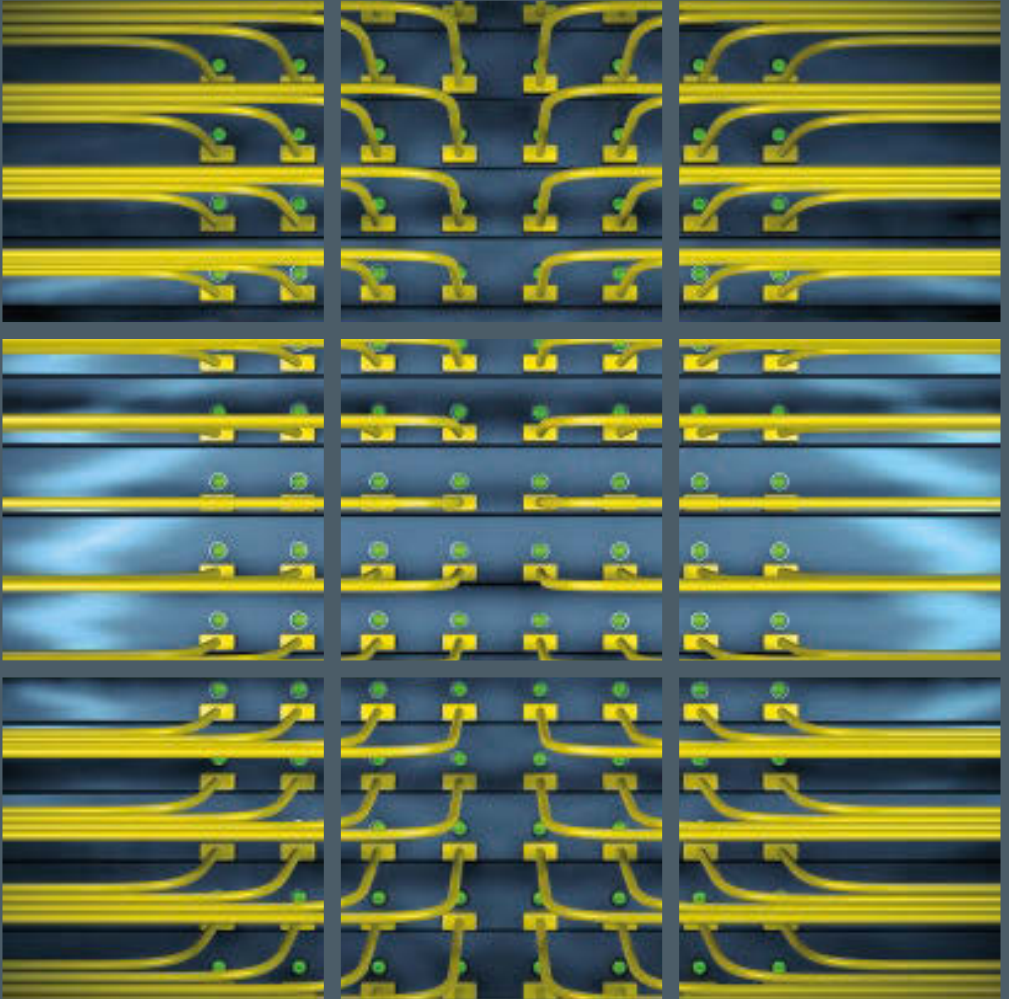


# THE MONKS INVESTMENT TRUST PLC

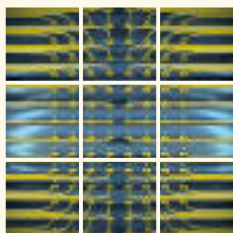
---

Global growth from  
different perspectives



Interim Financial Report  
31 October 2016





## 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 2016	30 April 2016	% change
Net asset value per share*	588.0p	470.1p	25.1
Share price	541.0p	425.3p	27.2
FTSE World Index†			22.0
Discount*	8.0%	9.5%	
Active share#	93%	93%	

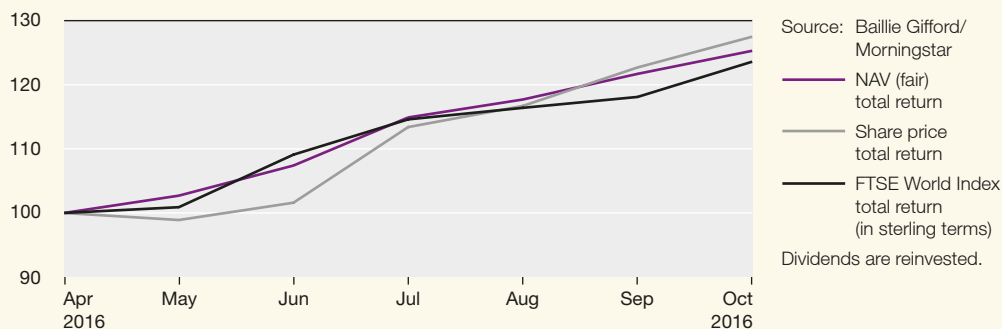
## Total Returns Performance‡ to 31 October 2016

	Six months	1 year	3 years	5 years	10 years
Net asset value*	25.3%	29.4%	35.5%	69.4%	112.9%
Share Price	27.5%	35.2%	43.1%	73.9%	125.1%
FTSE World Index†	23.6%	29.7%	47.8%	103.1%	142.0%

Source: Baillie Gifford/Morningstar.

