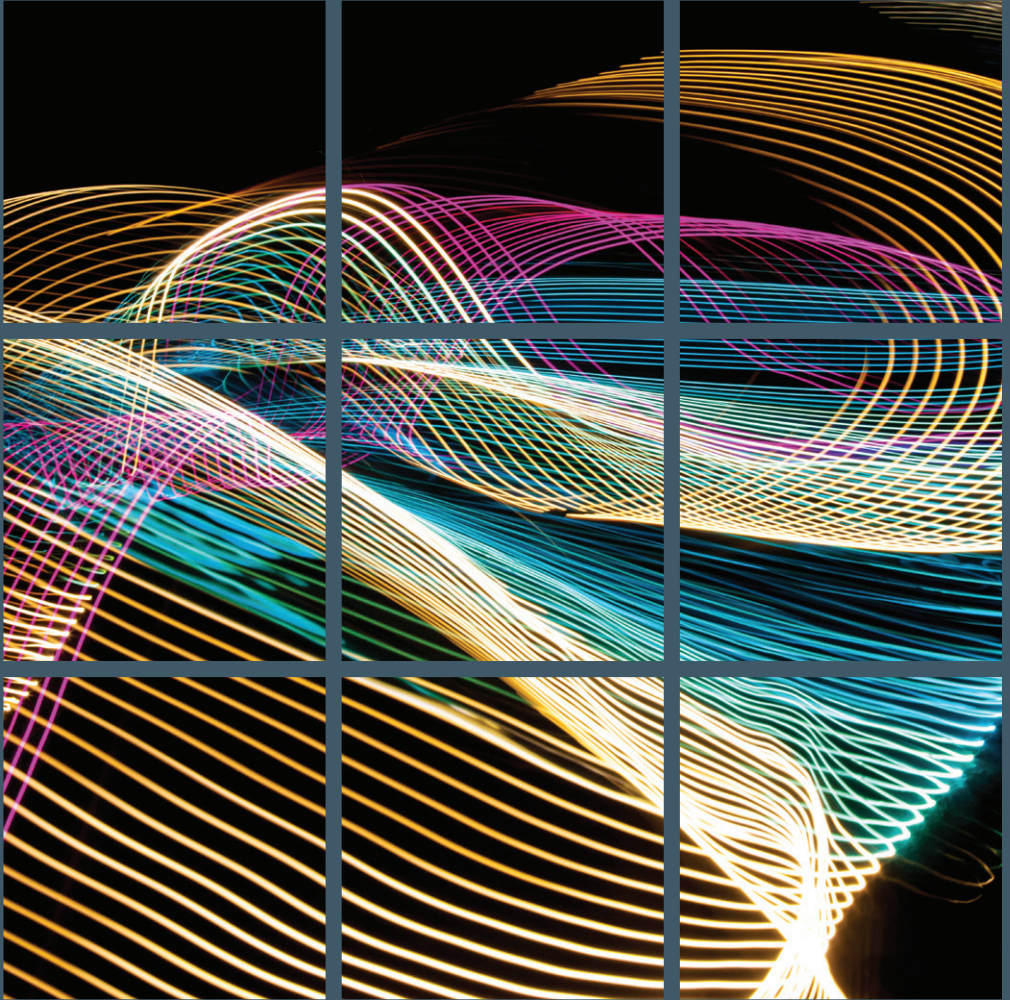


# THE MONKS INVESTMENT TRUST PLC

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Global growth from  
different perspectives



Interim Financial Report  
31 October 2019





## Global growth from different perspectives

The objective of Monks is to invest globally to achieve capital growth. This takes priority over income and dividends. Monks seeks to meet its objective by investing principally in a portfolio of global quoted equities.

## Financial Highlights

	31 October 2019	30 April 2019	% change
Net asset value per share (NAV)*†	861.0p	848.9p	1.4
Share price	888.0p	883.0p	0.6
FTSE World Index#‡			3.2
Premium*†	3.1%	4.0%	
Active share*	90%	90%	

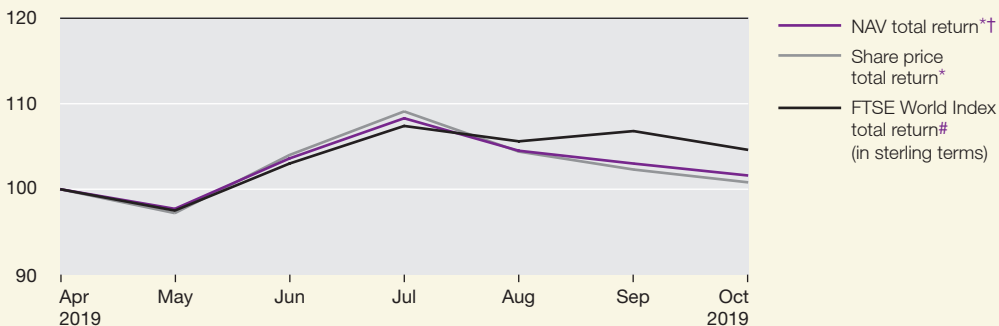
## Total Return Performance\*‡

### To 31 October 2019

	Six months	1 year	3 years	5 years	10 years
Net asset value*†	1.6%	14.9%	47.2%	97.8%	197.8%
Share price	0.8%	15.7%	65.0%	134.3%	258.5%
FTSE World Index#	4.6%	11.7%	33.0%	80.5%	218.7%

### For six months to 31 October 2019

(figures plotted on a monthly basis and rebased to 100 at 30 April 2019)



\* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 21 to 23.

† With borrowings deducted at fair value.

# The FTSE World Index (in sterling terms) is the principal index against which performance is measured.

‡ Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 20.

Past performance is not a guide to future performance.

# Interim Management Report

Optimism is one of the core features of the Monks Investment Trust's investment approach. To seek out that rare subset of companies with the potential to grow to multiples of their current size, the managers must envisage what might go right in each case. It would be easy to be waylaid in this task. There are always reasons to be fearful and to worry about what might go wrong: 'but what about Brexit?', 'what about Trade Wars?', 'what about Politics?'. Rather than attempt to predict the unpredictable, the managers' approach focuses instead on the fundamental merits of companies. They believe that companies with enduring competitive advantages and skilled management teams are likely to deliver superior long-term (5 years or more) returns for investors.

