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Roy Leckie
executive director, investment and client service
Walter Scott & Partners

Patience is a virtue

As global equities stage a recovery from the battering they've taken – alongside just about every other asset class – so far this year, investors who have stayed the course look set to prosper.

And while the next decade will be a bumpy ride, it will see heightened demand for investment managers that have stood the test of time, capable of producing healthy returns in a sustainable way.

That's where Walter Scott & Partners comes in.

Walter Scott is a fabled Scottish investment manager who founded Walter Scott & Partners in 1983 with a clear vision: to focus on global equities for institutional clients the world over, and to protect and enhance their investments in a way that would benefit both the client and the community.

There's probably nobody better placed to tell the story of Walter Scott & Partners than executive director, investment and client service Roy Leckie[01], who has spent the last 25 years with the firm after having joined as a graduate.

Leckie explains that Walter Scott's recipe for success comes down to two key ingredients; a tried and tested investment philosophy, and the right corporate culture that allows that investment philosophy to be put into practice.

"We believe successful investing rests upon identifying, researching, analysing, valuing, buying and holding a certain type of company – the type of company that can deliver sustainably over the long term superior rates of internal wealth creation," he says.

"It's internal wealth creation that ultimately drives investor return, so really it's all about capturing the awesome power of compound growth."

Walter Scott & Partners offers bespoke equity portfolio management, employing the same philosophy and process irrespective of the mandate.

Locally, the group's offerings have been distributed by Macquarie Investment Management as part of its Professional Series for more than 15 years, with Australian investors able to access Walter Scott's Global Equity Fund and its Emerging Markets Fund.

Leckie explains that because of the nature of the types of companies Walter Scott invests in, the firm seeks to offer downside protection during bear markets or stressful market conditions.

"The companies we invest in tend to be very financially robust and they tend to operate a long way from break-even levels. We look for businesses with foundations that have helped them succeed and indeed prosper during the most stressful stock market and economic periods," he says.

"So, a key characteristic of our performance has been that it has protected value during down markets."

And, Leckie says, it all comes down to the work of the Walter Scott research team, led by co-heads of research Alan Edington and Alex Torrens. Comprising a further 17 individuals, the research team is described as "generalists with a global perspective", underpinning the long-term, bottom up investing, stewarding and growing of clients' money that Walter Scott does.

"It's really only through detailed, exhaustive and rigorous market research that we can hope to find the sort of companies that we want to own for clients," Leckie says.

He argues that the funds management industry spends far too much time trying to forecast or predict things beyond its control, be it economic growth, interest rates, oil prices or which countries, or sectors, or factors are going to perform well.

"We really only have two things within our control as investors, and that is what companies you own and how much you pay for them," Leckie asserts.

"And those challenges are best addressed through rigorous, fundamental, classical investment research."

It's an approach that hasn't wavered since 1983, no matter the highs, lows and forces of change endured.

When Leckie reflects on the past 20 years, he points to three trends in particular that have arisen; the emergence of the digital economy, the rise of China, and the rapidly increasing interest in investing in line with environmental, social and governance principles.

"We have a new type of company leading, with the digital economy obviously at the forefront of today's investment markets. China is a lot more important today than it was, and the focus on ESG – which is a very good thing – has been a big change," he says.

"Just as the amount of noise and news and data and content that pervades has changed."

As such, Walter Scott must bring a skillset that cuts through that noise, he says: "Focus on what's really important, assess it, analyse it, research it and draw inference from it."

Still, despite the many shifts that have occurred in the world, the firm's investment philosophy – or core investment beliefs – remain unchanged. What has changed however, is how Walter Scott makes the most of it.

"We've tried to develop and improve the process of how we put the philosophy into practice gradually through time. For example, we have housed the research team in a new, functional building very close to our existing office, and we've expanded our networks across academia, across industry, across a range of different organisations to help us augment our own investment research," Leckie explains.

Walter Scott has also improved the structure of their team, with the introduction of co-heads of research, and desk assistants, to accrue greater efficiency and transparency.

"We are making continuous improvements that will hopefully allow us to continue seeking to meet client expectations when it comes to investment performance," Leckie says.

And that means greater capacity to capitalise on opportunities as they present themselves going forward. However, Leckie is conscious challenges remain.

He says the COVID-19 pandemic has brought about an unprecedented amount of policy support, which has served to mask a number of underlying fragilities across the global corporate sector.

"In our view, now is not the time to be thinking about investing passively," he warns.

"We believe it is now the time for real discerning stock picking, avoiding balance sheet risk, avoiding valuation risk, and being very, very careful about the qualities of the companies that you own."

What these uncertain times have reinforced, he says, is the need for investment managers to be cognisant of the responsibility they have at all times to put client interests front and centre of all decision-making.

"I think we need to retain the right balance between confidence and humility in all we do, and we have to be patient," he says.

"Our investment philosophy works – it requires time, but it works." **FS**

The quote

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Watch the video on www.fsitv.com