

Baillie Gifford™

The Monks Investment Trust PLC

Philosophy and Process



For professional
use only.

Potential for profit and loss

All investment strategies have the potential for profit and loss, your or your clients' capital may be at risk.

This is a marketing communication and should not be considered as advice or a recommendation to buy, sell or hold a particular investment.

This communication contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.

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Trust information

Trust aims

The Monks Investment Trust PLC invests globally to achieve capital growth, which takes priority over income and dividends.

As with any investment, your clients' capital is at risk.

A Key Information Document is available by contacting us.

Trust details

SEDOL	3051726
Sector	Global Growth
Comparative index	FTSE World Index (in sterling terms)
Launch date	1929
Year end	30 April
AGM	August/September
Results announced	June and December (Typically)
Dividends paid	August/September (If any)
Management details	Baillie Gifford & Co Limited are appointed as investment managers and secretaries to the company. The management contract can be terminated at six months' notice.
Annual management fee	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

Trust 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. Sir Auckland Geddes was a former Professor of Anatomy who, during the First War, had become Director of Recruiting at the War Office. He then went on to become a Unionist MP and a Cabinet Minister as President of the Board of Trade.

The Trust's first investments included large holdings of railway and energy companies in the UK, USA, Germany, Australia and South America, and also investments in Chinese Government bonds and Hungarian bonds. The geographic split in the first year was 29% UK, 18% Europe, 13% The Commonwealth, 10% USA, 12% Latin America, 6% Asia, 2% Africa and the remainder in other international markets. Half was invested in ordinary shares and half in fixed interest stocks and preference shares.

In 1931, Baillie Gifford & Co took over the management of all three companies and Monks became a founder member of the Association of Investment Trusts in 1932, of which Carlyle Gifford, the co-founder of Baillie Gifford & Co, was Deputy Chairman. Before the Second World War there were two issues of debentures stocks in 1933 and 1935. By 1935 the UK portion had risen to 46% and investments in ordinary shares accounted for 59%. There were restrictions on foreign holdings during the Second World War but by 1957 investment in the USA had increased to 31%.

In 1968, under a Scheme of Arrangement, the three trusts were merged with Monks acquiring the ordinary share capital of Friars and Abbots. Monks continues to invest on a global basis with a view to achieving capital growth.



Gearing

Borrowings are invested in equities and other asset classes when this is considered to be appropriate on investment grounds. Gearing levels, and the extent of equity gearing, are discussed by the board and managers at every board meeting and adjusted accordingly with regard to the outlook. New borrowings will not be taken out if this takes the level of effective equity gearing to over 30% of shareholders' funds. Equity exposure may, on occasions, be below 100% of shareholders' funds. The board continues to monitor the level of strategic gearing.

At present the agreed broad gearing parameters are 15% net cash to plus 15% invested in equities, with plus 10% considered to be the long-term neutral position.* The investment managers are at liberty to move within these parameters, notifying the board if there is a five percentage point move between board meetings.

Borrowings*

	Par value (£)	Fair value (£)
Series A Notes 1.86% 2054	60,000,000	28,271,000
Series B Notes 1.77% 2045	40,000,000	21,607,000
NAB £50m @ SONIA	50,000,000	50,000,000

*Correct as at 30 April 2024.

About Baillie Gifford

Baillie Gifford is one of the UK's largest private investment managers. The firm was founded in 1908 in Edinburgh where it continues to have its headquarters. The firm is a private partnership wholly owned by the current partners who all work within the business. The partnership structure affords the company significant stability and independence which means we focus on the best interests of our clients. Our sole business is investment management with more than half of funds under management in global or international equity portfolios. Baillie Gifford & Co is authorised and regulated by the Financial Conduct Authority.



Our competitive advantages

01

People

Our people are fundamental to our success, and our partnership structure brings sustainable advantages in the recruitment and retention of staff.