Dramatic headlines and short-term equity market oscillations are of little importance to the managers. Instead they seek to understand long-term structural trends which provide opportunities for future growth. For example, the managers observe growing opportunities which are fuelled by increasing computing power, an explosion of data and improving global connectivity. These factors are increasingly impacting companies across the healthcare, financial and enterprise sectors, in addition to the more familiar consumer applications. This is reflected in some of the latest additions to the portfolio (highlighted below).

During the period, the Company produced a positive net asset value (NAV)\* return of 1.6% compared to an increase of 4.6% for the comparative index (FTSE World in sterling terms), both in total return terms. Over the period, the share price total return was 0.8% with the premium to NAV\* generally in the region of 3 to 4%. In the context of the investment approach being taken, the period under review is short. The Board and managers believe that performance should be judged over the longer term. Since the current team took over management of Monks Investment Trust on 27 March 2015, the NAV\* total return has been +79.3%, the share price total return +111.0% and the comparative index total return +64.0%.

\* With borrowing deducted at fair value

Past performance is not a guide to future performance. For a definition of terms used see Glossary of Terms and Alternative Performance Measures on pages 21 to 23. Total return information is sourced from Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 20.

## Portfolio Changes

The managers retain a long-term approach to portfolio management. Turnover in the past 12 months was 16%, which implies an average holding period of 6 years.

A feature of trading over the period has been the purchase of several healthcare companies. The portfolio's broad exposure to healthcare has increased from 4% to 8% in the past 12 months. One such purchase is already familiar to the Company. Abiomed, the manufacturer of the 'Impella' range of heart pumps, which dramatically improves the success rate of cardiac surgery, was re-purchased just prior to the April year-end and has been added to during the period. Having sold the position on valuation grounds in July last year, a sharp fall in the share price with no corresponding change to the company's competitive position or growth outlook prompted reappraisal. Elsewhere, a position was acquired in Teladoc, an online platform which facilitates medical consultations in the US. The company is the market leader and is gaining traction in both public and private health markets. Other new additions to the portfolio include Sysmex (blood testing) and Sensyne Health (health data and AI) while the holding in Illumina (gene sequencing) was increased in the period. Each of these companies offers products or services which seek to materially reduce costs or improve outcomes for patients.

The portfolio has had meaningful exposure to technology enabled platform businesses (20% at the period end) since the current managers took over in March 2015. These businesses often have powerful network effects, where each new user strengthens the network and further embeds its competitive advantage. Notably strong longer-term performers here include Amazon (ecommerce), Facebook (social media) and Naspers (social media, payments and ecommerce). Whilst these holdings remain an important part of the portfolio, investments have more recently been made in earlier stage technology companies. Appian is a leading 'low-code' platform

which enables enterprises to code bespoke system solutions more efficiently and at lower cost. Elsewhere, The Trade Desk is a market leading programmatic advertising business seeking to secure its clients the best online advertising opportunities beyond the ‘walled gardens’ of Facebook and Google.

Balance and diversification remain a central tenet of the investment approach employed by the managers. This is reflected in some of the portfolio activity over the period. The share prices of First Republic Bank (high net worth bank) and Verisk (data provision and analytics) outstripped their growth prospects and were sold, whilst significant share price gains for Advantest (semiconductor testing), MarketAxess (bond trading) and Shopify (online commerce) supported profit taking. This capital was, in part, allocated to establishing diversifying positions in Broadridge Financial Solutions and Brilliance China Automotive (auto manufacturing and distribution). The former is the leading global player in proxy voting and governance services for the financial sector and is likely to see growth come from increasing participation in financial markets and a high degree of pricing power. The latter is BMW’s partner in China which is a fast growing market for luxury mid-sized saloons which, coupled with BMW increasing its ownership stake to 75%, could prove transformational for the company.

## Gearing

The level of invested gearing at the period end stood at 5.5%, compared to 6.4% six months earlier. It is expected that gearing will be maintained in the range of 15% net cash to 15% borrowings, with the intention of plus 10% as a long-term neutral position.

## Dividend

No interim dividend is being paid. A single final dividend will typically be paid after the AGM, reflecting the Company’s focus on capital growth.

## Current Positioning and Outlook

The managers’ unconstrained, stock-picking approach allows them to tilt the portfolio towards the most attractive long-term opportunities they can find anywhere in the world. Today, the portfolio has exposure to several secular drivers of future growth. Chief among these remain scalable platform businesses and exposure to the growing Asian middle classes. The portfolio’s exposure to cyclical companies has been reduced over recent years. Fundamental analysis of semiconductor and domestic US holdings suggested that growth from today’s starting point was unlikely to meet the portfolio’s growth hurdle (the managers seek a doubling in company share prices over a five-year period). The managers believe the freedom to invest in an eclectic mix of companies is highly valuable in maintaining a portfolio which can generate good returns across different economic environments. The current portfolio leads the managers to be confident about the prospects for future growth and optimistic about the opportunities that lie ahead.

The principal risks and uncertainties facing the Company are set out on page 17 of this report.

On behalf of the Board  
JGD Ferguson  
Chairman  
3 December 2019

# The Managers' Core Investment Beliefs

We believe the following features of Monks provide a sustainable basis for adding value for shareholders.

## Active Management

- We invest in attractive companies using a 'bottom-up' investment process. Macroeconomic forecasts are of relatively little interest to us.
- High active share\* provides the potential for adding value.
- We ignore the structure of the index – for example the location of a company's HQ and therefore its domicile are less relevant to us than where it generates sales and profits.
- Large swathes of the market are unattractive and of no interest to us.
- As index agnostic global investors we can go anywhere and only invest in the best ideas.
- As the portfolio is very different from the index, we expect portfolio returns to vary – sometimes substantially and often for prolonged periods.

