

BUSINESS INSIDER

A senior partner at Baillie Gifford shares what Tesla, Amazon, and the firm's other wildly successful investments have in common — and how it identifies them early on

Akin Oyedele May 29, 2019, 5:58 AM



Andrew Telfer. Screenshot/Yahoo Finance

- **Baillie Gifford is the largest institutional investor in Tesla and has stakes in other high-growth companies including Amazon and Facebook.**
 - **In an interview with Business Insider, Andrew Telfer — a joint senior partner at Baillie Gifford — discussed how the firm's culture enabled it to spot such companies on their roads to success.**
 - **He also described the traits such companies had in common.**
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Name any large, hyper-growth company that erupted during the past decade, and chances are that Baillie Gifford is invested in it.

Whether [Facebook](#) or [Amazon](#), [Tesla](#), [Lyft](#), and [Alibaba](#), the \$252 billion investor has its tentacles in companies that have delivered the goods for those who got in early and stuck with them through thick and thin.

This slate of [successful companies](#) wasn't assembled randomly. And in an interview with Business Insider, Andrew Telfer, a joint senior partner at Baillie Gifford, discussed the traits tying them all together.

These companies tend to have "[visionary founders](#)," Telfer said. Think of Tesla's Elon Musk or Alibaba's Jack Ma.

Besides their own visions, founders are usually better positioned to serve their companies if they have the right support network around them, he added.

Baillie Gifford often steps in to provide a support system, with a view to helping management teams focus on the long term.

"It's remarkable how unusual that is when the job of capital markets is to provide long-term capital, to encourage businesses to grow," Telfer told Business Insider.

Another trait Telfer sees across many of Baillie Gifford's most successful investments is that they use technology to disrupt big pools of profits.

"It's been a good 10-year run, but we still see changes and disruption," Telfer said.

From a geographical perspective, he said the US's West Coast and China's eastern coast were the obvious clusters where the next big ideas were being generated.

Stuart Dunbar, a partner at Baillie Gifford, previously [told Business Insider](#) that the firm was investing in health innovation through [Illumina](#) and artificial vision through [ASML](#).

To arrive at such decisions, Baillie Gifford engages the founders of prospective investments about their company culture — something the 111-year-old firm is internally adamant about handing off

from generation to generation. Telfer recalled meeting with a founder who, in the thick of an initial-public-offering road show, said Baillie Gifford was the first firm to ask about the company's culture.

"We spent much more time talking about the long-term strategy, talking about capital allocation, plans for the future, R&D — rather than what's next year's earnings going to be and how much is revenue going to grow by," Telfer said.

These conversations then inform whether Baillie Gifford decides to invest.

The firm's long-term focus seeps through other aspects of its own culture, including how it retains talent and its compensation structure. For example, remuneration for asset managers is linked to five-year performance in the vast majority of cases. This puts its investors' focus in line with the kinds of companies that can achieve consistent returns for their clients, Telfer said.

Another long-term strategy Baillie Gifford has adopted is investing in more companies while they're still private. Not only does the firm get a longer timeline for compounded gains, but it can coach management teams on the importance of the long-term view, well before hordes of investors become obsessed with every quarter.

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