Baillie Gifford's partnership structure has provided the foundation for an enviable record of corporate stability. It is also a significant factor in our success in attracting and retaining the very best investment talent. Our selection policy is based on intelligence rather than allegedly relevant specialisation, leading to recruitment of individuals from a wide range of academic disciplines. By training our analysts and investment managers in-house we manage to combine a common culture with an atmosphere that encourages vigorous debate. The firm's values and beliefs are clearly communicated and, coupled with low staff turnover and long service.

02

Investment research information

We believe that while access to information is important to an investment manager, how we use that information is more so.

We recognise that all investment institutions have access to the same information and that it is our analysis of this information which adds value for our clients. In addition, we gain insights into business models and the competitive advantages of companies by attending around 1,600 company meetings each year. Company meetings are key to our idea generation, research and stock selection process as they help us understand a company in greater depth. We are cognisant of the pitfalls of confirmation bias and market noise. Rather than being guided by the mood of the market, we think independently and make more informed stock picking decisions for the long-term benefit of our clients.

03

Location

Having the majority of our decision makers in Edinburgh enables us to share views and ideas easily and efficiently. In addition to this, our common approach to research across departments helps provide an outstanding framework to allow us to select stocks effectively on a global basis.

The investment approach

Monks has a long-term global equity growth strategy that draws on the broad research capabilities at Baillie Gifford. Stock selection is bottom-up with a focus on fundamental analysis. The portfolio, investing in c.120+ stocks, is well diversified and very different from its comparative index.

Dedicated team

Portfolio responsibility for Monks sits with Baillie Gifford's Global Alpha Team. Spencer Adair (Lead Manager) and Malcolm MacColl (Deputy Manager) are responsible for the management and performance of the portfolio. Both are partners in the firm, in Malcolm's case, one of Baillie Gifford's managing partners. In addition to another partner (Helen Xiong), the team also has three dedicated research analysts and a dedicated ESG analyst.

'Bottom-up' growth investing with a global perspective

Stocks are picked on the basis of fundamental attractions, irrespective of location. Industry and regional exposure are a residual of the stock selection process. The focus is on companies that can deliver above-average earnings growth.

A genuinely active portfolio

The portfolio is very different from the index with an active share (defined as the percentage of the portfolio that does not overlap with the index) of around 85%.

A long-term investment perspective

We are investors, not speculators. We expect annual turnover to normally be around 20%, implying holding periods for at least five years on average.

Philosophy

Our investment philosophy is to make long-term investments in well-managed businesses which enjoy sustainable competitive advantages. Our core belief is that share prices ultimately follow earnings. For this reason, we aim to select stocks that offer the prospect of sustainable, above average growth in earnings and cash flow. Our 'growth hurdle' is to look for companies which we believe have the potential to at least double over our five-year investment time horizon. We are patient investors; we believe we can deliver greater outperformance for our clients by assessing a company's prospects for sustainable growth rather than by predicting short-term share price movements or macroeconomic trends.

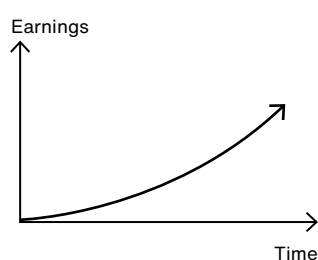
We have an open-minded approach to growth: we recognise that companies grow at different rates and at different times – we embrace the diversity of growth opportunities available to us. We place all the stocks in the portfolio in one of three 'growth

profiles': compounders, disruptors and capital allocators. Our growth profile framework helps to set expectations and ensure there is an appropriate diversity of growth across the portfolio. We expect companies in each profile to exhibit different characteristics and perform differently across the market cycle.

For each investment in the portfolio we construct a 'forward-looking hypothesis'. The purpose is to concisely lay out the core of the investment thesis and ensure a resolute focus on the progress of a company towards our long-term growth expectations. We continually retest the thesis as new information about a company arises and in context of the forward-looking hypothesis.