## Committed Growth Investors

- In the long run, share prices follow fundamentals; growth drives returns.
- We aim to produce a portfolio of stocks with above average growth – this in turn underpins the ability of Monks to add value.
- We have a differentiated approach to growth, focusing on the type of growth that we expect a company to deliver. All holdings fall into one of four growth categories – as set out on pages 4 and 5.
- The use of these four growth categories ensures a diversity of growth drivers within a disciplined framework.

## Long-Term Perspective

- Long-term holdings mean that company fundamentals are given time to drive returns.
- We prefer companies that are managed with a long-term mindset, rather than those that prioritise the management of market expectations.
- We believe our approach helps us focus on what is important during the inevitable periods of underperformance.
- Short-term portfolio results are random.
- As longer-term shareholders we are able to have greater influence on environmental, social and governance matters.

## Dedicated Team with Clear Decision-making Process

- Senior and experienced team drawing on the full resources of Baillie Gifford.
- Alignment of interests – the investment team responsible for Monks all own shares in the Company.

## Portfolio Construction

- Investments are held in three broad holding sizes – as set out on pages 4 and 5.
- This allows us to back our judgement in those stocks for which we have greater conviction, and to embrace the asymmetry of returns through 'incubator' positions in higher risk/return stocks.
- 'Asymmetry of returns': some of our smaller positions will struggle and their share prices will fall; those that are successful may rise many fold. The latter should outweigh the former.

## Low Cost

- Investors should not be penalised by high management fees.
- Low turnover and trading costs benefit shareholders.

\* For a definition of terms used see Glossary of Terms and Alternative Performance Measures on pages 21 to 23.

# Investment Portfolio by Growth Category as at 31 October 2019\*

Holding Size	Growth Stalwarts	28.3%	Rapid Growth	40.8%	Cyclical Growth	18.0%	Latent Growth	12.9%	Total
		%		%		%		%	%
<b>Highest conviction holdings c.2.0% each</b>	Prudential	2.5	Amazon.com	3.1					<b>26.5</b>
	AIA	2.2	Alibaba	2.6					
	Moody's	2.2	The Schiehallion Fund	2.1					
	Anthem	2.1	Alphabet	2.1					
	MasterCard	2.1	Naspers	2.0					
	Visa	1.9							
	SAP	1.6							
<b>Average sized holdings c.1.0% each</b>	Pernod Ricard	1.5	Ping An Insurance	1.5	CRH	1.5	MS&AD Insurance	1.3	<b>47.4</b>
	Olympus	1.4	Seattle Genetics	1.4	Martin Marietta Materials	1.4	Kirby	1.1	
	Thermo Fisher Scientific	1.4	HDFC	1.3	Banco Bradesco	1.1	BHP Billiton	0.8	
	Resmed	1.4	ICICI Bank	1.1	Markel	1.0	Sumitomo Mitsui Trust Holdings	0.8	
	Microsoft	1.3	Facebook	1.1	TSMC	1.0	Sberbank of Russia	0.8	
	Schindler	1.1	Reliance Industries	1.0	EOG Resources	1.0	Fairfax Financial	0.7	
	Arthur J. Gallagher	1.1	Prosus N.V.	1.0	Ryanair	0.9	Apache	0.7	
	Service Corporation International	1.0	MarketAxess	0.9	Richemont	0.8	ICICI Prudential Life Insurance	0.7	
	Sysmex	0.9	B3 Group	0.8	SMC	0.8	Signify	0.7	
	Broadridge Financial Solutions	0.9	Alnylam Pharmaceuticals	0.8	Teradyne	0.8	Brilliance China Automotive	0.7	
	Bureau Veritas	0.9	Shopify	0.7	Atlas Copco	0.7			
	Waters	0.8	M3	0.7	Deutsche Boerse	0.7			
			Tesla	0.7	Advantest	0.7			
<b>Incubator holdings c.0.5% each</b>			Illumina	0.6	SiteOne Landscape Supply	0.6	Stericycle	0.6	<b>26.1</b>
			Chipotle Mexican Grill	0.6	TD Ameritrade	0.5	Tsingtao Brewery	0.5	
			Schibsted	0.6	Epiroc	0.5	Toyota Tsusho	0.5	
			Zillow	0.6	Jefferies Financial Group	0.5	Bank of Ireland	0.4	
			Meituan Dianping	0.6	Ritchie Bros Auctioneers	0.5	Lindblad Expeditions Holdings	0.4	
			Autohome	0.6	Albemarle	0.5	Howard Hughes	0.4	
			LendingTree	0.6	Wabtec	0.5	Iida Group Holdings	0.4	
			Spotify	0.5	Hays	0.5	M&G Prudential	0.4	
			Myriad Genetics	0.5	Orica	0.5	DistributionNOW	0.4	
			Ctrip.com International	0.5	Jardine Strategic Holdings	0.4	MRC Global	0.3	
			Renishaw	0.5	Sands China	0.3	Silk Invest Africa Food Fund	0.2	
			Netflix	0.5	PageGroup	0.3	Ferro Alloy Resources	0.1	
			Teladoc	0.5					
			Trupanion	0.5					
			Ant International	0.5					
			MercadoLibre	0.5					
			Abiomed	0.5					
			Istyle	0.5					
			CyberAgent	0.5					
			Genmab	0.5					
			58.com	0.4					
			GRAIL	0.4					
			The Trade Desk	0.4					
			Just Eat	0.4					
			Sensyne Health	0.4					
			Novocure	0.4					
			Appian	0.4					
			Interactive Brokers Group	0.4					
			Axon Enterprise	0.4					
			Chegg	0.3					
			iRobot	0.3					
			Grubhub	0.3					
		Mail.ru Group	0.3						
		Adevinta Asa	0.2						
		Farfetch	0.2						

**Growth Stalwarts**

**Company Characteristics**

- Durable franchise
- Deliver robust profitability in most macroeconomic environments
- Competitive advantage includes dominant local scale, customer loyalty and strong brands

c.10% p.a. earnings growth.

**Rapid Growth**

**Company Characteristics**

- Early stage businesses with vast growth opportunity
- Innovators attacking existing profit pools or creating new markets

c.15% to 25% p.a. earnings growth.