## Six Months to 31 October 2016

(figures plotted on a monthly basis and rebased to 100 at 30 April 2016)



\* With borrowings deducted at fair value except for 10 years total return performance, which uses borrowings at par value.

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

# Active share, a measure of how actively a portfolio is managed, is the percentage of the 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 returns include the reinvestment of net dividends.

Past performance is not a guide to future performance.

## Interim Management Report

“Events, my dear boy, events”. This was the pithy response of Harold Macmillan when asked what might throw his government off track. Yet it hardly does justice to the impact of the UK’s European Union Referendum in June and the US Presidential Election in November. Few anticipated the ‘Brexit’ result. In the immediate aftermath equities fell and assets perceived as safe – for example government bonds and gold – rose. Yet by the end of the period under review, equities were up. The most significant casualty of Brexit to date has been the value of sterling. Fast forward five months and Donald Trump has been elected to the Presidency of the United States and it is still far too early to tell what the implications of this will be.

The consequences of Brexit have been very good news for Monks in the short term. This is not only because of the post-Brexit rally of equities, but more so because over 90% of the portfolio’s assets are denominated in currencies other than sterling. The fall in the currency – Monks did not hedge any currency exposure during the period – plus the rise in equities translated to a net asset value\* total return of 25.3% and a share price total return of 27.5% over the six months to end October 2016. By comparison, the global equity index total return was 23.6%.

## Investment Approach

Despite the changing economic and political landscape, the approach to managing the portfolio has remained unchanged. Relying on fundamental research, the Managers remain committed to picking stocks from across the globe, drawing on the best stock ideas generated across Baillie Gifford, investing in a wide range of companies in order to construct a diversified portfolio. The approach to diversification is helped by categorising each company into one of four broad types of growth – ‘stalwart’, ‘rapid’, ‘cyclical’ and ‘latent’ – as set out on pages 4 and 5. The aim is to make long-term investments in companies that grow at an above average rate so over time producing above average returns for Monks shareholders. The diversification should enable these returns to be independent of any particular economic or political backdrop.

\* With borrowings priced at fair value.

Past performance is not a guide to future performance.

## Results

What is the underlying rate of earnings growth for companies in the portfolio? In percentage terms it has been running at mid teens which is reassuring as 10% is the Managers’ minimum target for each holding. The focus continues to be on the long-term growth rate of underlying earnings, rather than the short-term gyrations of share prices.

The biggest positive contributors to performance were technology stocks. The top six were also larger than average holdings, further boosting their contributions. While their common thread is technology, they were diversified both by operations and geography: US and Chinese online retailers Amazon and Alibaba, South African group Naspers, Taiwanese semiconductor manufacturer TSMC, US online search engine group Alphabet, and German enterprise software company SAP.

Less helpfully, three healthcare holdings underperformed. Two of these, Alnylam and Myriad Genetics, are relatively young businesses exposed to the inevitable risks involved in developing novel treatments. To reflect these risks, they are held in smaller than average size. The third, Novo Nordisk, sells insulin for diabetes patients. This very well established global leader is suffering an increasing level of pricing pressure, particularly in the US.

## Portfolio Changes

While most of the portfolio is not directly affected by Brexit, the Managers made reductions to the building materials company CRH and airline Ryanair. Their direct exposure to both the UK and broader EU is likely to be unhelpful for their future growth. The market weakness seen immediately after the Brexit vote did provide an opportunity to add to one high quality business at a lower price: Prudential. Although it is a UK listed company, much of its growth comes from Asia and this remains on track.

Brexit aside, 12 new holdings were bought in the period. In particular the Managers continued to identify new stocks for the ‘rapid’ growth category. Three are in the US. Interactive Brokers is a fast growing online share trading platform, used by a combination of private and institutional investors. Its low cost structure enables it to undercut rivals such as

## Interim Management Report

Charles Schwab. LendingTree and Trupanion are both earlier stage companies, involved in price comparison websites and pet insurance respectively. Both offer exciting growth opportunities if market penetration for their innovative services can increase significantly. The Managers have also found further beneficiaries of economic growth in Asia: Line and China Biologic Products. Line operates the leading online messaging system in Japan and is rolling out similar services in other markets such as Indonesia. China Biologic Products is a supplier of medical fluids (such as saline and blood plasma) into the Chinese healthcare system. China's consumption of these fluids is still very low by western standards and this company is well placed to capitalise on the growth opportunity.

