



THE  
WALTER SCOTT  
RESEARCH  
CONFERENCE

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## Two and a half days, thirty speakers, countless subjects and *much more to reflect upon*

The central theme of the 2023 Walter Scott Research Conference was how to thrive in disruptive times, but its aim remained as consistent as ever: to present the long-term macro trends that are shaping the world, to highlight the opportunities and risks they bring for companies, and to provide the framework for investors to position themselves for success.

Deliberately wide-ranging in its roster of speakers, the conference featured presentations and discussions with authors and politicians, scientists and academics, while senior executives from leading global companies operating in the technology, healthcare, luxury goods and industrial distribution sectors shared their experiences of generating profits by adapting to long-term mega-trends.

The vision of the future that emerged was at times both chilling and exhilarating, dystopian and utopian, as four big macro themes emerged: the breakneck pace of technological advancement and what it means for countries, consumers and investors; the fracturing of globalisation and how geopolitical tensions are threatening the historical consensus and re-drawing alliances; the climate emergency and the roles of capital and technology in providing solutions, and the remarkable developments in healthcare. There was also time for renowned conductor Itay Talgam to provide an entertaining perspective on leadership and how to bring corporate harmony.

### *Superman or supervillain?*

Technology experts talked about the vast potential offered by artificial intelligence and how we might harness its unstoppable power. Dr Hannah Fry argued that humans must fully engage, collaborate and learn to work with artificial intelligence. Mo Gawdat, the former chief business officer of Google X, built on this theme, likening AI to Clark Kent and mankind to his adoptive parents, adding: “it’s up to us to decide whether Clark becomes Superman - or a supervillain”. Digital advisor, Cathy Hackl urged companies to adapt their business models to the emerging metaverse, which for Generation Alpha, will be the shopping malls of tomorrow.

The acceleration of technology brings the corollary of increased cybercrime or ‘The Cyberdemic’ and,

according to Walter Scott’s Max Skorniakov ransomware is set to cost companies more than \$265bn by 2031, up from \$20bn two years ago\*. Cybersecurity is a highly fragmented industry with 3,500 companies competing across various segments, so the challenge for those looking to pick long-term winners is to gain exposure through companies with an established track record in the broader technology sector. Sara Andrews, Global Chief Information Security Officer at Experian, laid out the challenges facing all companies as they tackle cybersecurity, offering her view from the coalface of a data-rich company before Professor Marco Gercke took us in the heart of a cyber-attack with a live simulation, in which he highlighted the myriad questions that boards must answer at speed.

\* Source: *Cybersecurity Ventures (2022)*  
<https://cybersecurityventures.com/cybersecurity-almanac-2022/>

## *Pursuing the truth*

Technology creates opportunities and challenges for those pursuing the truth, whether investment managers seeking to construct a portfolio or investigative journalists seeking to challenge the claims by an autocratic regime. The conference provided perspectives from both.

In a disruptive world, Walter Scott remains consistent in its long-term, research-led approach and focus on company fundamentals. Co-Heads of Research, Alex Torrens and Alan Lander spent time discussing the Walter Scott approach to picking champions and highlighted the importance of the Spreadsheet – a long-standing document that predates its Excel counterpart and which for the last four decades has served as the North Star of Walter Scott's investment process.

Meanwhile Eliot Higgins, co-founder of investigative collective Bellingcat, revealed technology to be a double-edged sword as he described the power of using open-source information in his exhaustive

research to break some of the most important stories of recent times in a post-truth world.

Geopolitics and the rising tensions between the US and North America proved to be a rich source of debate throughout the conference. Matteo Renzi, the former Prime Minister of Italy, provided a compelling and entertaining overview of Europe's role and relevance in a world of shifting geo-political alliances, arguing that the US and China will be the central protagonists in restoring global stability and ending the war in Ukraine. Ronnie C, Chan, Chair of Hang Lung Properties, provided a robust perspective and a long view on China's attitude to US intervention in a discussion with Walter Scott Director, Roy Leckie in which he laid out the attractive investment opportunities that exist in Hong Kong and mainland China. Jean-Jacques Guiony, CFO of LVMH, described the importance of China as a long-term growth market for luxury goods.

## *Serial innovators on the stage*

A series of executives from a range of companies shared their first-hand experiences as serial innovators in an uncertain world. Amongst these, Dan Florness, CEO of Fastenal, explained how the company's agility has enabled it to respond to changes in supply chains in a disrupted world. In the healthcare sector, Eric Green, CEO of West Pharmaceutical Services highlighted its role in advancing healthcare throughout its 100 year history, beginning with its roots in making stoppers and bottles for penicillin vials to providing storage and delivery of vaccines during the Covid pandemic. Novo Nordisk, a company that has a long track record of meeting unmet medical needs talked about its journey to become the global leader in insulin production and how it has adapted this expertise into adjacent technologies most notably with the launch of Wegovy, its new drug to tackle the global obesity epidemic. Chris Chen, CEO of WuXi Biologics, described how in 12 years, the company he founded has gone from start up to become one of the

global leaders in providing the critical infrastructure necessary to support the creation of new drugs and medicine, from initial concept, through regulatory approval to scaled manufacturing.

These companies are well-positioned to take advantage of the innovation in synthetic biology, an intersection of healthcare, biology and computer science which according to Andrew Hessel, co-author of the Genesis Machine, has the potential to solve many of the challenges we face in the 21st century, and change the way we eat and live. Synthetic biology was the science behind the rapid creation of the Covid vaccines but its applications go way beyond healthcare and in many cases are well-established. Investment Manager Tom Miedema also recapped on Walter Scott's extensive work around this subject and the team's recent research paper. Sustainable food expert, Hannah Tucker explained how synthetic foods can help boost food security and avert a crisis triggered by extreme weather patterns.

# *'Peak complexity'*

Investment Manager Des Armstrong took us on a journey through Walter Scott's investments in the energy sector, from the peak supply years through the US fracking revolution to how supermajors are responding to energy transition. Energy economist, Peter Tertzakian discussed the energy transition and the arrival of 'peak complexity'. Peter contrasted the move from coal to natural gas in the Victorian era, which was largely driven by technological advancement with today's move to net zero which is driven by policymakers and the complexity that brings when assessing investment opportunities.

Helle Kristofferson, President of Strategy and Sustainability at TotalEnergies gave a first-hand account of how an oil supermajor is diversifying its portfolio to meet the challenge of a multi-energy future.

History can be a guide when seeking to understand the future, and Professor Paul Marsh drew on decades of data to place the current economic challenges in context and how they will affect long-term returns for equities. Paul argued that in

historical terms we may be entering a period of more subdued returns for equities, but one in which, he believes, equities will continue to outperform bonds and bills, while Professor Russell Napier drew parallels with the period between 1966 and 1982, a period of low returns and high inflation.

Professor Adam Tooze, who has become widely associated with the term 'Polycrisis' to describe the rolling confluence of distinct but inter-related challenges that face us, offered an alternative view of history, arguing that the solutions of the past are not sufficient to solve the unique set of crises facing the world today.

But crises create opportunities and the guiding light of Walter Scott's long-term investment ethos is to identify and invest in the companies that the team believes are best placed to take advantage of such turmoil thanks to dominant market positions, strong balance sheets and sound stewardship. Perhaps Matteo Renzi summed it up best when he remarked: To the past thank you, to the future, yes.

*This article is a summary of the sessions at Walter Scott's fifth Research Conference that took place in Edinburgh, 9-11th May 2023.*

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## IMPORTANT INFORMATION

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