**Cyclical Growth**

**Company Characteristics**

- Subject to macroeconomic and capital cycles with significant structural growth prospects
- Strong management teams highly skilled at capital allocation

c.10% to 15% p.a. earnings growth through a cycle.

**Latent Growth**

**Company Characteristics**

- Company specific catalyst will drive above average earnings in future
- Unspectacular recent operational performance and therefore out of favour

Earnings growth to accelerate over time.

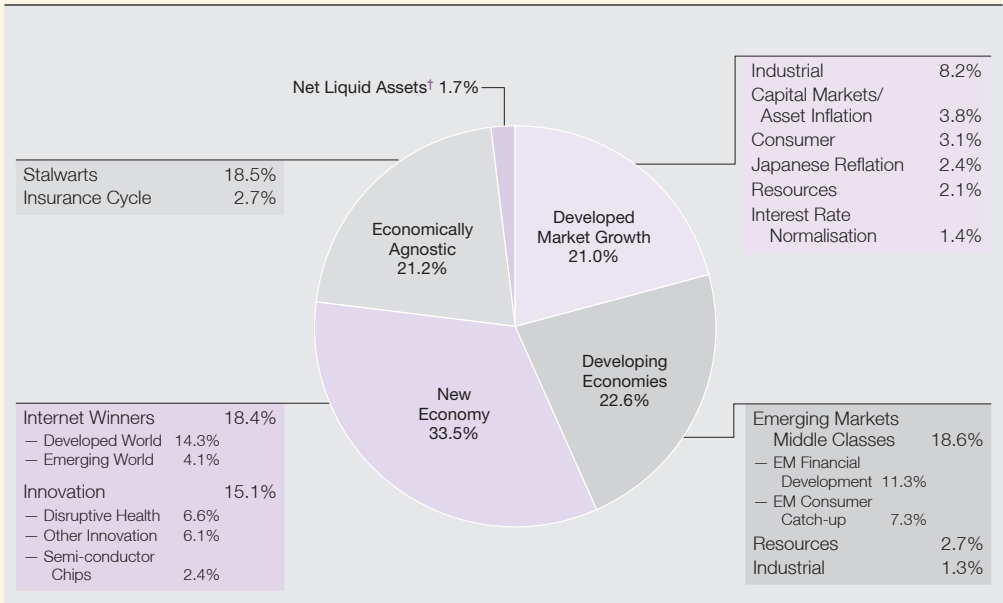
\* Excludes net liquid assets.



# Portfolio Positioning as at 31 October 2019\*†

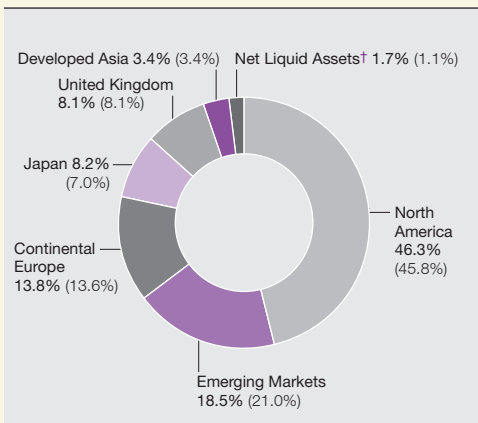
Although the Managers' approach to stock picking is resolutely 'bottom-up' in nature and pays no attention to the structure of the index, it is essential to understand the risks of each investment and, in turn, where there may be concentrations of exposures. The charts below outline the key exposures of the portfolio.

## Thematic Exposure



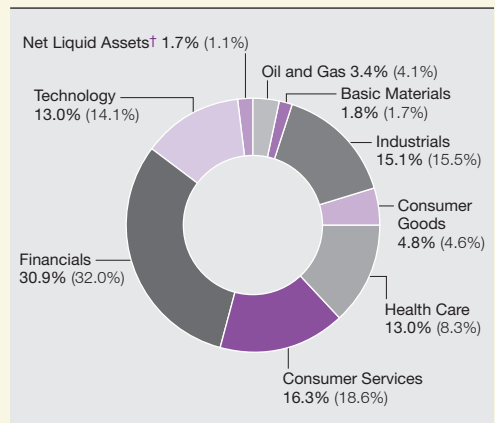
## Geographical at 31 October 2019

(30 April 2019)



## Sectoral at 31 October 2019

(30 April 2019)



\* Expressed as a percentage of total assets.

† For a definition of terms used see Glossary of Terms and Alternative Performance Measures on pages 21 to 23.

## Thirty Largest Holdings as at 31 October 2019

Name	Growth category	Business description	Fair value £'000	% of total assets *
Amazon.com	Rapid	Online retailer	61,459	3.0
Alibaba	Rapid	Online commerce company	52,425	2.6
Prudential	Stalwart	International life insurance	50,649	2.5
AIA	Stalwart	Asian life insurer	44,243	2.2
Moody's	Stalwart	Credit rating agency	43,404	2.1
Anthem	Stalwart	Healthcare insurer	42,677	2.1
MasterCard	Stalwart	Electronic payments network and related services	42,485	2.1
The Schiehallion Fund	Rapid	Global unlisted growth equity investment company	42,414	2.1
Alphabet	Rapid	Online search engine	41,371	2.0
Naspers	Rapid	Media and e-commerce company	39,987	2.0
Visa	Stalwart	Electronic payments network and related services	37,120	1.8
SAP	Stalwart	Enterprise software provider	33,033	1.6
Ping An Insurance	Rapid	Chinese life insurer	30,107	1.5
CRH	Cyclical	Diversified building materials company	30,088	1.5
Pernod Ricard	Stalwart	Global spirits manufacturer	29,185	1.4
Olympus	Stalwart	Optoelectronic products	28,283	1.4
Martin Marietta Materials	Cyclical	Cement and aggregates manufacturer	28,236	1.4
Thermo Fisher Scientific	Stalwart	Scientific instruments, consumables and chemicals	28,110	1.4
Seattle Genetics	Rapid	Antibody based therapies	27,516	1.4
Resmed	Stalwart	Develops and manufactures medical equipment	27,077	1.3
HDFC	Rapid	Indian mortgage provider	26,772	1.3
Microsoft	Stalwart	Software and cloud computing enterprise	26,306	1.3
MS&AD Insurance	Latent	Japanese insurer	24,824	1.2
ICICI Bank	Rapid	Indian retail and corporate bank	22,939	1.1
Schindler	Stalwart	Elevator and escalator company	22,145	1.1
Kirby	Latent	US barge operator	22,044	1.1
Banco Bradesco	Cyclical	Brazilian commercial bank	21,879	1.1
Facebook	Rapid	Social networking website	21,073	1.0
Arthur J. Gallagher	Stalwart	Insurance broker	21,015	1.0
Markel	Cyclical	Markets and underwrites speciality insurance products	20,729	1.0
			<b>989,595</b>	<b>48.6</b>