For each new purchase, careful thought is given to the size of the new position. All the companies listed above entered the portfolio as smaller c.0.5% 'incubator' holdings reflecting their higher-risk-higher-reward characteristics. Two other positions were introduced at the 1% level: Resmed and Verisk Analytics. Resmed supplies equipment to help treat a common medical condition known as sleep apnoea, while Verisk is a data analytics company primarily serving the insurance industry. The more established and stable nature of these businesses justifies the larger holding size.

The Managers sold 14 stocks during the period. Some, such as the industrial gases group Praxair and the mechanical component developer and manufacturer THK, were made on valuation grounds. Others, such as American Express, Volvo, Banco Popular Espanol and Aggreko, were smaller positions where the investment case had not developed as first hoped. Further work on internet 'winner takes all' markets resulted in the sale of eBay. Elsewhere in the technology field, Qualcomm and SK Hynix were sold as the Managers' confidence in their respective positions in the semiconductor market deteriorated. Lastly, the K1 Life Settlements bond matured during the period.

### Gearing

The level of invested gearing at the period end stood at 6.7%, compared to 6.9% six months earlier. Any future weakness in markets might be an opportunity to increase the position further. It is expected that invested gearing will be maintained in the range of 5%–15%.

### Dividend

As flagged in the 2016 Annual Report, any future dividends will be paid by way of one final payment after the full year results. This reflects the Company's focus on capital growth.

### Current Positioning and Outlook

The portfolio remains positioned for growth and is well diversified across regions, sectors, industries and growth types. While market sentiment will at times impact the performance of equities as an asset class, for long-term patient investors underlying corporate fundamentals will drive the performance of individual stocks.

As with Brexit, the opacity of Trump's policies means that it is hard to fathom what might happen to the growth patterns of individual companies, particularly those with direct US exposure. The introduction of trade barriers and protectionism might lead to lower levels of international trade, which would not be the optimal backdrop for the portfolio. Nonetheless, Trump's stated desire of stimulating growth through internal investment could prove a boon to the US economy and the Managers remain confident in the underlying growth of the US economy.

With the political and policy background so fluid it is too early to draw long-term conclusions following Trump's success. No adjustment has been made to the portfolio as a consequence; however, the Managers remain alert to any developments in his policies that could impact the operational performance of the holdings. The Managers believe that the portfolio consists of companies which are sufficiently flexible and resilient to cope with changing circumstances within their markets and remain excited by the possibilities and prospects afforded to long-term investors.

The principal risks and uncertainties facing the Company are set out on page 16 of this report.

By order of the Board  
JGD Ferguson  
Chairman  
6 December 2016

## 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 equity 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

- Equities 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

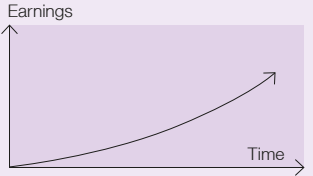
- Investors should not be penalised by high management fees.
- Low turnover and trading costs benefit shareholders.

\* Active share, a measure of how actively a portfolio is managed, is the percentage of the 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.

