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Business comment

Literary festivals have been the author of our success

NICK THOMAS



Investment managers typically rely on company and industry research, generally provided by investment banks. As a consequence, most use similar information. We don't want to follow the herd. Our curiosity to identify developments that will disrupt the world we live in has led us down a different path.

One of the ways we've done that has been through sponsoring literary festivals across Britain – the 2018 programme included large events at Cheltenham and Edinburgh, as well as the much smaller Henley and Boswell festivals. We are fortunate to have the Edinburgh International Book Festival on our doorstep, when for one month of the year this small city welcomes authors and intellectuals from around the world.

This support allows us to invite authors into our offices to share their views. Among those who have visited us are Branko Milanović, a former World Bank economist and a writer on global inequality, and Silicon Valley entrepreneur Martin Ford, whose work covers the economic risks posed by robots.

And we benefited from the unique insights into Iran and China offered by human rights lawyer Shirin Ebadi, and

Xiaolu Guo, a film-maker and author whose latest book chronicles her childhood in a Chinese fishing village.

We also heard from academics whose talks piqued our interest and prompted us to form links with educational establishments in Edinburgh and Glasgow. We gradually extended our search geographically and discovered other intriguing and clever people.

We found there is more to the Dutch city of Delft than its world-famous pottery. It is also home to a university with world-class aeronautics and artificial intelligence facilities. Delft University of Technology's research in these areas has been underplayed and largely overlooked.

Our search for contacts outside the corporate world has led to links with diverse organisations and projects, among them the revolutionary work of Nicky Ragge. She dreams of giving sight to those born with underdeveloped eyes. For more than two decades, the professor at Oxford Brookes University has been researching the genetic codes that control the development of the eye, which is one of our most complex and important organs. Her goal is to improve genetic diagnosis and to develop treatments that can compensate for the effects of missing or malfunctioning genes to help grow the eye or preserve sight.

Prof Ragge's ambition fascinated us, and this is why we are providing financial support for her work. Others include a sponsorship arrangement

with University College London, where the renowned economist Mariana Mazzucato leads research into how the public and private sectors can work more effectively together – a project with potentially significant implications for us as investors.

Baillie Gifford also has a consultancy agreement with Prof Hendrik Bessembinder, of Arizona State University, author of a recent paper on historical stock market returns in the US. In his research paper *Do Stocks Outperform Treasury Bills?*, Bessembinder provides evidence that the entire wealth creation of the US stock market since 1926 is attributable to a mere 4pc of companies. This tells us that over the long term, there are only a few companies that matter to investors. It reinforces our belief that the industry needs to get away from its obsession with quarterly earnings and stock market indices, and invest for the long term, and by this we mean having a five-to-10-year time horizon.

Although Professor Bessembinder's research has attracted attention, its full ramifications seem to have been almost entirely ignored. We were sufficiently impressed with Bessembinder's work that we have commissioned him to carry out additional work on our behalf.

We believe that providing ongoing support, and sometimes funding, puts us at the junction of education, science and philanthropy. We have a firm-wide research budget and feel that using some of the money in this way is of greater value than following the pack

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and buying research from investment banks. The findings are shared across our business, thus benefiting all of our strategies, funds and trusts. We regard it as a combination of research, sponsorship and good citizenship.

We hope our links with academia can accelerate the pace of research and bring forward possible benefits for society. These collaborations fit with our long-term approach to investing, which lends itself to supporting projects that take time to reach fruition. Funding over such a timescale is rare in academia.

Baillie Gifford is under no illusions that brandishing a large cheque helps, but it goes far beyond this. We are really interested in people's research, and – crucially – we are offering no-strings support rather than requesting people work on a particular topic of our choosing. We want to encourage experimentation, diversity and autonomy.

In our experience, showing a genuine interest means that academics understand our partnerships are about more than simply financial aid. This differentiates us from our competitors.

By its nature, a long-term research programme may never deliver the anticipated outcome. Those projects that come to nothing should be seen as experimentation, not failure. However, those that do work could be hugely valuable in developing our thinking on a wide range of subjects.

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