\* For a definition of terms used see Glossary of Terms and Alternative Performance Measures on pages 21 to 23.



## Income Statement (unaudited)

	For the six months ended 31 October 2019			For the six months ended 31 October 2018			For the year ended 30 April 2019 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	–	22,637	<b>22,637</b>	–	(18,725)	<b>(18,725)</b>	–	194,084	<b>194,084</b>
Currency losses	–	(1,234)	<b>(1,234)</b>	–	(4,510)	<b>(4,510)</b>	–	(4,049)	<b>(4,049)</b>
Income from investments and interest receivable	16,777	–	<b>16,777</b>	13,513	–	<b>13,513</b>	23,268	–	<b>23,268</b>
Investment management fee (note 3)	(3,790)	–	<b>(3,790)</b>	(3,471)	–	<b>(3,471)</b>	(6,992)	–	<b>(6,992)</b>
Other administrative expenses	(848)	–	<b>(848)</b>	(832)	–	<b>(832)</b>	(1,673)	–	<b>(1,673)</b>
<b>Net return before finance costs and taxation</b>	<b>12,139</b>	<b>21,403</b>	<b>33,542</b>	<b>9,210</b>	<b>(23,235)</b>	<b>(14,025)</b>	<b>14,603</b>	<b>190,035</b>	<b>204,638</b>
Finance costs of borrowings	(3,169)	–	<b>(3,169)</b>	(2,617)	–	<b>(2,617)</b>	(5,518)	–	<b>(5,518)</b>
<b>Net return on ordinary activities before taxation</b>	<b>8,970</b>	<b>21,403</b>	<b>30,373</b>	<b>6,593</b>	<b>(23,235)</b>	<b>(16,642)</b>	<b>9,085</b>	<b>190,035</b>	<b>199,120</b>
Tax on ordinary activities	(1,173)	(461)	<b>(1,634)</b>	(1,080)	–	<b>(1,080)</b>	(1,899)	–	<b>(1,899)</b>
<b>Net return on ordinary activities after taxation</b>	<b>7,797</b>	<b>20,942</b>	<b>28,739</b>	<b>5,513</b>	<b>(23,235)</b>	<b>(17,722)</b>	<b>7,186</b>	<b>190,035</b>	<b>197,221</b>
<b>Net return per ordinary share</b> (note 4)	<b>3.56p</b>	<b>9.57p</b>	<b>13.13p</b>	<b>2.54p</b>	<b>(10.68p)</b>	<b>(8.14p)</b>	<b>3.30p</b>	<b>87.23p</b>	<b>90.53p</b>

The total column of this statement represents the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance issued by the Association of Investment Companies.

All revenue and capital items in this statement derive from continuing operations.

A Statement of Comprehensive Income is not required as the Company does not have any other comprehensive income and the net return of ordinary activities after taxation is both the profit and total comprehensive income for the period.

## Balance Sheet (unaudited)

	At 31 October 2019 £'000	At 30 April 2019 (audited) £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss (note 6)	1,995,725	1,979,780
<b>Current assets</b>		
Debtors	3,219	7,617
Cash and cash equivalents	34,514	25,919
	37,733	33,536
<b>Creditors</b>		
Amounts falling due within one year:		
Bank loans (note 7)	(98,601)	(99,287)
Other creditors	(2,646)	(11,339)
	(101,247)	(110,626)
<b>Net current liabilities</b>	(63,514)	(77,090)
<b>Total assets less current liabilities</b>	1,932,211	1,902,690
<b>Creditors</b>		
Amounts falling due after more than one year:		
Debenture stock (note 7)	(39,891)	(39,875)
Provision for deferred tax liability (note 8)	(461)	–
	<b>1,891,859</b>	<b>1,862,815</b>
<b>Capital and reserves</b>		
Share capital	10,954	10,930
Share premium account	52,337	48,007
Capital redemption reserve	8,700	8,700
Capital reserve	1,760,528	1,739,586
Revenue reserve	59,340	55,592
<b>Shareholders' funds (note 9)</b>	<b>1,891,859</b>	<b>1,862,815</b>
<b>Shareholders' funds per ordinary share</b> (after deducting borrowings at book value) (note 9)	<b>863.6p</b>	<b>852.2p</b>
<b>Net asset value per ordinary share*</b> (after deducting borrowings at par value)	<b>863.5p</b>	<b>852.1p</b>
<b>Net asset value per ordinary share*</b> (after deducting borrowings at fair value)	<b>861.0p</b>	<b>848.9p</b>
<b>Ordinary shares in issue</b> (note 10)	<b>219,073,859</b>	<b>218,593,859</b>

\* For a definition of terms used see Glossary of Terms and Alternative Performance Measures on pages 21 to 23.

