

# PODCAST TRANSCRIPT

## Talking Research

### Timely lessons from a life in equity investing

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**Katie Boyce:** In 1991, Walter Scott operated from Millburn Tower – a country house surrounded by parkland on the outskirts of Edinburgh. It managed assets of \$600 million with twelve employees. Today the firm is based in Charlotte Square, in the heart of the city, managing almost \$78 billion, and it has 181 employees [as at June 2025].

To quote the words of founder Dr Walter Scott: “our core philosophy is that the wealth generated through the ownership of a business’ shares is just the wealth generated by the business itself. This statement of philosophy totally defines the investment style of the firm.”

Today, in 2025, this comment still holds true. So while much has changed at the same time, very little has changed. 1991 was also the year that Charlie Macquaker joined Walter Scott as the firm’s 13<sup>th</sup> employee. And over the subsequent 34 years, Charlie has witnessed some extraordinary times from the Asian financial crisis, the dot-com bubble, the GFC and of course, Covid 19. Having been an executive director at the firm, he recently stepped back from that role and is currently an advisor until next summer.

Welcome to Talking Research. I’m Katie Boyce, an investment writer at Walter Scott. And today I’m delighted that Charlie is here to talk about those early days and some of the lessons he’s learned over the years. Charlie, hi. Thank you very much for being here.

**Charlie Macquaker:** Not at all, Katie.

**KB:** Before we get started, a reminder that the podcast is intended for investment professionals only and should not be construed as investment advice or a recommendation. Any stock examples discussed are given in the context of the theme being explored, and the views expressed are those of the presenters at the time of the recording.

Charlie, let’s start at the beginning. What do you remember most vividly about those early years?

**CM:** It was all a revelation to me. I was totally new to the industry as people know. I fell into it by complete chance.

**KB:** What was your background before then?

**CM:** Rowing full time for London Rowing Club. And it was a chance meeting with Walter Scott himself that got me an interview. But I hadn’t been applying for a job in the city, in London and so on. So I was starting from ground zero.

**KB:** What was it like your first day back at Millburn Tower out outside of Edinburgh?

**CM:** It’s a very imposing, striking building. It was beautiful, you know, nice parkland and everything. But going in there and seeing the boardroom, seeing the rooms, which were all quite formal, and then finding a desk sitting amongst all the partners and the founders, quite intimidating as I was trying to sort of work out what this is all about. But bit by bit I’ve worked it out, I think.

**KB:** And in those early days, I think you told me before that you were kind of set up in a bit of an apprentice style pitted against another new intern.

**CM:** Yes. There were actually two of us that started. Nick Sleep – he’d been knocking on the door vigorously and rejected. But then when I appeared, I think they thought, let’s get Nick back in, and we were told in no uncertain terms that one of us would get a job after six months. So you can imagine after five months, the two of us learning bits and pieces with the spreadsheet and the analysis. But Nick and I were struggling to speak to each other after five months, but actually both of us got through and progressed to sort of further apprenticeship.

**KB:** And from a technological perspective, a lot has changed since then. Back then how did you do your research without the internet and all the tools that we have at our fingertips now?

**CM:** Well, not being the most computer savvy as it is, I was quite relaxed in this. So the the tools – and I think you can still use them in a way – the raw material is an annual report, the spreadsheet. And at the time it was an A3 sheet of paper and one was filling these in quite quaintly with a pencil and a calculator. And I was just reminding myself that at that time, the Seven Sisters – which we talk at length about now...

**KB:** That's the document that we use.

**CM:** Yes, the qualitative analysis. That had been literally hand crafted and put together for Nick and my benefit. So it was around then that it really took shape. But I always have felt that both the quantitative analysis with the spreadsheet is a great filter, but the qualitative side is just as powerful. I think the two are equally strong.

**KB:** And I mentioned there that you've recently retired from being an executive director. Perhaps you could briefly summarise the 34 years – how you got from those first days to where you ended up.