# Equity Portfolio by Growth Category as at 31 October 2016

Holding Size	Growth Stalwarts 20.6%		Rapid Growth 36.3%		Cyclical Growth 28.4%		Latent Growth 14.7%		Total
		%		%		%		%	%
<b>Highest conviction holdings c.2.0% each</b>	Prudential	2.9	Amazon.com	3.8	Royal Caribbean Cruises	2.8	CRH	2.1	<b>35.4</b>
	SAP	2.2	Naspers	2.9	TSMC	2.3	MS&AD Insurance	1.8	
	Moody's	1.7	Alphabet	2.6	First Republic Bank	1.7			
	Anthem	1.7	Alibaba	2.0	TD Ameritrade	1.7			
						CarMax	1.6		
						Markel	1.6		
<b>Average sized holdings c.1.0% each</b>	Visa	1.4	Facebook	1.5	Martin Marietta Materials	1.3	Samsung Electronics	1.5	<b>43.9</b>
	Schindler	1.3	AIA	1.4	EOG Resources	1.1	Apache	1.3	
	MasterCard	1.3	Ryanair	1.4	Richemont	1.0	Fairfax Financial	0.9	
	Novo Nordisk	0.9	MercadoLibre	1.3	Wolseley	1.0	Sberbank of Russia	0.8	
	Monsanto	0.9	ICICI Bank	1.2	Atlas Copco	0.9	Carlsberg	0.7	
	Resmed	0.9	Baidu	1.1	Svenska Handelsbanken	0.9	Howard Hughes	0.7	
	Colgate-Palmolive	0.8	Seattle Genetics	1.0	Teradyne	0.9			
	Waters	0.8	HDFC	0.9	SMC	0.8			
			iRobot	0.8	Wabtec	0.8			
			MarketAxess	0.8	Hays	0.8			
			Nvidia	0.8	CH Robinson Worldwide	0.8			
			Yandex	0.7	Lincoln Electric	0.8			
			TripAdvisor	0.7	Brambles	0.8			
			GrubHub	0.7	Jardine Strategic Holdings	0.7			
			Schibsted	0.7					
			M3	0.7					
			Cyberagent	0.7					
		Tesla Motors	0.7						
<b>Incubator holdings c.0.5% each</b>	Olympus	0.6	BMF Bovespa	0.6	Ritchie Bros Auctioneers	0.6	Veeco Instruments	0.6	<b>20.7</b>
	Bureau Veritas	0.6	Trupanion	0.5	Deutsche Boerse	0.6	Toyota Tsusho	0.5	
	Tsingtao Brewery	0.6	Renishaw	0.5	Rolls Royce	0.6	HTC	0.5	
	Kansai Paint	0.6	Line	0.5	DistributionNOW	0.5	Kirby	0.5	
	Stericycle	0.5	Ctrip.com International	0.5	Sands China	0.5	Dolby Laboratories	0.5	
	Verisk Analytics	0.5	IP Group	0.5	Victrex	0.5	Rohm	0.5	
	Dia	0.4	Myriad Genetics	0.5	PageGroup	0.4	Bank of Ireland	0.4	
			China Biologic Products	0.5	Leucadia National	0.3	Silk Invest Africa Food Fund	0.4	
			Japan Exchange	0.5	Ferro Alloy Resources	0.1	OC Oerlikon	0.4	
			Zillow	0.5			Fiat Chrysler Autos	0.3	
			LendingTree	0.4			MTN	0.2	
			Qiagen	0.4			Doric Nimrod Air One	0.1	
			Interactive Brokers Group	0.4			Juridica Investments	-	
			Autohome	0.4					
			Intuitive Surgical	0.4					
			Financial Engines	0.3					
			Alnylam Pharmaceuticals	0.2					
		Ferrari	0.2						
		Stratasy	0.1						

**Growth Stalwarts**

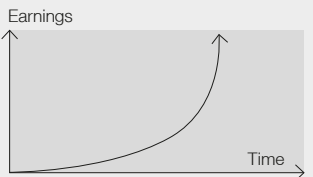


**Company Characteristics**

- 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**

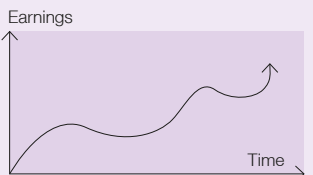


**Company Characteristics**

- 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**

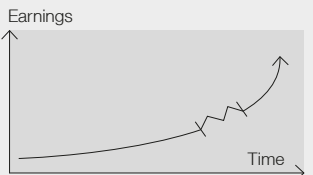


**Company Characteristics**

- 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**



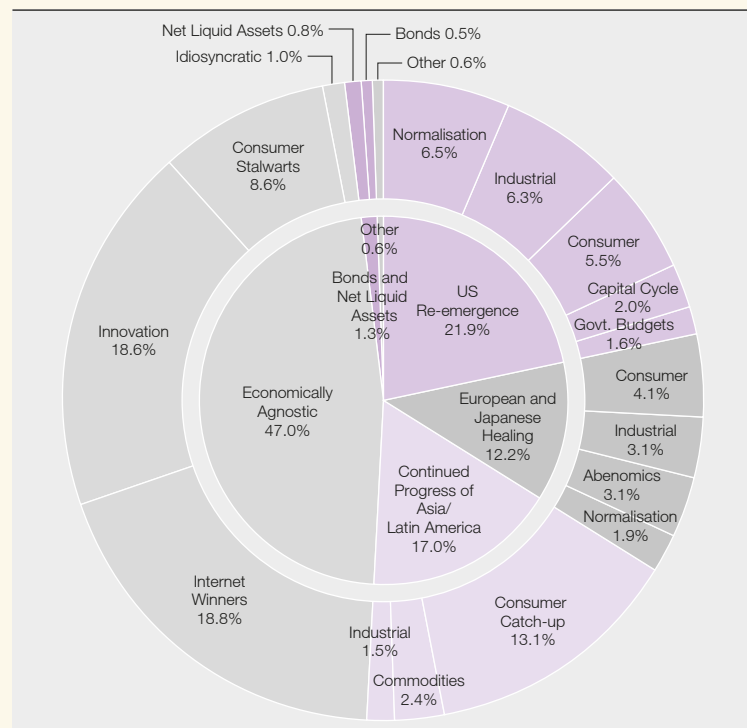
**Company Characteristics**

- 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.