## Statement of Changes in Equity (unaudited)

### For the six months ended 31 October 2019

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 May 2019	10,930	48,007	8,700	1,739,586	55,592	<b>1,862,815</b>
Net return on ordinary activities after taxation	–	–	–	20,942	7,797	<b>28,739</b>
Ordinary shares issued (note 10)	24	4,330	–	–	–	<b>4,354</b>
Dividends paid during the period (note 5)	–	–	–	–	(4,049)	<b>(4,049)</b>
<b>Shareholders' funds at 31 October 2019</b>	<b>10,954</b>	<b>52,337</b>	<b>8,700</b>	<b>1,760,528</b>	<b>59,340</b>	<b>1,891,859</b>

### For the six months ended 31 October 2018

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 May 2018	10,857	35,973	8,700	1,549,551	51,453	<b>1,656,534</b>
Net return on ordinary activities after taxation	–	–	–	(23,235)	5,513	<b>(17,722)</b>
Ordinary shares issued	34	5,659	–	–	–	<b>5,693</b>
Dividends paid during the period (note 5)	–	–	–	–	(3,047)	<b>(3,047)</b>
<b>Shareholders' funds at 31 October 2018</b>	<b>10,891</b>	<b>41,632</b>	<b>8,700</b>	<b>1,526,316</b>	<b>53,919</b>	<b>1,641,458</b>

\* The Capital Reserve balance at 31 October 2019 includes holding gains on investments of £630,321,000 (31 October 2018 – gains of £477,012,000).

## Condensed Cash Flow Statement (unaudited)

	Six months to 31 October 2019 £'000	Six months to 31 October 2018 £'000
<b>Cash flows from operating activities</b>		
Net return on ordinary activities before taxation	30,373	(16,642)
Net (gains)/losses on investments	(22,637)	18,725
Currency losses	1,234	4,510
Finance costs of borrowings	3,169	2,617
Overseas tax incurred	(1,178)	(1,090)
Changes in debtors and creditors	1,066	1,099
<b>Cash from operations*</b>	12,027	9,219
Interest paid	(3,240)	(2,578)
<b>Net cash inflow from operating activities</b>	8,787	6,641
<b>Net cash inflow/(outflow) from investing activities</b>	535	(35,546)
<b>Cash flow from financing activities</b>		
Equity dividends paid (note 5)	(4,049)	(3,047)
Ordinary shares issued	5,242	7,651
Net borrowings (repaid)/drawn down	(1,498)	9,055
<b>Net cash (outflow)/inflow from financing activities</b>	(305)	13,659
<b>Increase/(decrease) in cash and cash equivalents</b>	9,017	(15,246)
Exchange movements	(422)	751
Cash and cash equivalents at start of period	25,919	22,974
<b>Cash and cash equivalents at end of period</b>	<b>34,514</b>	<b>8,479</b>

\* Cash from operations includes dividends received of £17,791,000 (31 October 2018 – £14,836,000) and interest received of £178,000 (31 October 2018 – £83,000).

## Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed Financial Statements for the six months to 31 October 2019 comprise the statements set out on pages 8 to 12 together with the related notes on pages 13 to 16. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in October 2019. They have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Financial Statements for the six months to 31 October 2019 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 30 April 2019.

### Going Concern

Having considered the Company's principal risks and uncertainties, as set out on page 17, together with its current position, investment objective and policy, the level of demand for the Company's shares, the nature of its assets, its liabilities and projected income and expenditure, it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The vast majority of the Company's investments are readily realisable and can be sold to meet its liabilities as they fall due. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these Financial Statements.

- 2 The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 30 April 2019 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying its report, and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.
- 3 Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager (AIFM) and Company Secretary. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on six months' notice. The annual management fee is 0.45% on the first £750 million of total assets, 0.33% on the next £1 billion of total assets and 0.30% on the remaining total assets. For fee purposes, total assets is defined as the total value of all assets held less all liabilities (other than any liability in the form of debt intended for investment purposes) and excludes the value of the Company's holding in The Schiehallion Fund, a closed-ended investment company managed by Baillie Gifford & Co. The Company does not currently hold any other collective investment vehicles managed by Baillie Gifford & Co. Where the Company holds investments in open-ended collective investment vehicles managed by Baillie Gifford, such as OEICs, Monks' share of any fees charged within that vehicle will be rebated to the Company. All debt drawn down during the periods under review is intended for investment purposes.

	Six months to 31 October 2019 £'000	Six months to 31 October 2018 £'000	Year to 30 April 2019 (audited) £'000
<b>4 Net return per ordinary share</b>			
Revenue return on ordinary activities after taxation	7,797	5,513	7,186
Capital return on ordinary activities after taxation	20,942	(23,235)	190,035
<b>Total net return</b>	<b>28,739</b>	<b>(17,722)</b>	<b>197,221</b>

Net return per ordinary share is based on the above totals of revenue and capital and on 218,821,739 (31 October 2018 – 217,580,408; 30 April 2019 – 217,844,955) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

There are no dilutive or potentially dilutive shares in issue.

	Six months to 31 October 2019 £'000	Six months to 31 October 2018 £'000	Year to 30 April 2019 (audited) £'000
<b>5 Dividends</b>			
<b>Amounts recognised as distributions in the period:</b>			
Previous year's final dividend of 1.85p (2018 – 1.40p), paid 6 September 2019	4,049	3,047	3,047
<b>Amounts paid and payable in respect of the period:</b>			
Final dividend (2019 – 1.85p)	–	–	4,049

No interim dividend has been declared in respect of the current period.



## 6 Fair Value Hierarchy

The Company's investments are financial assets held at fair value through profit or loss. The fair value hierarchy used to analyse the basis on which the fair values of such financial instruments are measured is described below. Fair value measurements are categorised on the basis of the lowest level input that is significant to the fair value measurement.

Level 1 – using unadjusted quoted prices for identical instruments in an active market;

Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 – using inputs that are unobservable (for which market data is unavailable).

An analysis of the Company's financial asset investments based on the fair value hierarchy described above is shown below. During the period, an investment with a fair value at the previous year end of £41,002,000 was transferred from Level 1 to Level 2 as, although it is listed on the London Stock Exchange, it has not been traded frequently during the period.