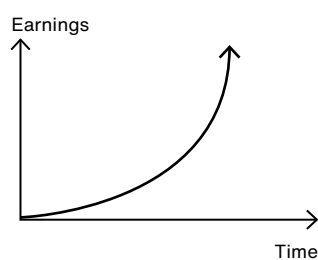
Monks stock growth profiles

Compounders



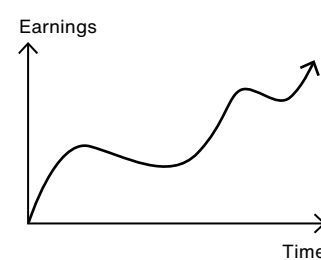
Durable franchise
Strong competitive advantage

Disruptors



Innovative disruptors
Vast opportunity

Capital Allocators



Skilled management
Structural growth

Research and process

The Global Alpha investment managers and analysts spend the majority of their time researching stock ideas. The team also leverages the work and experience of the wider Baillie Gifford research teams through our trusted advisor network, drawing on the stock ideas and insights generated by their individual teams. The advisors fall into two groups aligned with either disruptive or flexible growth strategies. Further research is then conducted on stocks which the Global Alpha Team believe may merit inclusion in the portfolio.

The Portfolio Review Group (PRG) consists of the three Global Alpha investment managers and dedicated analysts, together with representatives from other equity teams. Occasionally, a topical guest from the broader Baillie Gifford investment floor may also attend to address specific areas of interest.

At the PRG meetings, which we alternate between the two growth groups and occur roughly every six weeks, all members show their enthusiasm for stock ideas by ranking the stocks that are currently in the

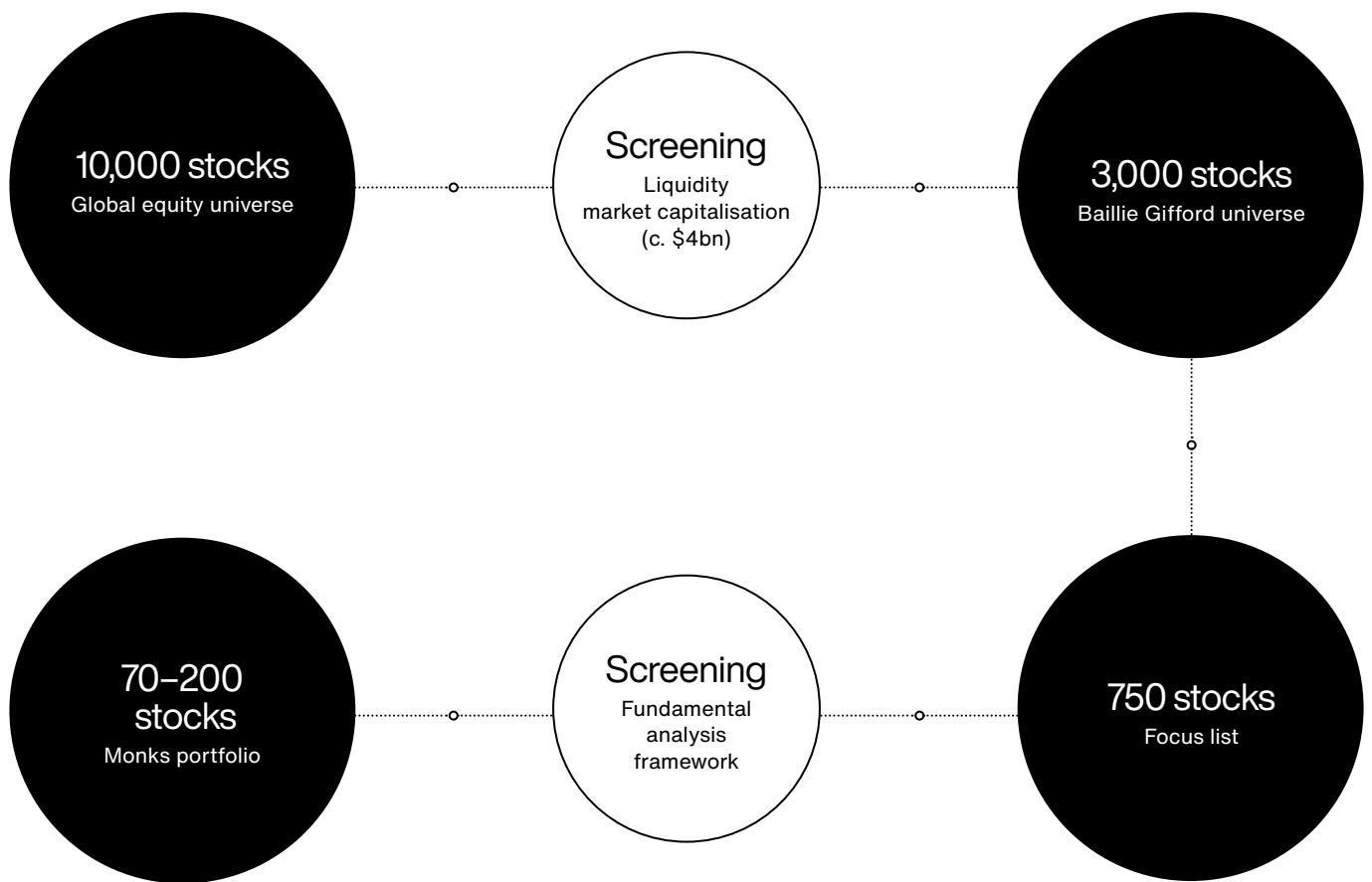
portfolio and those that they think warrant inclusion in the future. Ideas are debated in a global context, and where more work needs to be done, the investment managers can either take this forward themselves or ask our advisors to undertake the work.

