

## ‘When I first heard about Airbnb I thought, this is a ridiculous idea’

Scottish Mortgage Investment Trust prides itself on picking winners but sometimes first impressions can be deceptive, says its boss Tom Slater

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Tom Slater, manager of Scottish Mortgage Investment Trust PETER SUMMERS FOR THE TIMES

Scottish Mortgage is easily the most closely followed investment trust in Britain. Someone who put money in the fund 20 years ago would now be sitting on a total return of just under 1,600 per cent, thanks to its early bets on companies such as Amazon, Tesla and Nvidia.

These moves are often attributed to the fund's former manager James Anderson. But Tom Slater, who has helped manage the fund since 2009 and took over the leadership when Anderson retired in 2022, worked on these calls too.

Softly-spoken, a mathematician and computer scientist by training, Slater has never worked as an investor outside Baillie Gifford, the asset manager home to Scottish Mortgage, having joined as a graduate trainee in 2000.

When we meet for lunch I am gently mocked for failing to bring an umbrella up to Edinburgh, where the 115-year-old fund house resides. Sunny skies have given way to flash showers and I arrive at The Magnum, a restaurant tucked away on Albany Street, slightly wet.

Slater orders the soup of the day and I opt for scallops. I eye the wine list, though he says he prefers not to drink at lunchtime. He later reveals that his smart mattress gives him a lower sleep score when he drinks. I sadly slide the wine list away and ask for a Diet Coke.

The question lingers: what has it been like since Anderson left? “It was 2009 when I became deputy manager, co-manager since 2015 and then Lawrence Burns became deputy manager the year before James left,” he says. “One of the advantages of Baillie Gifford’s partnership structure is that you can plan these things well in advance.”

The Magnum is a regular meeting place for three generations of the fund’s managers: Slater and Burns frequently lunch here with Anderson, as well as his predecessor, Max Ward.

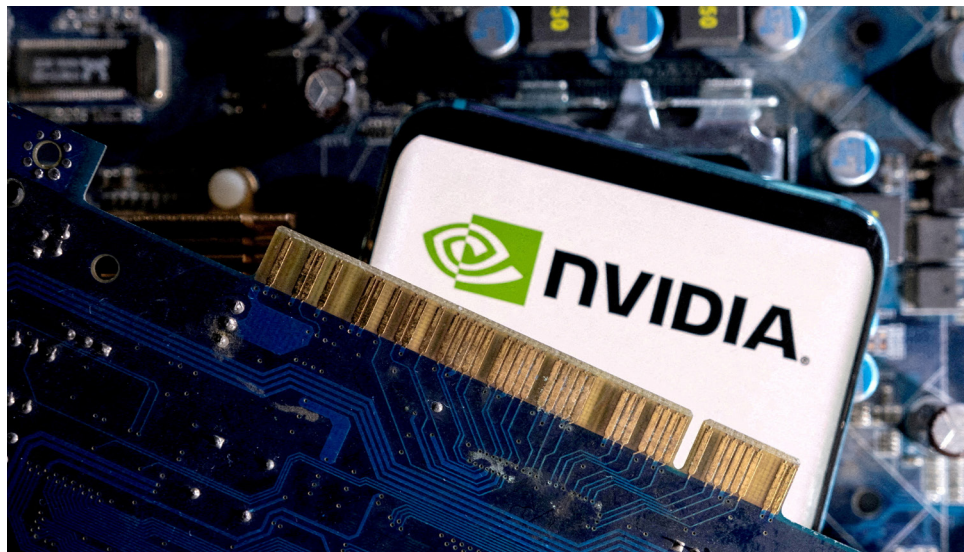
“James was a historian at university and I was a mathematician and scientist,” he says. “I had an interesting conversation with Toby Lütke, the founder of Shopify, about the technical architecture of the business. With my science background, that all makes sense to me.”

The fund’s performance, however, has been shaky since Anderson’s departure in the spring of 2022, delivering a negative return of 11 per cent, compared with a positive return of 35 per cent in the global stock market.

Much of this is down to a wider sell-off in fast-growing companies, triggered by the higher interest rates. Slater also notes a wider sell-off in Britain’s investment company sector, in part because of a cost disclosure issue. Shares in Scottish Mortgage itself have been trading at a discount to their net asset value — a klaxon that lured in the US activist investor Elliott earlier this year.

The appearance of the hedge fund, known for its aggressive boardroom campaigns, triggered alarm bells. Slater insists they were no different from any other shareholder — well-informed, engaged and supportive of its huge £1 billion buyback plan, the biggest ever by an investment trust. Repurchasing the shares has helped support the fund’s recent performance, notching a total return of 26 per cent in the year to the end of September.

