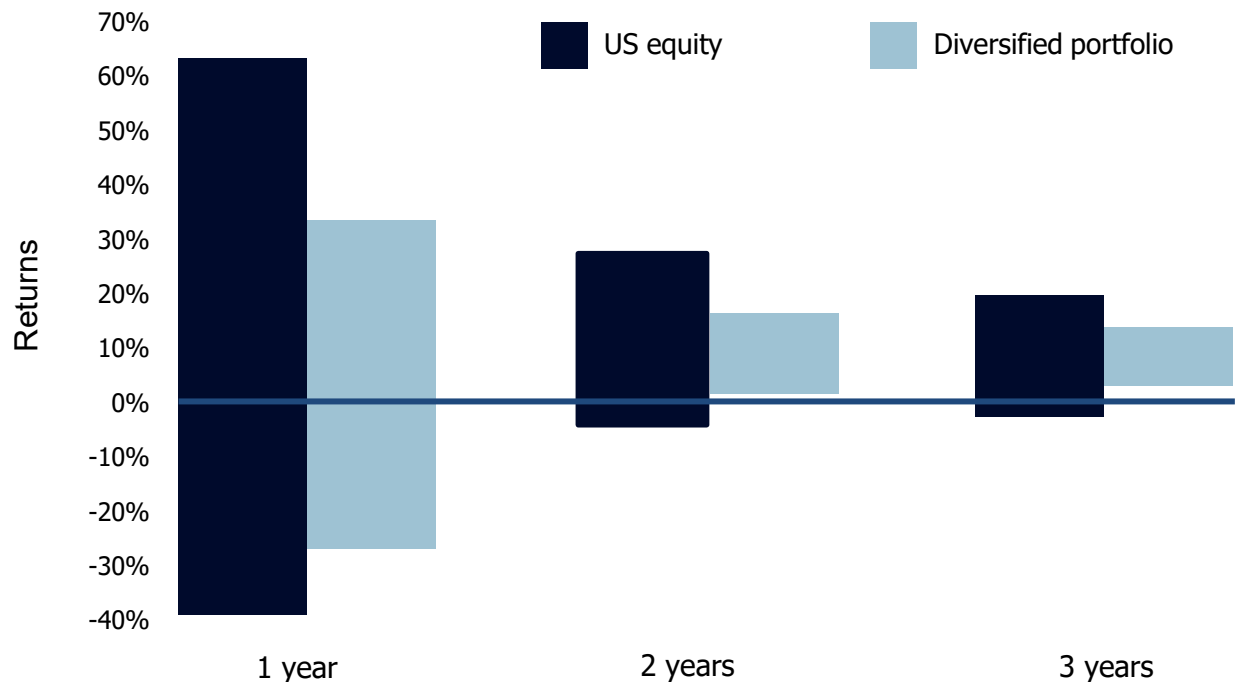


Darker shades indicate weight of 10 largest stocks at peak concentration (dates noted above).

Lighter shades indicate weight of the same 10 securities one decade later.