The qualitative examination of companies is critical to the company research and selection process. We have an extensive programme of company meetings and we aim to meet with all our major holdings at least once a year. All the research undertaken at Baillie Gifford is generated internally, using a wide range of sources including the companies themselves. For every investment under consideration we analyse three aspects – the opportunity available to the company, its ability to execute on that opportunity and the valuation of the business.

Fundamental analysis framework

Opportunity	Industry background, competitive advantage
Execution	Financial strength, management attitudes
Valuation	Is it in the price?

Research



Portfolio construction

As lead and deputy managers, Spencer Adair and Malcolm MacColl have ultimate responsibility for portfolio construction and performance.

Following debate within the PRG, they consider four questions of each potential holding when constructing the portfolio:

01

How does the business compare globally?

Designed to assess how the business stacks up against its global peers. It may be the best investment in its home region, but could we do better by broadening our horizons?

02

What does it add to the portfolio?

Designed to seek out whether the stock is bringing a new theme to the portfolio (we are particularly keen to look for attractive diversifiers) or whether it is replicating an investment already held.

03

Where do we differ from the market?

Designed to establish whether the growth potential of the stock is already reflected in the share price.

04

Is it sustainable?

This question is deliberately broad, designed to identify any aspect of the investment case which may impact on a company's ability to compound growth many years into the future.

Careful consideration is given to the holding size of individual investments. We have three broad groups of holding size: circa 0.5% holdings, circa 1% holdings and circa 2%+ holdings. This is explained in more detail in the risk section of this document.

Our sell decisions are generated by frequent re-examination of our holdings. We particularly look for an adverse change in the fundamentals of the business, a loss of confidence in management or valuations where we think the market fully reflects our long-term view.