**CM:** Gosh, doing the job. I mean, for me, it was stock picking. So all the founders were sort of mentors for me, but especially Ian Clark. And from an early stage I was rotated around the regions en route to being a globalist.

**KB:** Which is something we still do today.

**CM:** Yeah, and the focus was because my degree is European Studies. And we just won our first Europe-only mandate. So that was my natural starting point. And with hindsight, I realised I was given a ridiculously free reign to run around Europe and do research trips around Europe, visit companies – clearly being chaperoned by either Ian Clarke or Ken Lyall.

But the job was just finding good ideas. And as one goes around the regions, it doesn't change. But you get more familiar as to what our sorts of companies are. And then the challenge is championing them and pushing them forward and having a good argument that they're valid to be in the portfolios. And as I've acquired my list of stocks over the years, one acquires more responsibility; you end up talking to clients more about it and so on. So in short, I was probably jack of all trades.

**KB:** And you've referenced there visiting companies around the world. Research trips are a huge, integral part of our investment process. Now, whilst maybe no longer the case, legend has it that you all used to wear kilts on your trips around the world. Is this true?

**CM:** Yes. There was a lot of kilts going on in Millburn Tower. You know, it was this castellated mansion. A lot of tartan, a lot of kilts. And at one point, we were quite proud of the sort of general flag flying with Scotland. And I have to admit: yes, I've done research trips in Japan wearing a kilt. It's quite hot and sweaty...

**KB:** Get's you noticed, I imagine.

**CM:** It does get you noticed. But you can imagine that Japanese management teams are all very polite. They don't want to reveal what they're actually

thinking. But it was quite funny, when you bump into some of our competitors across the way in Edinburgh – it was gutting for them when they realised that they were falling hot on the heels of a couple of kilted guys.

**KB:** And more seriously, why do you think the research trips are so important?

**CM:** I think you can do as much analysis as you want, but we're entrusting our investment – the client's investment – into these businesses. And there is an element where you need to eyeball the management. And as I touched on the toolkit of the spreadsheet and the Seven Sisters – both of them produced lots and lots of questions when you're looking at in depth at the items covered there. And what better opportunity than than being able to get out on the road and ask ideally management teams directly what you think. But it's more the subliminal stuff or the other tells you get out of management, in terms of seeing the factory place, seeing the office, picking up on the culture of a business. But as I say, it's eyeballing the management as well that's really important.

**KB:** And over 34 years, you've had a lot of meetings, but what would you say have been some of your most memorable trips or meetings?

**CM:** Well, having just been out on the road with Lucia Gibbard, I was telling her some of the tales of the past. I think in Japan, one of the more memorable ones was myself and a colleague, we were looking at the paintings that was sort of rattling away, and we thought, "that's a bit strange". And then the president of this company sort of put his hand up and just disappeared under the desk. And slowly we worked out – and I was leading the meeting – that we were in the midst of an earthquake. And then the president emerged a minute or so later and cheerfully said, "oh, the building is earthquake proof", which didn't really give us too much confidence.

**KB:** Why was he hiding under the desk then!? You've just returned from Asia – as you've mentioned – with Lucia. You were specifically in Hong Kong, Shenzhen, Singapore and Malaysia. Obviously not your first visit somewhere like that. In fact, I recently read a trip note of yours that you wrote back in 1994. If you don't mind me briefly quoting an extract from it: "A car trip from Shanghai to Hangzhou, which looked close on the map, takes four hours. The roads are chaotic. A two-lane motorway can disappear into a dirt track. Brand-new petrol stations are everywhere, but there are no suitable roads and very few cars." Now I used Google Maps today and it says that journey now takes just over two hours. So obviously things have changed quite a bit since your first visit. But beyond the roads what did you particularly notice this time?

