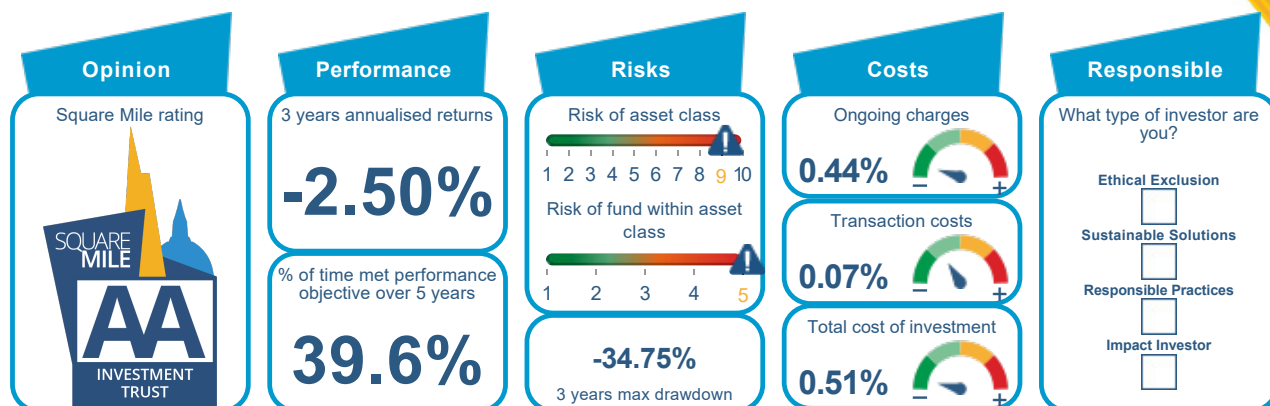


Monks Investment Trust PLC

January 2025



Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 31st December 2024.

Overview

Capital accumulation through a portfolio of global equities. Equities can, and often do, lose money over short to medium time periods, but over the long run, and particularly over multiple investment cycles, equities, in aggregate, have provided an extremely successful way of accumulating capital.

This Square Mile rating is as at Tuesday 31st October 2023 at 09:00.

Square Mile's Expected Outcome

We believe outperformance of the FTSE World index by 2% per annum over rolling five-year periods is a reasonable expectation.

Square Mile's Opinion

Baillie Gifford has a number of highly experienced investment professionals who have spent their entire careers at the firm. The firm has a very clearly defined investment philosophy and approach that is focused on growth and one that is followed across the organisation. This trust is built from the best global ideas taken from the various investment teams within the organisation and the portfolio is constructed and overseen by some of the company's most senior managers. The team's long-term investment horizon and rigorous research help to identify promising companies for the future.

Although the emphasis here is very much on growing companies, in practice the portfolio is populated with a diversified range of businesses at different stages of their maturity. Furthermore, the trust's management team aims to ensure that there is also diversity with the drivers of growth and to avoid one, or a few, themes dominating the portfolio.

A trust such as this should do best at times when the market steadily advances and is likely to lag when the market gets ahead of the fundamentals or if the market sells off heavily. This is a long-term strategy and holders should bear in mind that often the most attractive opportunities present themselves during periods of market distress. This could exacerbate short term losses and holders should not expect smooth quarter on quarter returns.

Fund Manager's Formal Objective

The trust aims to outperform the FTSE World Index, as stated in sterling, by at least 2% per annum over rolling five-year periods.

Outcome: Capital Accumulation	Domicile: UK
Active/Passive: -	Benchmark: FTSE World
Asset Class: Equity	IA Sector: Equity Global
Yield: 0.16%	Fund size: £2,498M
Fund Manager: Helen Xiong, Malcolm Maccoll, Spencer Adair	Distribution Pay Date: September
Fund Price: 13.2 Pounds	Dividend Frequency: Annual
Currency of Share Class: GBP	Share Class Launch Date: 06/02/1929
NAV: 14.9 Pounds	Year end: 30/04/2024
Discount/Premium: -10.98%	Gearing: 6.00%
Permission to distribute from Capital: No	Fees charged: Income

Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 31st December 2024

Asset Manager Description

Asset Manager Overview

Headquartered in Edinburgh, Baillie Gifford is a well established fund group that has a strong heritage of adhering to a long-term, growth orientated investment philosophy. The firm's most experienced and longest serving employees tend to progress to the partnership level, who ultimately own the firm. Indeed, the group is structured as an unlimited liability partnership, currently consisting of over 40 employee partners.

Asset Manager ESG Integration

Baillie Gifford became a signatory to the UN Principles for Responsible Investment in 2007, currently having a firm-wide Investment & Stewardship Policy score of 4 out of 5. Baillie Gifford is also a signatory of the UK Stewardship Code and has joined several industry initiatives, including the Net Zero Asset Managers Initiative. At a business level they are committed to double carbon offsetting their own emissions through tree planting. They have also appointed an Environment Officer who is tasked with driving the businesses' own sustainability practices.