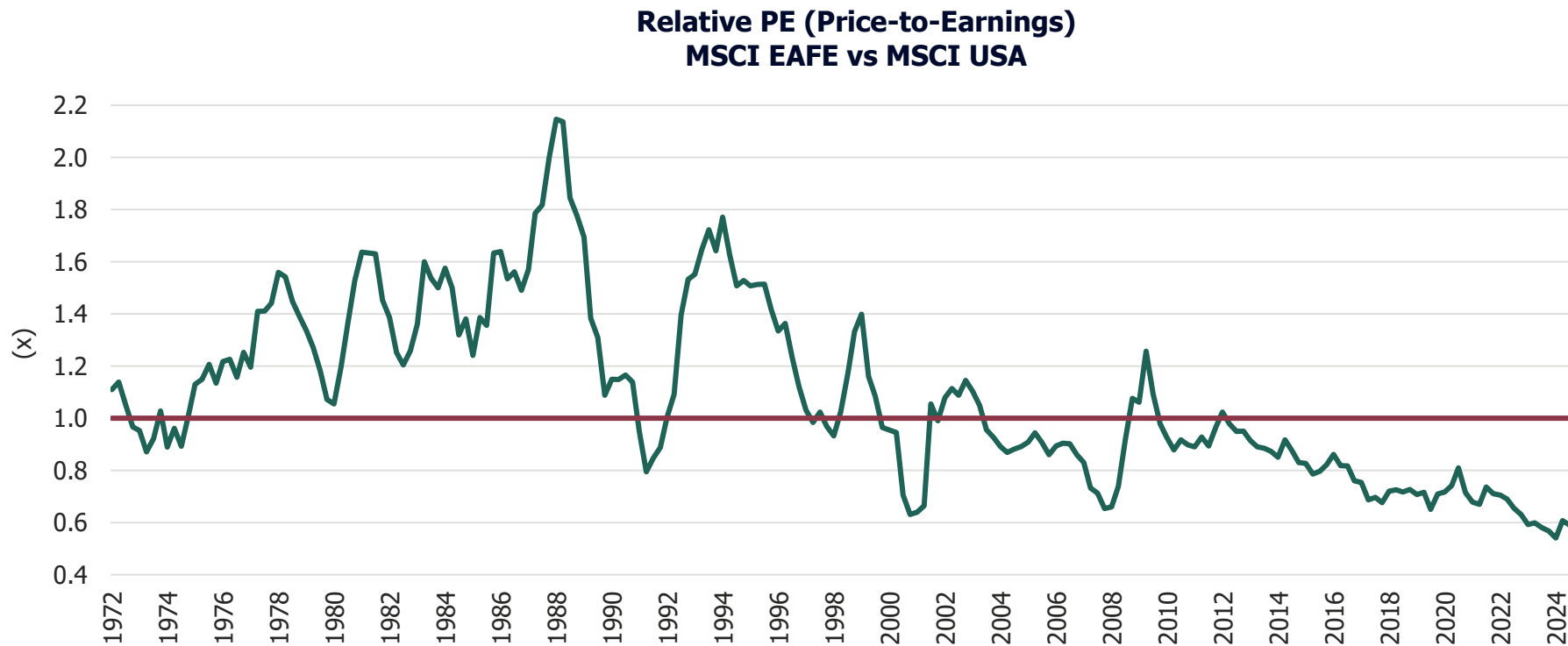
Diversification has its challenges,
so why bother?

Diversification may reduce portfolio volatility



Source: Meketa Investment Group, as at December 31, 2023. The 'diversified portfolio' is proxied by 30% Russell 3000, 15% MSCI EAFE, 5% MSCI EM, 10% CA Private Equity, 10 NCREIF ODCE Equal-Weighted, and 30% Bloomberg Aggregate. Past performance is not a guide to future performance and returns may also increase or decrease as a result of currency fluctuations.