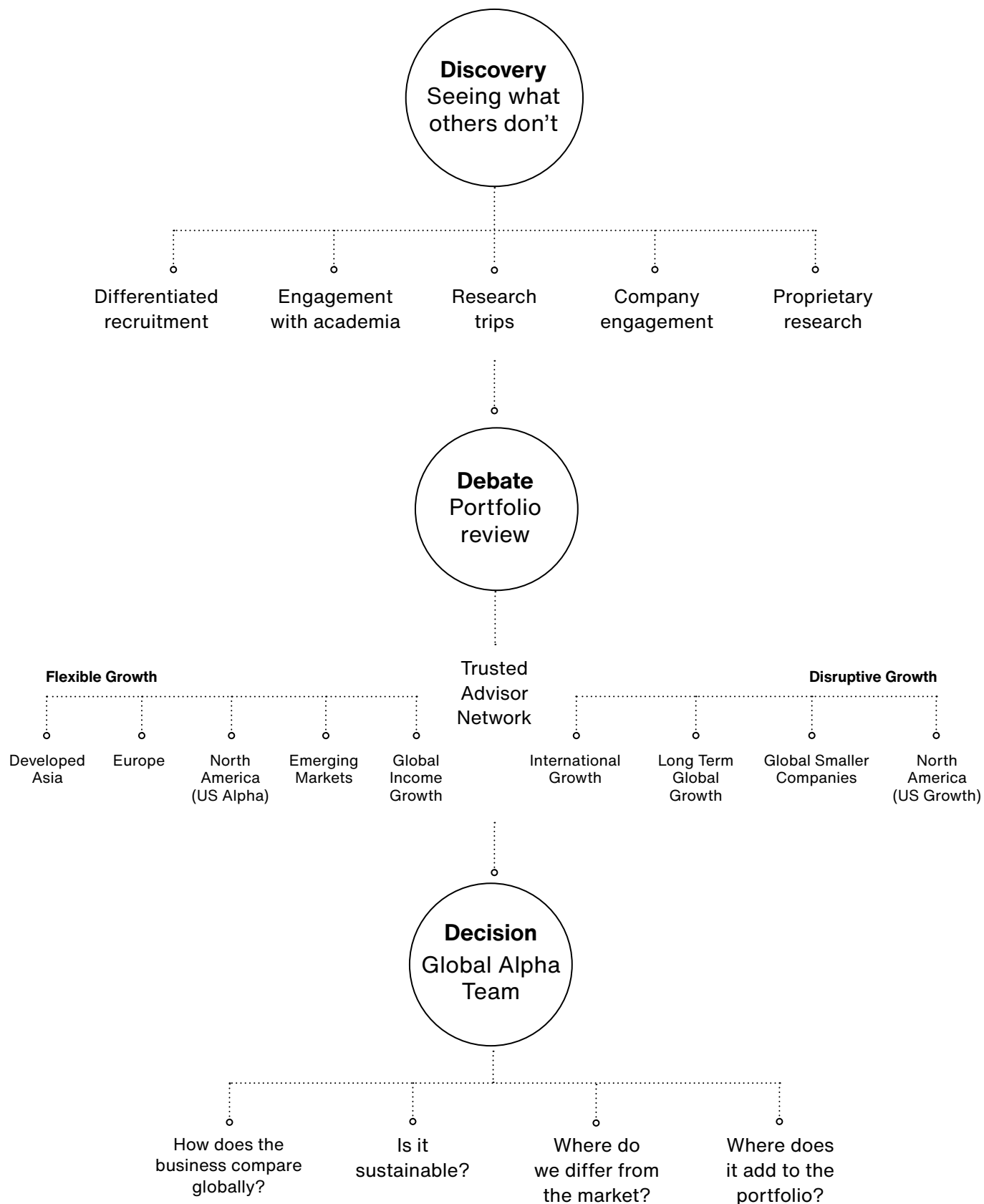
Our 'growth category' analysis also enables us to question whether a company is performing in line with our expectations and, if not, whether a sale is appropriate.

The structure of the PRG, which is strengthened by the knowledge of our regional equity and research teams, ensures that we conduct timely reviews of stocks and that decisions can be implemented quickly and on an informed basis.

Asset allocation is stock driven on a bottom-up basis. As a result, asset allocation across the world's industries and regions is a function of where we identify the most attractive investment ideas. On an informal basis we have deliberately selected wide ranges for the portfolio relative to index weights at a regional level – holding up to 20% more than the index weight in a region. There is no minimum – so we are not forced to invest in a region if we cannot find any attractive stocks in it.



Portfolio construction process



Risk

Fundamental and portfolio risk

An understanding of company fundamentals

We recognise that one of the most significant risks within the portfolio is the permanent loss of our clients' capital and we therefore place significant emphasis in our investment management process on understanding the fundamentals of the companies in which we invest, and of the industries in which they operate.