**CM:** Well, I should go back to that trip. It is actually in my mind a little bit, because it was quite a long and arduous trip at the end of the day. And I do remember the taxi driver crashed his car in the middle of the darkness as well. And that's what really struck me: getting back across the border into Shenzhen and Guangzhou area, is the infrastructure and the quality of the roads is just mind blowing now. So we took a train from Hong Kong into Shenzhen. That's a 15 minute train ride. Okay, there's a lot going on – you have to get through immigration and things like that. And I understand there's still big traffic queues getting across the border, but that's literally lorries going back and forth and so on. That doesn't surprise me. But as I say, the broader infrastructure, the five-lane motorways, it's just mind-blowing.

**KB:** And how has the economic and cultural landscape of Hong Kong and Shenzhen changed in those years?

**CM:** Well, I was curious with Hong Kong because clearly a cry has gone up saying, "oh, you know, the centre of gravity is shifting to Singapore". And the fact that we've been to Singapore later in the trip, one was able to cross-reference. I think they're both crucially important. They're key hubs. I studied geography, but it seemed clear to me that Hong Kong is not becoming irrelevant. If anything, it's a sort of financial conduit for the development of financial markets in China. And we know there's been a pick up in the IPO market in China, and there's a lot of things in the pipeline. So things were sort of getting on their feet, we could tangibly feel that. But I was quite struck also when you come off the plane, the general sinification that's quietly happening is that the billboards are not Western brands trying to sell their products; it's key Chinese brands. That was quite striking.

**KB:** You met with various technology and manufacturing firms in particular. What things were you seeing?

**CM:** We saw the full spectrum. When you're out on the ground in China, you can see some truly world class businesses to some really quite questionable businesses. But one of the first meetings was with a biotech business competing with Western, well-established medical businesses. And I thought, this is utterly world class. And what they're doing and the speed that they're using testing devices, and the quality. You know it's basics like speed and quality, that show how they're catching up dramatically. And so whilst certain Western brands might criticise them, it's just like, well, watch out they should be looking over their shoulders.

**KB:** And how about EVs – did you meet with some of those companies?

**CM:** Yeah, we we did. We saw a company called BYD [BYD Electronics – Ed.] and I think one of the more striking stats there is its workforce is a million people. But really, when you go and see them in the headquarters it's just like seeing a truly world class business. And there clearly is a governmental push to press for adoption of EVs in China. And that when you go back to my initial trips to China, there I made these comments about, you know, the roads were full of people on bikes and stuff. Now, a few people on scooters, but actually, it's just the sheer volume of cars and strikingly, the volume of EVs and a lot of them being Chinese brands.

**KB:** And so you've talked there about how China has really been pushing the boundaries of technology. But turning to Europe, an area that you mentioned particularly holds a special place in your heart. You recently visited Sweden, so I'd be interested in how the technology generally compared to China.

**CM:** There's no denying that the pace of change is more gradual there. We've always found Sweden to be a good stock picking area. The Scandics [sic] in general... in terms of corporate governance, the quality of the companies, there's a longevity there in the types of companies that get onto our screens. But I like the fact that they've been adapting. And so on the one hand we went and saw Atlas Copco, which we clearly were familiar with and that's a hundred-year-old business. But there was a mining subsidiary which had been spun out from Epiroc, but that process of it being spun out had given them a new lease of life. Okay, there's a sort of inherent cyclicity in what they're doing, but I like the sort of spark that had been created. But it's that gradual adaptability of what I would call the 'world-class businesses'. There's a steadiness, but they're never resting on their laurels. They are just gradually evolving and hopefully for the better.

**KB:** One of the companies you met in Stockholm was Handelsbanken, often put up as a model of a European bank. But your meetings highlighted some short-term headwinds. Can you maybe tell us a bit about that and more generally European banks?