As at 31 October 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	1,931,283	42,414	–	<b>1,973,697</b>
Unlisted equities	–	–	22,028	<b>22,028</b>
<b>Total financial asset investments</b>	<b>1,931,283</b>	<b>42,414</b>	<b>22,028</b>	<b>1,995,725</b>

As at 30 April 2019 (audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	1,959,319	–	–	<b>1,959,319</b>
Unlisted equities	–	–	20,461	<b>20,461</b>
<b>Total financial asset investments</b>	<b>1,959,319</b>	<b>–</b>	<b>20,461</b>	<b>1,979,780</b>

The fair value of listed investments is either bid price or last traded price depending on the convention of the exchange on which the investment is listed. Listed Investments are categorised as Level 1 if they are valued using unadjusted quoted prices for identical instruments in an active market and as Level 2 if they do not meet all these criteria but are, nonetheless, valued using market data. Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' unlisted investment policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation Guidelines ('IPEV'). These methodologies can be categorised as follows: (a) market approach (multiples, industry valuation benchmarks and available market prices); (b) income approach (discounted cash flows); and (c) replacement cost approach (net assets). The Company's holdings in unlisted investments are categorised as Level 3 as unobservable data is a significant input to their fair value measurements.

- 7** At 31 October 2019 the total book value of the Company's borrowings amounted to £138,492,000 (30 April 2019 – £139,162,000). This comprised a £40m 6% debenture stock repayable in 2023 (30 April 2019 – £40m) and a short-term bank loan of US\$127.6m (30 April 2019 – US\$129.4m). The fair value of borrowings at 31 October 2019 was £144,201,000 (30 April 2019 – £146,287,000).

## **8 Provision for Deferred Tax Liability**

The deferred tax liability provision at 31 October 2019 of £461,000 (30 April 2019 – nil) relates to a potential liability for Indian capital gains tax that may arise on the Company's Indian investments should they be sold in the future, based on the net unrealised taxable capital gain at the period end and on enacted Indian tax rates. The amount of any future tax amounts payable may differ from this provision, depending on the value and timing of any future sales of such investments and future Indian tax rates.

## **9 Shareholders' Funds**

	<b>31 October 2019</b>	<b>30 April 2019</b>
Shareholders' funds	£1,891,859,000	£1,862,815,000
Number of ordinary shares in issue at the period end	219,073,859	218,593,859
Shareholders' funds per ordinary share	863.6p	852.2p

The shareholders' funds figures above have been calculated after deducting borrowings at book value, in accordance with the provisions of FRS 104. Reconciliations between shareholders' funds and net asset values, calculated after deducting borrowings at par value and fair value, are shown on page 21.

- 10** In the six months to 31 October 2019 the Company issued 480,000 ordinary shares (nominal value of £24,000) at a premium to net asset value, raising net proceeds of £4,354,000. No shares were bought back during the period and no shares were held in treasury at 31 October 2019. At 31 October 2019, the Company had authority to buy back 32,786,706 shares and to allot or sell from treasury 21,672,385 shares.
- 11** Transaction costs on purchases amounted to £91,000 (31 October 2018 – £315,000; 30 April 2019 – £488,000) and transaction costs on sales amounted to £73,000 (31 October 2018 – £154,000; 30 April 2019 – £293,000).

## **12 Related Party Transactions**

There have been no transactions with related parties during the first six months of the current financial year that have materially affected the financial position or the performance of the Company during that period and there have been no changes in the related party transactions described in the last Annual Report and Financial Statements that could have had such an effect on the Company during that period.

## Principal Risks and Uncertainties

The principal risks facing the Company, which have not changed since the date of the Company's Annual Report and Financial Statements for the year ended 30 April 2019, are financial risk, investment strategy risk, regulatory risk, custody and depository risk, operational risk, discount risk, political risk and leverage risk. An explanation of these risks and how they are managed is set out on pages 16 and 17 of that report, which is available on the Company's website: [www.monksinvestmenttrust.co.uk](http://www.monksinvestmenttrust.co.uk).

## Responsibility Statement

We confirm that to the best of our knowledge:

- a) the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
- b) the Interim Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months, and their impact on the Financial Statements, and a description of principal risks and uncertainties for the remaining six months of the year); and
- c) the Interim Financial Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

On behalf of the Board  
JGD Ferguson  
Chairman  
3 December 2019

## Further Shareholder Information

### Company History

Monks was incorporated in 1929 and was one of three trusts founded in the late 1920s by a group of investors headed by Sir Auckland (later Lord) Geddes. The other two trusts were The Friars Investment Trust and The Abbots Investment Trust. The company secretary's office was at 13/14 Austin Friars in the City of London, hence the names.

In 1931, Baillie Gifford & Co took over the management of all three trusts and Monks became a founder member of the Association of Investment Trusts in 1932.

In 1968, under a Scheme of Arrangement, the three trusts were merged with Monks acquiring the ordinary share capital of Friars and Abbots.

### Monks is an investment trust. Investment trusts offer investors the following:

- participation in a diversified portfolio of shares;
- constant supervision by experienced professional managers; and
- the Company is free from capital gains tax on capital profits realised within its portfolio although investors are still liable for capital gains tax on profits when selling their investment.

### How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker or by asking a professional adviser to do so. If you are interested in investing directly in Monks, you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting

[www.monksinvestmenttrust.co.uk](http://www.monksinvestmenttrust.co.uk).

### Sources of Further Information on the Company

Up-to-date information about Monks can be found on the Company's page of the Managers' website at [www.monksinvestmenttrust.co.uk](http://www.monksinvestmenttrust.co.uk). You will find full details on Monks, including the latest share price and recent portfolio information and performance figures.

The share price is quoted daily in the Financial Times and can also be found on other financial websites. Company factsheets are also available on the Company's website and are updated monthly. These are available from Baillie Gifford on request.

### Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone (your call may be recorded for training or monitoring purposes), email, fax or post. See contact details in the 'Further Information' box on the back cover.

### Share Register Enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0370 707 1170.

### Dividend Reinvestment Plan

Computershare operate a Dividend Reinvestment Plan which can be used to buy additional shares instead of receiving your dividend via cheque or into your bank account. For further information log on to [www.investorcentre.co.uk](http://www.investorcentre.co.uk) and follow the instructions or telephone 0370 707 1694.

## Risk Warnings

Past performance is not a guide to future performance.

Monks is a listed UK Company. The value of its shares and any income from them can fall as well as rise and investors may not get back the amount invested.