Diversification

We ensure that we have a prudent level of diversification across stocks, industries and regions. Our investment guidelines are deliberately broad. This affords our investors the freedom to only invest where they see the very best opportunities for long-term value creation. Monks is also diversified by growth type due to its three 'growth profiles'.

Holding size

Careful consideration is given to the holding size of individual investments. We have three broad groups of holding size: circa 0.5% holdings, circa 1% holdings and circa 2% holdings. Only the highest conviction stocks are normally holdings above circa 2% of the portfolio. Companies in which there is a greater degree of risk or uncertainty are typically circa 1% or less. The circa 0.5% holding size, our 'incubator' holdings, enable us to bring a wide range of stocks into the portfolio where we believe there to be a higher risk/reward profile.

Risk categories

We consider exposures to different risk categories such as commodity prices or inflation – these risk concentrations are not directly captured by reference to an index or benchmark but are important influences on return in the portfolio.

Trading risk

Our proprietary Restrictions System is designed to prevent inappropriate transactions before dealing takes place. Systems also help to avoid excessive concentration of risk by identifying any stock, sector or country exposures that are outside internal guidelines.

Risk team monitoring

Our dedicated Investment Risk, Analytics and Research Department is entirely independent of the Monks investment managers. The department uses a range of tools and measures to analyse the risk within portfolios including 'active share', delivered tracking error and the spread of stock specific risk. Importantly, our Investment Risk, Analytics and Research Department is also experienced in assessing the methodology and limitations of the different tools, and how to interpret their output in different market conditions.

Overall, we believe that these tools can add value to the investment monitoring process if used intelligently and pragmatically. The Investment Risk, Analytics and Research Department reports formally every quarter to the investment managers, client service team and our Equity Investment Risk Committee (chaired by an investment partner).

Suitability

Monks should appeal to any organisation that is prepared to tolerate short-term volatility in order to gain longer-term rewards from global equities.

It may not be an appropriate choice for those with low risk appetites, short-term performance time horizons (i.e. less than five years), or a desire for smoothed returns.



Team

Accounting and secretarial services for the Trust are provided by our in-house Investment Trust Department. This team provides these services for all the investment trusts managed by Baillie Gifford & Co Ltd and to one externally managed trust.



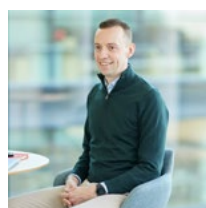
Spencer Adair
Investment Manager

Spencer is an investment manager in the Global Alpha Team. He has been an investment manager in the Global Alpha Team since its inception in 2005 and Monks Investment Trust since 2015. Spencer is a co-manager of International Concentrated Growth Strategy. He joined Baillie Gifford in 2000 and became a partner in 2013. Spencer has also spent time working in the Fixed Income, Japanese, European, Emerging Markets and UK Equities teams. He graduated BSc in Medicine from the University of St Andrews in 1997.



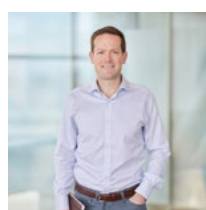
Malcolm McColl
Investment Manager

Malcolm is an investment manager in the Global Alpha Team. He has been involved in Global Alpha since the product's inception in 2005 and this is his sole portfolio responsibility. He joined Baillie Gifford in 1999 and became a partner of the firm in 2011. In 2021 he became a managing partner with overall oversight for the investment department. Malcolm previously worked in the UK Small Cap and North American equity teams. He managed the North American portion of wider global portfolios while in the North American Equity Team. Malcolm graduated MA in Economics and History in 1998 and MLitt in Economics, Politics and Management in 1999, both from the University of St Andrews.



Jon Henry
Investment Specialist

Jon is an investment specialist in the Clients Department. He joined Baillie Gifford in 2011 and has been in the Global Alpha Team since 2014. Jon liaises with institutional investors in the Global Alpha Strategy and shareholders on the Monks Investment Trust. Jon previously spent three years at AEGON Asset Management. He graduated MA (Hons) in Business Studies from the University of Edinburgh in 2007.