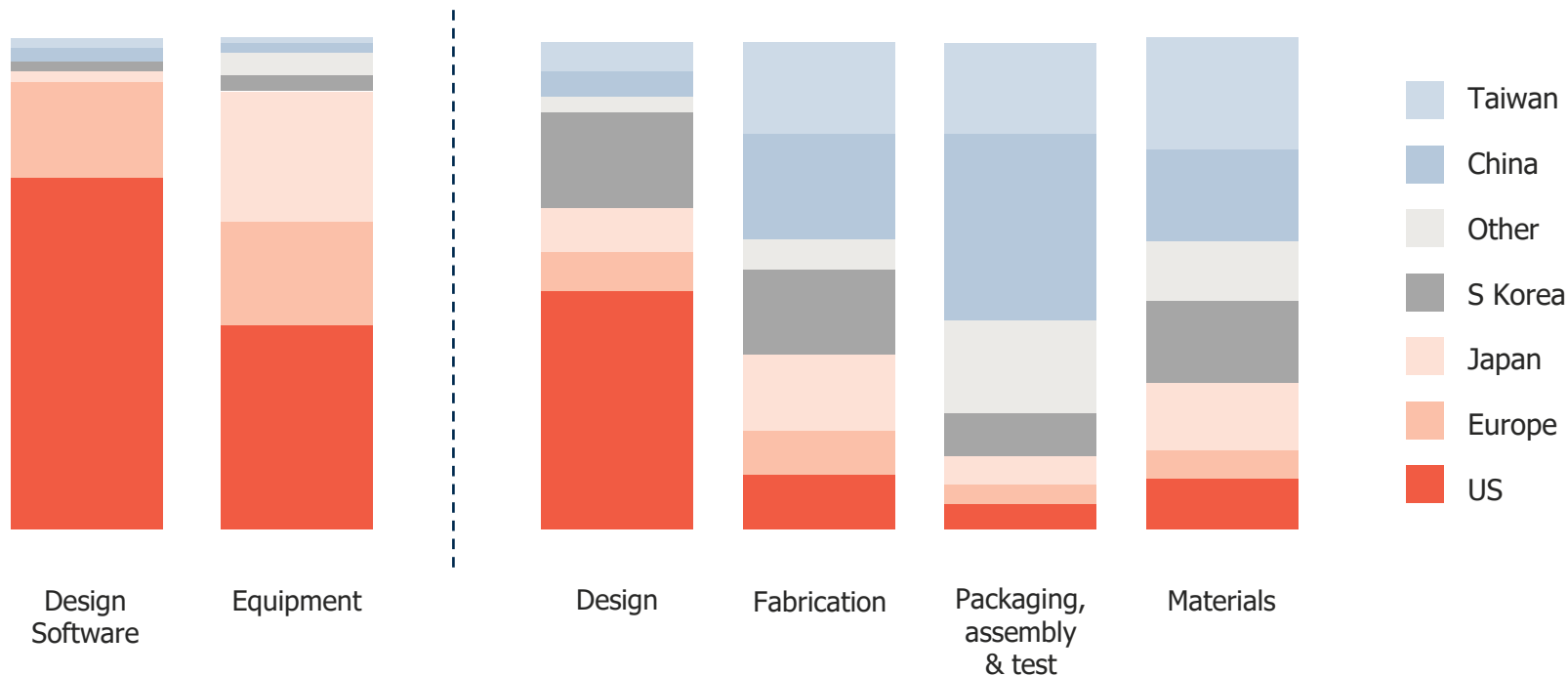
International equities currently trade at a discount



Source: Walter Scott, FactSet, MSCI. Relative PE (LTM), 31 December 1972 to 30 June 2025. Past performance is not a guide to future performance and returns may also increase or decrease as a result of currency fluctuations.

100% US exposure does not shield investors from geopolitical risks

Semiconductor industry value added by activity and region 2021 (%)



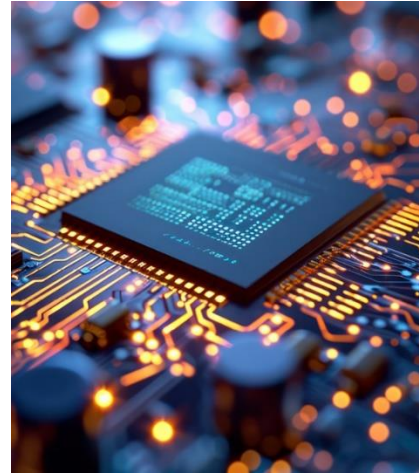
The best way to unlock the benefits of international markets is to invest in high-quality businesses



Biotech leaders



European luxury



Speciality technology



Asian life insurers

Lonza – making the medicines of tomorrow

6.6 billion CHF
Revenue

1 billion CHF
Operating profit

14.7%
Operating margin

- Founded in 1897
- Headquartered: Basel, Switzerland
- One of the world's largest contract development and manufacturing organisations (CDMO)
- Supports complex and costly biologic drugs
- Critical enabler for pharmaceutical innovation and scaling of production
- End-to-end customer engagement for product lifecycle
- Well balanced and diversified customer base

Source: Lonza annual report 2024 and Full Year Results 2024 presentation. Data as at 31 December 2024. This information should not be considered a recommendation to purchase or sell any security. There is no assurance that any securities shown in this presentation will remain in a portfolio at the time you receive this information or that any securities sold have not been repurchased. It should not be assumed that any holdings referred to has been or will prove to be profitable or that any investment decisions made in the future will be profitable.