## Portfolio Positioning as at 31 October 2016

### Thematic Risk Categories

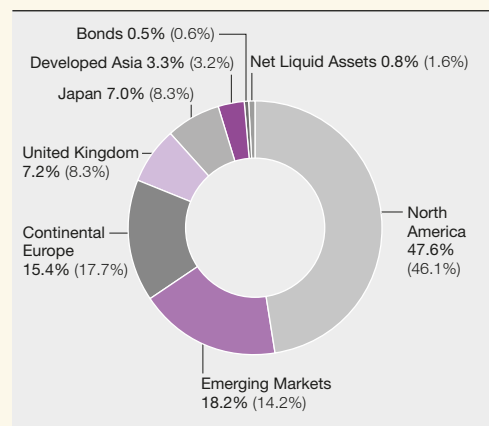


Although stock picking is resolutely bottom up in nature and pays no attention to the structure of the index, it is essential to understand the risks of each investment and, in turn, where there may be concentrations of exposures. The chart on the left outlines the key exposures of the portfolio.

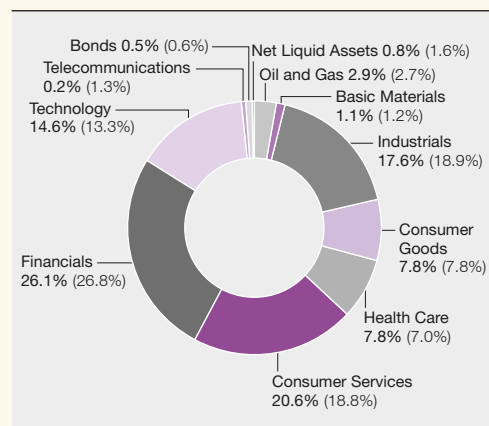
## Thirty Largest Equity Holdings at 31 October 2016

Name	Growth category	Business	Fair value £'000	% of total assets
Amazon.com	Rapid	Online retailer	50,963	3.7
Prudential	Stalwart	International financial services	39,160	2.9
Naspers	Rapid	Media and e-commerce	38,349	2.8
Royal Caribbean Cruises	Cyclical	Cruise line operator	37,188	2.7
Alphabet	Rapid	Online search engine	34,865	2.6
TSMC	Cyclical	Semiconductor manufacturer	31,062	2.3
SAP	Stalwart	Enterprise software	30,065	2.2
CRH	Latent	Diversified building materials	28,260	2.1
Alibaba	Rapid	Online and mobile commerce	26,347	1.9
MS&AD Insurance	Latent	Non-life insurer	24,081	1.8
First Republic Bank	Cyclical	Retail bank	23,379	1.7
Moody's	Stalwart	Credit rating agency	22,791	1.7
TD Ameritrade	Cyclical	Online brokerage	22,376	1.6
Anthem	Stalwart	Healthcare insurer	22,166	1.6
CarMax	Cyclical	Used car retailer	21,242	1.6
Markel	Cyclical	Speciality insurance	20,922	1.5
Samsung Electronics	Latent	Consumer and industrial electronic equipment	20,549	1.5
Facebook	Rapid	Social networking	19,625	1.4
AIA	Rapid	Insurance	19,405	1.4
Ryanair	Rapid	Low cost airline	18,495	1.4
Visa	Stalwart	Global electronic payments network	18,154	1.3
Martin Marietta Materials	Cyclical	Cement and aggregates producer	18,040	1.3
Schindler	Stalwart	Elevator and escalator manufacturer	17,854	1.3
MercadoLibre	Rapid	Latin American e-commerce platform	17,679	1.3
MasterCard	Stalwart	Global electronic payments network	17,400	1.3
Apache	Latent	Oil exploration and production	17,378	1.3
ICICI Bank	Rapid	Banking and financial services	15,966	1.2
EOG Resources	Cyclical	Oil and gas explorer and producer	14,703	1.1
Baidu	Rapid	Chinese internet search engine	14,409	1.1
Richemont	Cyclical	Luxury goods designer and manufacturer	14,109	1.0
			<b>716,982</b>	<b>52.6</b>