Alex Blake
Head of Investment Trust Operations

Alex joined Baillie Gifford in 2014 and is head of investment trust operations. Previously, he qualified as a lawyer before joining the corporate finance department of an Investment Trust broker. Alex graduated LLB from the University of Edinburgh in 2005.

Board

The board has overall responsibility for the Trust's affairs. It has a number of matters reserved for its approval including strategy, investment policy, currency hedging, gearing, treasury matters, dividend and corporate governance policy. The board currently comprises seven directors all of whom are non-executive.

Karl Sternberg
Chair

Karl Sternberg was appointed a director in 2013 and became chair on 1 September 2020. He worked for Morgan Grenfell Asset Management (owned by Deutsche Bank) from 1992 to 2005 in a variety of roles, ultimately as the chief investment officer of Deutsche Asset Management Limited.

He left that role to establish Oxford Investment Partners, an investment management company for a group of Oxford colleges, where he was chief executive officer until 2013. He is a director of Jupiter Fund Management plc, Clipstone Logistics REIT plc and Apax Global Alpha Limited, where he became chair on 1 July 2024.

Professor Sir Nigel Shadbolt
Director

Professor Sir Nigel Shadbolt was appointed a director in 2017. He is Principal of Jesus College, Oxford, Professorial Research Fellow in the Department of Computer Science, University of Oxford and a visiting Professor of Artificial Intelligence at the University of Southampton. He specialises in open data and artificial intelligence and is currently also chairman of the Open Data Institute.

Claire Boyle
Director

Claire Boyle was appointed a director in 2020. Having qualified as a chartered accountant with Coopers & Lybrand, where she specialised in litigation support and forensic accounting, Ms Boyle then spent thirteen years working in equity investment management for: Robert Fleming Investment Management; American Express Asset Management; and latterly Oxburgh Partners LLP, where she was a partner with responsibility for their European Equity Hedge Fund. She is a non-executive director of Nippon Active Value Fund plc, a non-executive director and chair of the audit committee of Fidelity Special Values Plc, and the non-executive chair of Life Science REIT plc.

Belinda Richards
Director

Belinda Richards was appointed a director in 2016 and became senior independent director in December 2023. She is a former senior partner at Deloitte LLP with a thirty year career specialising in business operations and strategy development with a particular focus on the Financial Services and Consumer Products sectors. She is currently the chair of the audit committee of Schroder Japan Growth Fund plc and a non-executive director of Phoenix Group Holdings.

Dina Chaya
Director

Dina Chaya was appointed a director in 2022. She is a partner at OrbiMed and has been investing in the private equity and venture capital healthcare industry since 2001. Previously Dr Chaya worked for Omega Funds, NeoMed, 3i and Index Ventures. She received a BA in Natural Sciences from the University of Cambridge, a PhD in Molecular and Cellular Biology from Paris VI University and is a CFA charterholder.

Randeep Grewal
Director

Randeep Singh Grewal was appointed a director in 2024. He has been chair of BB Healthcare Trust plc since July 2019, having served as a non-executive director on that board since December 2016. He is also a non-executive director of the Global Smaller Companies Trust plc. Having read Medicine and Computer Science at Jesus College, Cambridge, he trained as a vascular surgeon before transferring his skills in healthcare and technology to working as an analyst and portfolio manager with Tudor Capital in 1998. He was a senior portfolio manager at F&C Asset Management with responsibility for Thames River European Absolute Return Fund from 2010 to 2012 and portfolio manager of Trium Multi-Strategy Hedge Fund and senior portfolio manager of Trium Opportunity Equity Fund from 2015 to 2019.

Stacey Parrinder-Johnson
Director

Stacey Parrinder-Johnson was appointed a director in 2024. Until September 2023, she was chief investment officer of Investec Wealth & Investment UK, where she was also a member of the executive management committee, chair of the investment committee, and a member of the executive risk management committee. Stacey brings twenty years of experience in asset selection, portfolio management, and manager analysis across UK and international mandates, and has particular strength in investment trust governance, sustainability and risk issues. She has previously served as a pension trustee and has been a governor of the University of Portsmouth since November 2023.