LVMH – a world leader in luxury

€84.7 billion
Revenue

€19.6 billion
Operating profit

23.1%
Operating margin

- Founded in 1987 with some brands dating back to the 16th century
- Headquartered: Paris, France
- 75 brands, across five business sectors
- Brands include Dom Pérignon, Moët & Chandon, Louis Vuitton, Christian Dior, Guerlain, Tiffany & Co., Bulgari, and Sephora
- Heritage creates strong barrier to entry
- The growth of wealthy consumers, notably in Asia, is helping drive long-term growth

Source: LVMH Annual report 2024. Data as at 31 December 2024. This information should not be considered a recommendation to purchase or sell any security. There is no assurance that any securities shown in this presentation will remain in a portfolio at the time you receive this information or that any securities sold have not been repurchased. It should not be assumed that any holdings referred to has been or will prove to be profitable or that any investment decisions made in the future will be profitable.

TSMC – a technology leader and dedicated semiconductor foundry

\$2.9 trillion
Revenue

\$1.3 trillion
Operating profit

45.7%
Operating margin

- Founded in 1987
- Headquartered: Hsinchu, Taiwan
- Clients include Apple and Nvidia
- Its scale, technology leadership and superior manufacturing capabilities, mean it's well placed to retain dominant position
- Significant long-term tailwinds from demand for smaller, faster and more energy-efficient chips
- EVs, smartphones and high-performance computing (HPC) drive ever-increasing long-term demand for chips

Source: TSMC Annual report 2024. Data as at 31 December 2024. This information should not be considered a recommendation to purchase or sell any security. There is no assurance that any securities shown in this presentation will remain in a portfolio at the time you receive this information or that any securities sold have not been repurchased. It should not be assumed that any holdings referred to has been or will prove to be profitable or that any investment decisions made in the future will be profitable.

AIA Group – Asia's leading insurance company

\$19.3 billion

Net premiums written

\$7.5 billion

Operating profit

38.7%

Operating margin

- Founded in 1919
- Headquartered: Hong Kong
- Life-insurer with a broad presence across Asia
- Benefits from ongoing growth of middle-class populations across Asia
- Growth further driven by inability of state-funded retirement income, medical and welfare services to meet demand

Source: AIA Group Annual report 2024. Data as at 31 December 2024. This information should not be considered a recommendation to purchase or sell any security. There is no assurance that any securities shown in this presentation will remain in a portfolio at the time you receive this information or that any securities sold have not been repurchased. It should not be assumed that any holdings referred to has been or will prove to be profitable or that any investment decisions made in the future will be profitable.

Session recap

1. US equities dominance is unlikely to last forever
2. Diversification into international markets may reduce volatility and broaden the opportunity set
3. International markets are home to exceptional companies that benefit from structural growth trends

We believe investing internationally provides the freedom to pursue the very best investment opportunities

Questions?

On behalf of us all,

THANK YOU

Appendix

1. DEFINITION OF FIRM

Walter Scott & Partners Limited ("Walter Scott") is an investment management firm authorised and regulated in the United Kingdom by the Financial Conduct Authority in the conduct of investment business. Walter Scott is a non-bank subsidiary of The Bank of New York Mellon Corporation. Walter Scott is responsible for portfolios managed on behalf of pension plans, endowments and similar institutional investors. Total assets under management were US\$59.0 billion as at 31 December 2018.

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