### Geographical at 31 October 2016 (30 April 2016)



### Sector at 31 October 2016 (30 April 2016)



## Income Statement (unaudited)

	For the six months ended 31 October 2016			For the six months ended 31 October 2015			For the year ended 30 April 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on sales of investments	–	(932)	<b>(932)</b>	–	11,056	<b>11,056</b>	–	2,441	<b>2,441</b>
Changes in investment holding gains and (losses)	–	261,596	<b>261,596</b>	–	(49,791)	<b>(49,791)</b>	–	(13,240)	<b>(13,240)</b>
Currency (losses)/gains	–	(6,314)	<b>(6,314)</b>	–	1,104	<b>1,104</b>	–	1,655	<b>1,655</b>
Income from investments and interest receivable	9,614	–	<b>9,614</b>	6,925	–	<b>6,925</b>	15,149	–	<b>15,149</b>
Investment management fee (note 3)	(2,822)	–	<b>(2,822)</b>	(2,316)	–	<b>(2,316)</b>	(4,617)	–	<b>(4,617)</b>
Other administrative expenses	(588)	–	<b>(588)</b>	(566)	–	<b>(566)</b>	(1,150)	–	<b>(1,150)</b>
<b>Net return before finance costs and taxation</b>	<b>6,204</b>	<b>254,350</b>	<b>260,554</b>	<b>4,043</b>	<b>(37,631)</b>	<b>(33,588)</b>	<b>9,382</b>	<b>(9,144)</b>	<b>238</b>
Finance costs of borrowings	(1,896)	–	<b>(1,896)</b>	(1,604)	–	<b>(1,604)</b>	(3,291)	–	<b>(3,291)</b>
<b>Net return on ordinary activities before taxation</b>	<b>4,308</b>	<b>254,350</b>	<b>258,658</b>	<b>2,439</b>	<b>(37,631)</b>	<b>(35,192)</b>	<b>6,091</b>	<b>(9,144)</b>	<b>(3,053)</b>
Tax on ordinary activities	(713)	–	<b>(713)</b>	(545)	–	<b>(545)</b>	(1,137)	–	<b>(1,137)</b>
<b>Net return on ordinary activities after taxation</b>	<b>3,595</b>	<b>254,350</b>	<b>257,945</b>	<b>1,894</b>	<b>(37,631)</b>	<b>(35,737)</b>	<b>4,954</b>	<b>(9,144)</b>	<b>(4,190)</b>
<b>Net return per ordinary share</b> (note 4)	<b>1.68p</b>	<b>118.88p</b>	<b>120.56p</b>	<b>0.89p</b>	<b>(17.59p)</b>	<b>(16.70p)</b>	<b>2.31p</b>	<b>(4.27p)</b>	<b>(1.96p)</b>

The total column of this statement is the profit and loss account of the Company.

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

A Statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above statement.

## Balance Sheet (unaudited)

	At 31 October 2016 £'000	At 30 April 2016 £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss (note 6)	1,351,588	1,079,434
<b>Current assets</b>		
Debtors	3,218	3,330
Cash and short term deposits	11,795	15,930
	15,013	19,260
<b>Creditors</b>		
Amounts falling due within one year:		
Bank loan (note 7)	(55,287)	(46,078)
Other creditors	(4,766)	(1,890)
	(60,053)	(47,968)
<b>Net current liabilities</b>	(45,040)	(28,708)
<b>Total assets less current liabilities</b>	1,306,548	1,050,726
<b>Creditors</b>		
Amounts falling due after more than one year:		
Debenture stock (note 7)	(39,794)	(39,777)
<b>Net assets</b>	<b>1,266,754</b>	<b>1,010,949</b>
<b>Capital and reserves</b>		
Called-up share capital	10,698	10,698
Share premium account	11,100	11,100
Capital redemption reserve	8,700	8,700
Capital reserve	1,189,164	934,814
Revenue reserve	47,092	45,637
<b>Shareholders' funds</b>	<b>1,266,754</b>	<b>1,010,949</b>
<b>Net asset value per ordinary share</b> (after deducting borrowings at fair value) (note 7)	<b>588.0p</b>	<b>470.1p</b>
<b>Net asset value per ordinary share</b> (after deducting borrowings at par)	<b>591.9p</b>	<b>472.4p</b>
<b>Ordinary shares in issue</b> (note 8)	<b>213,963,859</b>	<b>213,963,859</b>

## Statement of Changes in Equity (unaudited)

### For the six months ended 31 October 2016

	Called-up 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 2016	10,698	11,100	8,700	934,814	45,637	<b>1,010,949</b>
Net return on ordinary activities after taxation	–	–	–	254,350	3,595	<b>257,945</b>
Dividends paid during the period (note 5)	–	–	–	–	(2,140)	<b>(2,140)</b>
<b>Shareholders' funds at 31 October 2016</b>	<b>10,698</b>	<b>11,100</b>	<b>8,700</b>	<b>1,189,164</b>	<b>47,092</b>	<b>1,266,754</b>

### For the six months ended 31 October 2015

	Called-up 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 2015	10,698	11,100	8,700	943,958	49,135	<b>1,023,591</b>
Net return on ordinary activities after taxation	–	–	–	(37,631)	1,894	<b>(35,737)</b>
Dividends paid during the period (note 5)	–	–	–	–	(7,382)	<b>(7,382)</b>
<b>Shareholders' funds at 31 October 2015</b>	<b>10,698</b>	<b>11,100</b>	<b>8,700</b>	<b>906,327</b>	<b>43,647</b>	<b>980,472</b>

\* The Capital Reserve balance at 31 October 2016 includes holding gains on investments of £325,071,000 (31 October 2015 – gains of £26,924,000).