Product information

You can invest in Monks in a number of ways. The shares are traded on the London Stock Exchange, so they can be purchased through a stockbroker or through a platform (see list on right).

The following are the platforms which offer Monks:

Aegon (ARC)	Close Brothers Self Directed Service
AJ Bell Youinvest	Fidelity Personal Investing
Alliance Trust Savings	Halifax Share Dealing
Aviva Online Investment Service	Hargreaves Lansdown
Barclays Smart Investor	Interactive Investor
Bestinvest	Selftrade
Cavendish Online	The Share Centre
Charles Stanley Direct	Willis Owen

Other investment trusts managed by Baillie Gifford & Co Limited:

Trust	AIC sector
Scottish Mortgage Investment Trust PLC	Global
The Monks Investment Trust PLC	Global
Keystone Positive Change Investment Trust plc	Global
The Scottish American Investment Company P.L.C.	Global Equity Income
Edinburgh Worldwide Investment Trust plc	Global Smaller Companies
The Baillie Gifford Japan Trust PLC	Japan
The Baillie Gifford Shin Nippon Trust PLC	Japanese Smaller Companies
Pacific Horizon Investment Trust PLC	Asia Pacific
Baillie Gifford US Growth Trust plc	North America
Baillie Gifford UK Growth Fund plc	UK All Companies
Baillie Gifford European Growth Trust plc	Europe
Baillie Gifford China Growth Trust plc	China

Contact



Grant Walker
Head of Intermediary Sales

0131 275 3200
07771 647 065

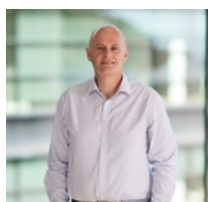
grant.walker@bailliegifford.com



Samantha Crawley
South East

0131 474 5277
07971 987 003

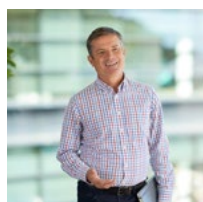
samantha.crawley@bailliegifford.com



Scott Mackenzie
London

0207 054 6018
07961 025 745

scott.mackenzie@bailliegifford.com



Simon Gaunt
London

0207 054 6003
07896 709 008

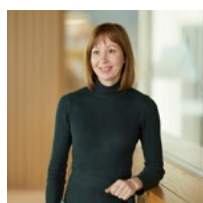
simon.gaunt@bailliegifford.com



Kevin Mitchell
Scotland, N Ireland and NE England

0131 275 3251
07919 397 178

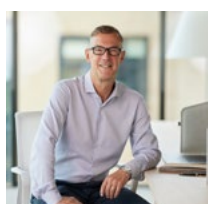
kevin.mitchell@bailliegifford.com



Laura Ingleby
North and Midlands

0207 054 6020
07843 501 643

laura.ingleby@bailliegifford.com



Chris Whittingslow
South West, S Wales and Channel Islands

0207 054 6014
07583 072 213

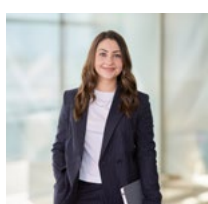
chris.whittingslow@bailliegifford.com



David Rolland
UK Advisors

0131 474 5865
07890 965 555

david.rolland@bailliegifford.com



Megan Rooney
UK Advisors

0131 275 3838
07483 054 720

megan.rooney@bailliegifford.com



Harry Driscoll
South Midlands and East Anglia

0131 474 5158
07483 049 920

harry.driscoll@bailliegifford.com

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Managers, secretaries and registered office

Baillie Gifford & Co
 Calton Square
 1 Greenside Row
 Edinburgh EH1 3AN

Website bailliegifford.com

Email trustenquiries@bailliegifford.com

Telephone 0800 917 2112

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Registrar

Computershare Investor
 Services PLC
 PO Box 82
 The Pavillions
 Bridgwater Road
 Bristol
 BS99 6ZZ

Website uk.computershare.com/investor

Telephone 0870 707 1170

Important information

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bailliegifford.com/monks

Baillie Gifford™

Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000

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