Baillie Gifford expect ESG to be of great importance to how they operate in the coming years, however they are not underestimating the increased complexity of the area from both a regulatory, and client preferences, perspective. They therefore look to integrate ESG in a thoughtful way as they believe it deepens company insights and can therefore improve investment returns. They also try to target the most relevant ESG factors at an individual company level.

Over recent years, Baillie Gifford has built a vast team of almost 50 individuals dedicated to ESG and sustainability. Over half of these are ESG Research and Engagement analysts who are embedded into the different investment teams and provide ESG input at a strategy level. The next biggest cohort are the ESG Services team who undertake pre-AGM analysis, execute voting and assist with ESG data. The remainder are split across a climate team who assess the inter-relationships between climate change and businesses, and a small client team. The majority of these recent hires are fairly early in their careers.

Baillie Gifford doesn't provide separated ESG scores for the companies they research, instead the focus is on qualitative in-house ESG research. They will not necessarily look to disinvest from companies in problematic industries, rather they will keep companies on watch and look for improvement over time.

In the coming years, the business is hoping to enhance their client reporting around ESG and sustainability, as well as increase the number of explicitly 'sustainable' funds within their product offering.

Board Overview

The board has six members, with an average tenure of six years. There is a broad range of skills and experience across the board including asset management, private equity, and venture capital investing, in addition to forensic accounting, data science and fund management. All of the board are independent which we feel is a crucial element and a key advantage of the investment trust structure. Only three of the current board members are owners of the trust, which gives us some encouragement that the board is aligned with minority shareholders.

Fund Description

Fund Manager/Team Overview

Malcolm MacColl, Spencer Adair and Helen Xiong are co-managers on this trust, and all three have lengthy investment careers with Baillie Gifford, joining in 1999, 2000 and 2008, respectively. Malcolm MacColl and Spencer Adair have been co-managers on the trust since 2015, with Ms Xiong joining the team in 2020. However, Baillie Gifford was appointed as investment manager on this trust in 1931.

Investment Philosophy & Process

Baillie Gifford believes that share prices follow earnings and that attractive opportunities can therefore be found in companies that offer above average sustainable growth in earnings and cash flows. The managers aim to populate the portfolio with a mix of different types of growth companies that can, broadly speaking, be placed into one of three categories. Firstly, they look for established, durable, stable and growing firms, operating with business models that deter new competitors and the ability to compound earnings growth. Secondly, the portfolio has positions in rapidly growing businesses which are likely to be disruptors within any industry. Thirdly, good growth opportunities can also be found in more cyclical industries, where capital has been withdrawn or destroyed.

Ideas are sourced from the highly regarded regional and global investment teams at Baillie Gifford. Although the team behind this trust is relatively small, members of other teams within the organisation have been mandated to provide their 'best ideas' to the managers responsible for this strategy. The managers take a long-term approach and as such the portfolio's turnover is low and positions are typically held for between five and ten years. The trust tends to be broadly diversified and typically has between 70 and 120 positions. Investments with the highest level of conviction are held at position sizes of circa 2% or greater, where there is perceived to be increased risk or uncertainty the managers will allocate circa 1% or less. Furthermore, they will also invest in high risk/high reward ideas, termed 'incubator' holdings, though these tend to be small positions of circa 0.5%; in their entirety they may account for around 15-25% of the portfolio. The managers pay little attention to sector and geographical exposure as they are more concerned with diversifying the sources and types of growth within the portfolio.

Fund ESG Integration

The extent to which environmental, social and governance (ESG) factors are incorporated into the investment case is based on their materiality to the long-term sustainability of a company's business. Baillie Gifford attempts to favour those companies that follow best practice, provided this does not act to the detriment of the risk/return profiles of their portfolios. The firm votes on behalf of its clients' wherever possible and will vote against management if actions are deemed not in the interests of shareholders. It also complies with the UK Stewardship Code and is a signatory to the UN Principles for Responsible Investment (UN PRI).

Discount/Premium Policy

The board does not operate a formal discount control mechanism, but does commit, under normal market conditions, to minimise the discount to the prevailing net asset value. Over the last two financial years, the trust has bought back c.14m and c.9m shares. Nevertheless, over the last financial year, the trust has traded at an average discount of c.11%.

Dividend Cover & Reserves

The trust invests with the aim of maximising capital growth rather than income, therefore, investors should not expect dividends to be a major component of overall returns. For the financial year ending 2023, the board declared a final dividend of 3.15p per share (versus 2.35p per share for the previous year), which equates to a 34% increase. Over the past five years, the trust has grown its dividend by c.18% per annum. Dividend cover at the end of the last financial year was c.1.6 years.

Risk Summary

This trust, like all investment trusts, is priced based on the value of what investors are willing to pay for its shares. This price can at times differ from the value of the underlying assets which the trust owns. This difference between the share price and asset price has the ability to work both in favour or against investors. There is no formal discount control mechanism applied to the trust.