Monks invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

Market values for securities which have become difficult to trade may not be readily available, and there can be no assurance that any value assigned to such securities will accurately reflect the price Monks might receive upon their sale.

The Company's risk could be increased by its investment in unlisted investments. These assets may be more difficult to buy or sell, so changes in their prices may be greater.

Monks invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment.

Monks has borrowed money to make further investments (sometimes known as 'gearing' or 'leverage'). The risk is that when this money is repaid by the Company, the value of the investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company's investments fall in value, any invested borrowings will increase the amount of this loss.

Monks can buy back its own shares. The risks from borrowing, referred to above, are increased when the Company buys back its own shares.

Monks can make use of derivatives which may impact on its performance. Currently, the Company does not make use of derivatives.

As the aim of Monks is to achieve capital growth you should not expect a significant, or steady, annual income from the Company.

You should note that tax rates and reliefs may change at any time and their value depends on your circumstances.

Monks is listed on the London Stock Exchange and as such complies with the requirements of the UK Listing Authority. It is not authorised or regulated by the Financial Conduct Authority.

Further details of the risks associated with investing in the Company, including a Key Information Document and how charges are applied, can be found at [www.monksinvestmenttrust.co.uk](http://www.monksinvestmenttrust.co.uk), or by calling Baillie Gifford on 0800 917 2112. This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

## Automatic Exchange of Information

In order to fulfil its obligations under UK tax legislation relating to the automatic exchange of information, the Company is required to collect and report certain information about certain shareholders.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, the Company will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders  
<https://www.gov.uk/government/publications/exchange-of-information-account-holders>.

## Third Party Data Provider Disclaimer

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# Glossary of Terms and Alternative Performance Measures (APM)

## Total Assets

The total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

## Shareholders' Funds

Shareholders' Funds is the value of all assets held less all liabilities, with borrowings deducted at book cost.

## Net Asset Value (APM)

Net Asset Value (NAV) is the value of all assets held less all liabilities, with borrowings deducted at either par value or fair value as described below. Per share amounts are calculated by dividing the relevant figure by the number of ordinary shares in issue.

## Net Asset Value (Borrowings at Par Value) (APM)

Borrowings are valued at nominal par value. A reconciliation from shareholders' funds (borrowings at book value) to net asset value after deducting borrowings at par value is provided below.

	31 October 2019 £'000	31 October 2019 per share	30 April 2019 £'000	30 April 2019 per share
Shareholders' funds (borrowings at book value)	1,891,859	863.6p	1,862,815	852.2p
Add: book value of borrowings	138,492	63.2p	139,162	63.6p
Less: par value of borrowings	(138,601)	(63.3p)	(139,287)	(63.7p)
<b>Net asset value (borrowings at par value)</b>	<b>1,891,750</b>	<b>863.5p</b>	<b>1,862,690</b>	<b>852.1p</b>

The per share figures above are based on 219,073,859 (30 April 2019 – 218,593,859) ordinary shares of 5p, being the number of ordinary shares in issue at the period end.

## Net Asset Value (Borrowings at Fair Value) (APM)

Borrowings are valued at an estimate of market worth. The fair value of the Company's 6% debenture stock 2023 is based on the closing market offer price on the London Stock Exchange. The fair value of the Company's short term bank borrowings is equivalent to its book value.

A reconciliation from shareholders' funds (borrowings at book value) to net asset value after deducting borrowings at fair value is provided below.

	31 October 2019 £'000	31 October 2019 per share	30 April 2019 £'000	30 April 2019 per share
Shareholders' funds (borrowings at book value)	1,891,859	863.6p	1,862,815	852.2p
Add: book value of borrowings	138,492	63.2p	139,162	63.6p
Less: fair value of borrowings	(144,201)	(65.8p)	(146,287)	(66.9p)
<b>Net asset value (borrowings at fair value)</b>	<b>1,886,150</b>	<b>861.0p</b>	<b>1,855,690</b>	<b>848.9p</b>

The per share figures above are based on 219,073,859 (30 April 2019 – 218,593,859) ordinary shares of 5p, being the number of ordinary shares in issue at the period end.

## Discount/Premium (APM)

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

## Net Liquid Assets

Net liquid assets comprise current assets less current liabilities (excluding borrowings) and provisions for deferred liabilities.

## Active Share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the listed equity portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

## Total Return (APM)

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend, as detailed below.

### Net Asset Value Total Return

		31 October 2019 NAV (par)	31 October 2019 NAV (fair)
Closing NAV per share	a	863.5p	861.0p
Dividend adjustment factor*	b	1.0020	1.0020
Adjusted closing NAV per share	c = a x b	865.2p	862.7p
Opening NAV per share	d	852.1p	848.9p
<b>Total return</b>	<b>(c ÷ d) - 1</b>	<b>1.5%</b>	<b>1.6%</b>

\* The dividend adjustment factor is calculated on the assumption that the dividend of 1.85p paid by the Company during the period was reinvested into shares of the Company at the cum income NAV at the ex-dividend date.

### Share Price Total Return

		31 October 2019 Share price
Closing share price	a	888.0p
Dividend adjustment factor*	b	1.0019
Adjusted closing share price	c = a x b	889.7p
Opening share price	d	883.0p
<b>Total return</b>	<b>(c ÷ d) - 1</b>	<b>0.8%</b>

\* The dividend adjustment factor is calculated on the assumption that the dividend of 1.85p paid by the Company during the period was reinvested into shares of the Company at the share price at the ex-dividend date.

## Gearing (APM)

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets. The level of gearing can be adjusted through the use of derivatives which affect the sensitivity of the value of the portfolio to changes in the level of markets.

Potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

Invested gearing is the Company's borrowings at par less cash and brokers' balances expressed as a percentage of shareholders' funds.





## Directors

Chairman:

JGD Ferguson

EM Harley

BJ Richards

Professor Sir Nigel Shadbolt

KS Sternberg

JJ Tighe

## Registered Office

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ISIN GB0030517261  
Sedol 3051726  
Ticker MNKS

Legal Entity Identifier:  
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