## Condensed Cash Flow Statement (unaudited)

	Six months to 31 October 2016 £'000	Six months to 31 October 2015 £'000
<b>Cash flows from operating activities</b>		
Net return on ordinary activities before taxation	258,658	(35,192)
Net (gains)/losses on investments	(260,664)	38,735
Currency losses/(gains)	6,314	(1,104)
Amortisation of fixed income book cost	(203)	(159)
Finance costs of borrowings	1,896	1,604
Overseas tax incurred	(715)	(527)
Changes in debtors and creditors	1,305	103
<b>Cash from operations</b>	<b>6,591</b>	<b>3,460</b>
Interest paid	(1,871)	(1,451)
<b>Net cash inflow from operating activities</b>	<b>4,720</b>	<b>2,009</b>
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(9,610)</b>	<b>45,568</b>
Equity dividends paid (note 5)	(2,140)	(7,382)
<b>Net cash outflow from financing activities</b>	<b>(2,140)</b>	<b>(7,382)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(7,030)</b>	<b>40,195</b>
Exchange movements	2,895	(12)
Cash and cash equivalents at start of period	15,930	50,815
<b>Cash and cash equivalents at end of period</b>	<b>11,795</b>	<b>90,998</b>

## Notes to the Condensed Financial Statements (unaudited)

1 The condensed Financial Statements for the six months to 31 October 2016 comprise the statements set out on pages 8 to 12 together with the related notes on pages 13 to 15. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and have not been audited or reviewed by the Auditors pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Financial Statements for the six months to 31 October 2016 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 2016, which included the early adoption of Amendments to FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland – fair value hierarchy disclosures'.

### Going Concern

Having considered the Company's principal risks and uncertainties, as set out on page 16, 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 2016 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditors' Report on those accounts was unqualified and did not contain statements under sections 498(2), (3) or (4) 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% of total assets less current liabilities, calculated quarterly.

	Six months to 31 October 2016 £'000	Six months to 31 October 2015 £'000	Year to 30 April 2016 £'000
<b>4 Net return per ordinary share</b>			
Revenue return on ordinary activities after taxation	3,595	1,894	4,954
Capital return on ordinary activities after taxation	254,350	(37,631)	(9,144)
<b>Total net return</b>	<b>257,945</b>	<b>(35,737)</b>	<b>(4,190)</b>

Net return per ordinary share is based on the above totals of revenue and capital and on 213,963,859 (31 October 2015 and 30 April 2016 – 213,963,859) 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.



## Notes to the Condensed Financial Statements (unaudited)

	Six months to 31 October 2016 £'000	Six months to 31 October 2015 £'000	Year to 30 April 2016 £'000
<b>5 Dividends</b>			
<b>Amounts recognised as distributions in the period:</b>			
Previous year's final dividend of 1.00p (2015 – 3.45p), paid 5 August 2016	2,140	7,382	7,382
Interim dividend for the year ended 30 April 2016 of 0.50p, paid 29 January 2016	–	–	1,070
	<b>2,140</b>	<b>7,382</b>	<b>8,452</b>
<b>Amounts paid and payable in respect of the period:</b>			
Interim dividend (for the year ending 30 April 2016 – 0.50p)	–	1,070	1,070
Final dividend (2016 – 3.45p)	–	–	2,140
	<b>–</b>	<b>1,070</b>	<b>3,210</b>

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

### 6 Fair Value Hierarchy

The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through the profit and loss account 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).

The Company's investments are financial assets held at fair value through profit or loss. An analysis of the Company's financial asset investments based on the fair value hierarchy described above is shown on page 15.

### 6 Fair Value Hierarchy (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>As at 31 October 2016</b>				
Listed equities	1,337,934	–	–	<b>1,337,934</b>
Unlisted equities	–	–	7,519	<b>7,519</b>
Unlisted debt securities	–	–	6,135	<b>6,135</b>
<b>Total financial asset investments</b>	<b>1,337,934</b>	<b>–</b>	<b>13,654</b>	<b>1,351,588</b>
<b>As at 30 April 2016</b>				
Listed equities	1,064,545	–	–	<b>1,064,545</b>
Unlisted equities	–	–	7,657	<b>7,657</b>
Unlisted debt securities	–	–	7,232	<b>7,232</b>
<b>Total financial asset investments</b>	<b>1,064,545</b>	<b>–</b>	<b>14,889</b>	<b>1,079,434</b>

There have been no transfers between levels of the fair value hierarchy during the period. The fair value of listed investments is bid price or, in the case of FTSE 100 constituents or holdings on certain recognised overseas exchanges, last traded price. 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 (price of recent investment, 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 2016 the book value of the Company's borrowings amounted to £95m (30 April 2016 – £86m). This comprised a £40m 6% debenture stock repayable in 2023 (30 April 2016 – £40m) and a short term bank loan of US\$67.5m (30 April 2016 – US\$67.5m).

The fair value of borrowings at 31 October 2016 was £104m (30 April 2016 – £91m).

**8** At 31 October 2016, the Company had authority to buy back 32,073,182 shares and to allot new shares/sell treasury shares up to an aggregate nominal amount of £1,069,819. No shares were bought back or allotted/sold during the period and no shares were held in treasury at 31 October 2016.