The company uses gearing to increase its investment exposure. Gearing can exacerbate both gains and losses.

This trust invests in global equities and as such the main risk is that these, as higher risk assets, can be volatile instruments. Overseas listed companies are also exposed to currency movements and this can bring an additional level of risk. The underlying investment style focuses on growing companies and therefore the strategy could be prone to more variable returns when more cyclically sensitive areas of the market are driving returns. The managers of the trust have the ability to invest in unlisted equities, although there is a formal limit of 10% of assets. The trust is managed with a long-term investment horizon and investors should seek to hold the strategy for a minimum of five years.

Debt Structure & Gearing Policy

The trust has a three-year £150m unsecured floating rate revolving facility. The board's strategic borrowing target is 10%, however, market exposure can range from cash at 15% and to gearing at 15%. Over the last five-years gearing applied has been at an average of 5%. Gearing levels are discussed at every board meeting, with the manager responsible for deployment within the set parameters.

Additional Information

Annualised Return: -2.50%

Annualised Volatility: 19.59%

Max Drawdown: -34.75%

Max Gain: 13.17%

Max Loss: -19.21%

Sharpe Ratio: -

Sortino Ratio: -0.16

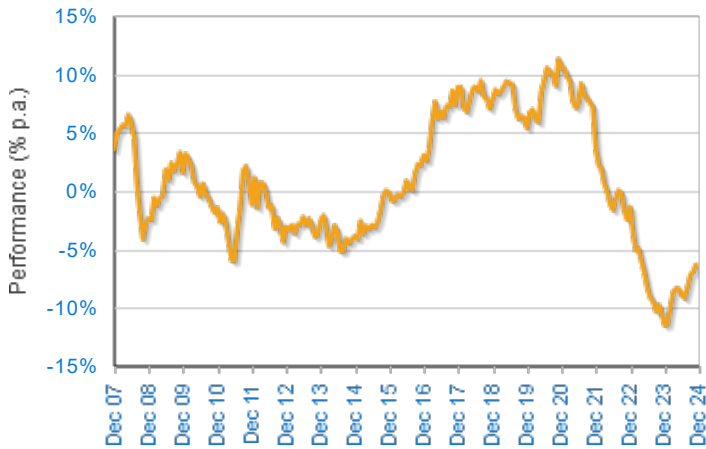
(3 years data to last month end unless otherwise stated)

Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk			
Interest Rate Risk			
Credit Risk			
Exchange Rate Risk			
Liquidity Risk			
Emerging Markets Risk			
Derivative Risk			
Manager Risk			
Gearing Risk			
Discount/Premium Risk			

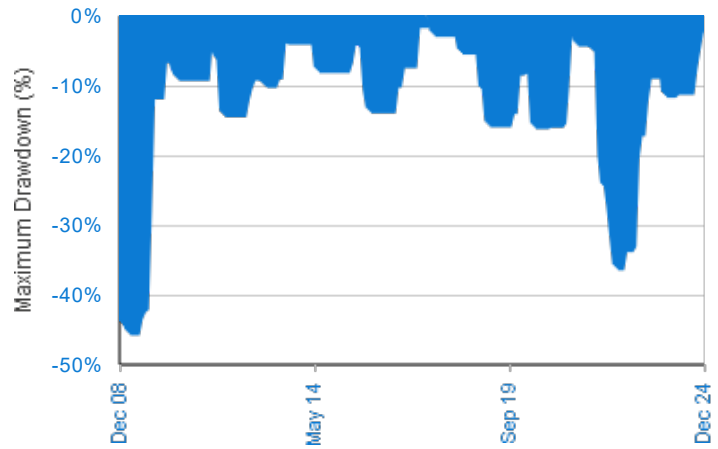
For the full summary of the risks, [click here](#)

3 Year Rolling Sector Outperformance



Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 21st January 2025. Share price total return.

Maximum Drawdown (Rolling 12 Months)



Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 20th January 2025

Calendar Year Performance To Quarter End

Period	Fund (%)	Sector (%)
2024	19.2	9.4
2023	12.6	12.4
2022	-31.0	-9.6
2021	1.2	13.6
2020	42.1	13.1

Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 30th January 2025

Value for Money

The trust's ongoing charge figure (OCF) is at the lower end of the peer group. The cost associated with its trading activities are also low resulting in a very attractively valued investment proposition. Overall, we view this trust's charging structure as extremely competitive, with investors being able to access an impressive strategy at a highly compelling price.

OCF v Peer Group



0.44%

Transaction Costs v Peer Group



0.07%

TCI v Peer Group



0.51%

Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 31st December 2024.

Square Mile Analysts

Ajay Vaid - Investment Research Analyst

Charlie McCann - Investment Research Analyst

Rating Changes

The Square Mile ratings are reviewed every 6 months. For full details on the methodologies, [click here](#).

There have been no ratings changes over the last 12 months.

All Rated Investment Trusts

For a full list of all Square Mile rated funds, [click here](#).

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