**CM:** As you were saying that, I was thinking, "gosh, it used to be the Scottish banks were the model of European banks." But we we won't dwell on that. Handelsbanken... as we know, we don't tend to invest in banks very often. But Handelsbanken crops up on screens. It's out there in terms of being a quality bank. I would label it as time honoured again. There's a strong history there and a consistency. But when we went and saw them, we could feel that some of the gloss was perhaps at risk of coming off. They've had a tailwind with rising interest rates, and their net interest income. It's hard to replicate what they've enjoyed over recent with that. And at heart, there was a bit of cost cutting starting to take shape within the bank. There was new management in, and I was just intrigued as to the cultural implications of that. It

just felt that that was rippling through rather uncomfortably in the business. I mean, perhaps it was necessary, but there were a couple of warning signs that...

**KB:** But that's the kind of thing you pick up from meeting the company. You wouldn't get that from reading an annual report sitting at your desk.

**CM:** Yes and in this case it was the IR guy. So we weren't getting the spin from the top management. It was actually the tales that were coming from the IR team. And that was quite striking when you were piecing it together.

**KB:** Turning to markets more broadly and where we are today, there's obviously a huge attention on AI, and parallels are often drawn with the dot-com era. As somebody who has lived through both, is that parallel accurate?

**CM:** I think when there's a high degree of excitement in certain parts of the market, it's good to retain a healthy skepticism and challenge. And the whole AI thing, clearly... my view is that it's not going to go away. It's going to be additive to what we're doing. It's going to be a tool that gets incorporated in day-to-day life. It's my sort of perception of it at the moment. But having been out on the road now and when I think of the last couple of trips, is that with AI perhaps one of the more striking points was the middle of the year when we went and saw a private business, but it was a data center. And this had been reinvented, having been a backup facility – a Sunguard facility. And that business had probably disappeared in the wake of Covid, and this asset had been passed from pillar to post. But when we went in to visit this data center, it was all a bit too top secret. And everybody was like almost going, "shh, don't tell anybody this, or..." and we weren't being allowed to see anything anyhow. And candidly, there was nothing to see. So I felt that there was a lot of hot air bubbling around, literally. But I was wondering if, too, whether there was anything tangible there. And I just am concerned – and I think the rest of the team are digging hard on this – in terms of whether there's a lot of over-investment going on and speculative investment, because there are signs of that in this case.

And then more recently in China, we saw a business called BYD Electronics, where there's a slice of it that has been going gangbusters, is growing tenfold in the last twelve months, which sounds exciting; brokers are writing notes and so on. Then we saw what they were making in terms of data center related equipment and AI related equipment, and I would put a lot of it down to good old fashioned metal bashing. It was low margin, not necessarily low quality, but low margin stuff that didn't seem to be so full of technological wizardry, I would say. So healthy skepticism at this stage.

**KB:** And looking back on the dot-com days, can you give us some sense of how it felt being around at that time?

**CM:** It was all a bit of a blur. You know, at that point, the valuation methods were all daft. It was literally valuing things on eyeballs. Some of these businesses were pre-revenue and a lot of things just weren't making any money. But they were valued to Zanussi. At that time, I was concentrating my research on Japan. And that was quite interesting because the way that some of the companies there were getting all doc-comy and playing catch up. They were even wilder and flakier than some of the things one might have seen in Silicon Valley. So that was quite interesting.

But there was a reminder at the end of Q4 1999 that the technological knowhow in Japan was very, very strong. And actually we benefited a lot from that. There was a dramatic rally which we were well positioned for. So that was quite a nice doffing of the cap to the Japanese knowhow in the dot-com or electronics field and mobile technology field.

**KB:** And looking back on the investment industry as a whole: what do you think have been the biggest changes – good and bad – that you've seen over your time?

**CM:** Steady tightening up on on governance standards. These things move in cycles to a certain extent. But labour Japan again is that pre the banking crisis and so on – I mean, in the early 90s, a lot of these companies which were laden with debt, they couldn't even produce consolidated accounts. Now that got tightened up step by step. But you just see it more broadly. And actually on the corporate governance bit or the investor communications side – that was what I was relaying to the team just at the start of the week from the China trip – is that that's good. It sort of helps the overall health standards of financial markets.