**9** Transaction costs on purchases amounted to £98,000 (31 October 2015 – £166,000; 30 April 2016 – £384,000) and transaction costs on sales amounted to £64,000 (31 October 2015 – £40,000; 30 April 2016 – £93,000).

## Principal Risks and Uncertainties Further Shareholder Information

Political risk has been added as a principal risk facing the Company as the Board is of the view that political change in areas in which the Company invests or may invest may increasingly have practical consequences for the Company. To mitigate this risk, developments are closely monitored and considered by the Board. The other 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 2016, are financial risk, regulatory risk, custody and depositary risk, operational risk, discount volatility and leverage risk. An explanation of these risks and how they are managed is set out on pages 15 and 16 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:

- the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
- the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rules 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
- the Interim Financial Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board  
JGD Ferguson  
Chairman  
6 December 2016

### 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.

### How to Invest

Monks' shares are traded on the London Stock Exchange. They can be bought through a stockbroker, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles.

### Baillie Gifford's Investment Trust Share Plan

You can invest a minimum of £250 or from £30 per month. The plan is designed to be a cost-effective way of saving on a lump sum or regular basis.

### Baillie Gifford's Investment Trust ISA

You can invest in a tax efficient way by investing a minimum of £2,000 or from £100 per month or by transferring an ISA with a value of at least £2,000 from your existing manager.

### Baillie Gifford's Children's Savings Plan

A cost-effective plan tailored especially to meet the requirements to save for children. You can invest a minimum of £100 or from £25 per month.

### Online Management Service

You can also open and manage your Share Plan, Children's Savings Plan\* and/or ISA online, through our secure Online Management Service (OMS) which can be accessed through the Baillie Gifford website at [www.bailliegifford.com/oms](http://www.bailliegifford.com/oms). As well as being able to view the details of your plan online, the service also allows you to:

- obtain current valuations;
- make lump sum investments, except where there is more than one holder;
- sell part or all of your holdings, except where there is more than one holder;

- switch between investment trusts, except where there is more than one holder; and
- update certain personal details e.g. address and telephone number.

\* Please note that a Bare Trust cannot be opened via OMS. A Bare Trust application form must be completed.

The information about the ISA, Share Plan and Children's Savings Plan has been approved by Baillie Gifford Savings Management Limited ('BGSM'). BGSM is the ISA Manager and is the Manager of the Share Plan and Children's Savings Plan. BGSM is wholly owned by Baillie Gifford & Co. Both are authorised and regulated by the Financial Conduct Authority. Baillie Gifford only provides information about its products and does not provide investment advice.

### Common Reporting Standards

On 1 January 2016 a new piece of tax legislation, The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information ('The Common Reporting Standard'), came into effect.

The legislation requires Monks 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.

All new shareholders, excluding those whose shares are held in CREST, who come on to the share register with effect from 1 January 2016 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>.

### 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.

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 invests in corporate bonds which are generally perceived to carry a greater possibility of capital loss than investment in, for example, higher rated UK government bonds. Bonds issued by companies and governments may be adversely affected by changes in interest rates and expectations of inflation.

Monks has borrowed money to make further investments (sometimes known as 'gearing'). 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 borrowings will increase the amount of this loss. Monks can buy back its own shares. The risks from borrowing are increased when the Company buys back its shares.

Monks can make use of derivatives which may impact on its performance.

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. It is not authorised or regulated by the Financial Conduct Authority.

Details of other risks that apply to investment in the savings vehicles are contained in the product brochures. Further details of the risks associated with investing in the Company, including 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.

## Directors

Chairman:

JGD Ferguson

EM Harley

DCP McDougall

BJ Richards

KS Sternberg

JJ Tighe

## Registered Office

Computershare

Investor Services PLC

Moor House

120 London Wall

London

EC2Y 5ET

## Alternative Investment Fund Managers and Secretaries

Baillie Gifford & Co Limited

Calton Square

1 Greenside Row

Edinburgh

EH1 3AN

Tel: 0131 275 2000

[www.bailliegifford.com](http://www.bailliegifford.com)

## Registrar

Computershare

Investor Services PLC

The Pavilions

Bridgwater Road

Bristol

BS99 6ZZ

Tel: 0370 707 1170

## Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and

Statutory Auditors

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

## Depository

BNY Mellon Trust & Depository  
(UK) Limited

BNY Mellon Centre

160 Queen Victoria Street

London

EC4V 4LA

## Brokers

Canaccord Genuity Limited

88 Wood Street

London

EC2V 7QR

## Company Details

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

Incorporated in England and Wales

Company Registration

No. 00236964

ISIN GB0030517261

Sedol 3051726

Ticker MNKS

## Further Information

Client Relations Team

Baillie Gifford Savings

Management Limited

Calton Square

1 Greenside Row

Edinburgh

EH1 3AN

Tel: 0800 917 2112

Email:

[trustenquiries@bailliegifford.com](mailto:trustenquiries@bailliegifford.com)

Fax: 0131 275 3955