On the day we meet, Nvidia — the \$3 trillion chip designer that has driven stock market returns for most of the year — has just reported that it has more than doubled its sales growth in the second quarter. However, the stock, which is Scottish Mortgage’s top holding at 6.8 per cent of its assets as of the end of July, has also missed the highest of analyst expectations. The shares are down 8 per cent in pre-market trading as our mains arrive: aubergine involtini for Slater



Nvidia is a key investment for Scottish Mortgage, which first backed it in 2016  
DADO RUVIC/REUTERS

and prawn linguine for me.

Slater does not seem overly concerned. “It fits with the historical context that only a small number of companies drive returns,” he says. “Nvidia is still a huge investment for us, but so far this year we have realised over \$2 billion of investment. We first bought it in 2016 and it has been a phenomenal company. But the question for us is always, how do you make a multiple of our money from here? And that’s harder starting from \$3 trillion.

“One of the questions I am grappling with is that if you look at all the big revolutions in technology — take the growth of the PC in the Nineties, the internet in the 2000s and mobile in the 2010s — one of the common characteristics is they were not getting more expensive as they went.

“I believe in the idea that AI will be transformational and ubiquitous, but for those things to be true it has to be low-cost. But the technology that supports it is costing hundreds of billions of dollars. That is the central conundrum, can you believe in AI and still believe in enormous capex on this technology?”

Slater has countless anecdotes from the weird and wonderful world of American technology, including an early, not very successful, investment in a cloud computing company called Rackspace. “Their office was in a former shopping centre in Texas,” he says. “They had replaced their escalator with a curly wurly slide. I don’t know if you have ever been on a slide in a suit, but there is very little friction. I shot out of that thing like an absolute rocket.”

One of his favourite things about the job is meeting the minds behind the world’s most

innovative companies. So what have been the most memorable first impressions? He laughs and pauses.



Brian Chesky, co-founder of Airbnb, made a striking impression  
MICHAEL NAGLE/BLOOMBERG/GETTY IMAGES

“In 2011 I met Brian Chesky, the founder of Airbnb, at a conference. He was sitting right in front of me and dealing with his slides. I was thinking: this guy must be talking tomorrow and he still has not worked out what he is going to say yet. Then he talks about people renting out their spare couch and I’m thinking, this is a ridiculous idea.

“Later I read an interview with Jeff Jordan, who used to run OpenTable and then became an executive at the venture capital firm Andreessen Horowitz. He was at the same conference and described the same thing, but he picked up on Brian saying this was ‘eBay for space’. He went out and invested straight away, and made something like 15 times his money. I look back and think, how could I have missed that?

“One of the worst meetings I’ve had was with Jan Koum, the founder of WhatsApp. A few fund managers went to their offices to meet him and he turned up late, in shorts, very off-hand, and didn’t seem like he wanted to be there in this tiny, dirty little office. And three months later he sold the business to Facebook for \$19 billion.

“So it is really difficult to judge founders sometimes. You have to suspend intuition a little bit, not let it kick in too soon.

“Normal people do not change the world. You need to be unreasonable, you need to believe something that other people do not.”

A growing need to standardise everything is dangerous in the business world, he says. “It’s like environmental, sustainability, governance issues. It almost became a standard: you’ve got to say this in your report, the make-up of the board should be this. If you try to standardise that all companies should be the same, you are not going to get companies doing extraordinary things.”



Amazon Web Services now accounts for a large slice of the parent group’s operating profit  
ANNEGRET HILSE/REUTERS

The big question facing Scottish Mortgage now is, if not Nvidia, which companies are addressing a new opportunity big enough to drive returns over the long term? “If you are right about them you can make many times your money. When we bought Amazon in 2005, we had not imagined Amazon Web Services,” he says, referring to the technology giant’s cloud computing arm, which now accounts for roughly two thirds of its operating profit. “We are always asking, is there something about this company, its ambition and its people that will allow them to take hold of opportunities that emerge as they go?”

By now we have been at lunch for more than two hours. We skip dessert but Slater orders a decaf Americano and I have an espresso.

Though he says he spends most weekends as a taxi service to his three children, aged 14, 12 and 10, he is otherwise outdoors with his dog, Willa the vizsla, who he describes as “trouble”.

So did he always want to be an investor? “I thought I was going to be a farmer,” he admits. “We spent a lot of time outside as children and we had some friends who were sheep farmers.”

The life that could have been! So is there a small part of him now that still craves to be a sheep farmer? He laughs. “It depends on where in the performance we are at.”

# CV

**Age:** 46

**Education:** Prudhoe Community High School, Northumberland; University of Edinburgh

**Career:** 2000 Joined Baillie Gifford's investment trainee graduate scheme;

2003 made an investment manager;

2009 deputy manager of Scottish Mortgage;

2012 partner of Baillie Gifford;

2015 manager of Scottish Mortgage.

**Family:** Married with three children

## Receipt

Soup **£8**

King scallops **£17**

Aubergine involtini **£18.50**

Prawn linguine **£19.50**

Diet Coke **£2.95**

Americano **£3**

Espresso **£3**

Total **£71.95**

Discretionary 10% service **£7.20**