In terms of other things, you can't help but notice the ever-gradual rise and steady rise of passive investing. I still think that there's a role for active. These things move in cycles. But the other thing that I find very striking as well is private equity and private credit markets. These are big, big markets now. And again, as I say, these things move in cycles. And what's quite interesting is that I think there might be some strains below the surface there. We've seen a couple of bankruptcies of recent, and I think that's partly a reflection that there have been good times helped by low interest rates. Now there's a recognition that rates have gone up. And the truth is out in that context.

**KB:** And I guess beyond these recent trips, you've been spending a lot of time with some of the newer recruits in the Research team passing on your well-worn knowledge and experience. What's the most

important piece of advice you're giving to them at the moment?

**CM:** Healthy skepticism. But be confident about the toolkit that we have. It might seem a bit old fashioned. It served us well. There is the spreadsheet in terms of the financial filter. But it's looking at companies' sustainable growth, superior profitability, that balance sheet strength – I think that always comes through when there's tough times. And then one needs to be vigilant on valuation. So those are the key pillars there. And it's just that subjective filter that then gets overlain with the the Seven Sisters. So I'm not saying anything new, but it's being confident in those two tools. And then again I say to them, don't be shy in terms of if you've got a sharp or pointed question to address to management – yes, couch it in the best possible terms – but it's our chance to actually grill managements.

**KB:** And what do you think you're going to miss most about Walter Scott and life in Charlotte Square?

**CM:** Oh, the lunches. No, it's both Millburn Tower and Charlotte Square are quite special places. And I certainly subscribe to what Walter Scott was a great fan of – is that he really liked having a very nice place to work. And he had lots of tales to do with Charlotte Square and really the equity market crash that the founders had experienced in the early 1970s. So he was very loyal to Charlotte Square. But it is the most striking place to work and it's a very special place. So I hope everybody at work understands that. But I think his view is that it's good to have somewhere that makes you feel good in terms of where you're working. And hopefully that helps you do your best possible job.

**KB:** Yeah. Well, thankfully you're going to be around for a while longer. You're continuing to advise the firm. And in particular, you're going to be here for our Investment Conference next May. You've been here for all of the conferences so far. So what would you say has been your highlight of those over the years?

**CM:** Oh, it's just a blur of various amazing presentations. You know, I always treat them like an extended research meeting, albeit concentrated in three days. Well, think of the most recent one: Mo Gawdat I thought was was a real star.

**KB:** From Google X.

**CM:** Yeah, and he was a real star. And it's just the force of energy there and just the insights he was giving. I thought that was good. Spoilt for choice with everybody who's presented.

**KB:** Well, hopefully next year's conference lives up to those expectations. Charlie, what are your plans for the future post-Walter Scott if you can imagine such a world?

**CM:** A whole number of things. You know, the retirement letter pointed out that bit by bit we've been developing our own family charity: the Jasmine Foundation. That's supporting young people's mental health. That's an issue that's very close to the heart. So that's a given. Currently, I'm on the Board of the Scottish Chamber Orchestra. I'm not terribly musical, but that's been a really great experience. And supporting actually one of the members of the orchestra – we sponsor a chair there. But actually just seeing under the bonnet a little bit on the Board has been good. In terms of other things, be nice to actually get out travelling a bit more with the family, rather than just through Walter Scott. And getting fitter. I've already penciled in a couple of cycling challenges that I've got my eye on. So yeah, there's a whole bunch of things I want to do.

**KB:** Sounds brilliant. Well, thank you, Charlie, for your time today. It's been a huge pleasure to have worked with you. And I know you will be greatly missed by everyone at the firm. For anyone who would like to hear more about our thoughts on China, two other colleagues were recently there, specifically exploring the semiconductor industry. You can find an article and a video on their trip on the Insights page of our website. So, Charlie, once more, thank you very much again. And to our audience: thank you for listening.



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## **Stock examples**

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