

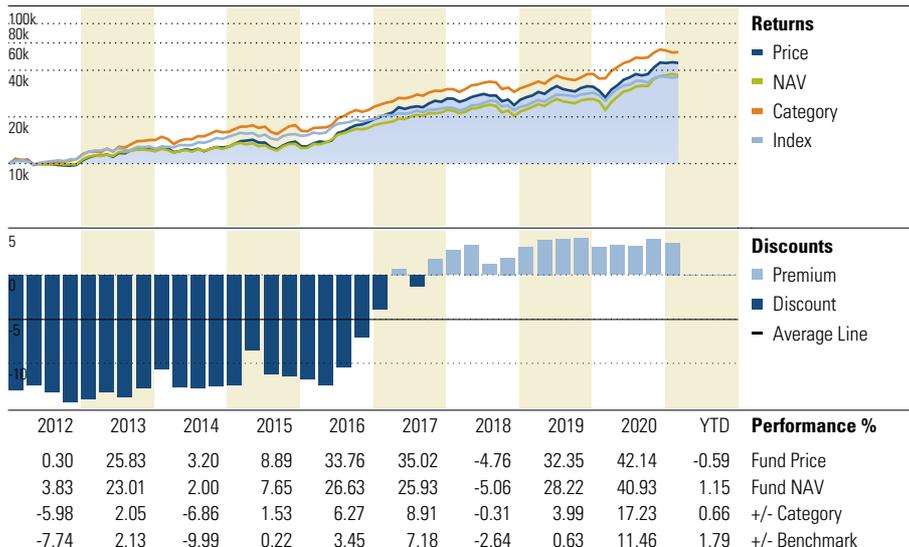
# Monks Ord MNKS

Morningstar Rating™  
★★★★

Morningstar Analyst Rating  
Silver  
9/17/20 11:53  
UTC-0500

**Morningstar Benchmark** MSCI ACWI Growth NR USD  
**Morningstar Category™** Global Large-Cap Growth Equit

Last Closing Price GBP	13.96
Last Closing NAV GBP	13.53
Discount/Premium %	+3.17
Latest Published NAV	—
Latest Published NAV Date	—
Traded Currency	GBP
Yield	0.18
Dividend Frequency	Annually
Total Assets £ Mil	3,314.3
Net Assets £ Mil	3,181.9
Market Cap £ Mil	3,284.1
Net Gearing %	0.09
Avg Daily Shares Traded Mil (3 month)	0.57
Inception Date	06/02/1929



**Morningstar Analyst:** Fatima Khizou, Analyst

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**Executive Summary**

*People:* An experienced management team and its effective use of the wider in-house resources support an Above Average rating.

*Parent:* An exemplary steward.

*Board:* This trust’s board comprises seven directors and has a good balance of investment skills and experience.

*Process:* The strategy’s established, long-term, and disciplined growth approach warrants an Above Average rating.

*Performance:* Solid results under the Global Alpha team’s watch.

*Fees:*

**Role in Portfolio**

While the strategy offers broad exposure across sectors, its clear growth bias makes it more suitable as a supporting player.

## Morningstar Opinion

17 Sep 2020 | Monks has many positive attributes including an experienced management team, broad analytical resources, and a disciplined approach. Under our enhanced ratings framework, which places a greater focus on fees and expected benchmark-relative performance, the fund’s Morningstar Analyst Rating is upgraded to Silver.

Baillie Gifford partners Malcolm MacColl, Spencer Adair, and Charles Plowden, who average 26 years of firm tenure, manage this strategy. All three managers have been involved with this trust since they took over in March 2015 and have been managing Baillie Gifford International (a global ex-UK mandate) and Baillie Gifford Global Alpha Growth since 2005 and 2010, respectively, using the same approach. In May 2020, the group announced that Plowden will retire at the end of April 2021. Comanagers MacColl and Adair remain in place, thus providing continuity for investors. Meanwhile, Helen Xiong, who was hired in 2008, joined the team on 1 June 2020 and will become a decision-maker on 1 May 2021. This period will allow for a smooth handover of any responsibilities, and Plowden, MacColl, and Adair will continue as comanagers

during that time. Xiong is not new to the team, having worked as a senior analyst on the strategy between 2012 and 2014. Moreover, she has been an idea generation ‘scout’ for the portfolio over the past six years. While Plowden’s upcoming departure will be a loss, we draw comfort from the continuity provided by MacColl and Adair’s long-term involvement in the decision-making process.

The managers target firms that offer sustainable, above-average earnings and cash flow growth prospects. The team undertakes bottom-up, fundamental research that focuses on companies with competitive advantages, superior business models, strong financials, good management, and attractive valuations. Stocks fall into four growth buckets: rapid growth, latent growth, cyclical growth, and growth stalwarts. This means the trio is prepared to invest in companies that grow at different rates, some more cyclical than others. The approach is patient, so turnover has been, and should remain, low.

From March 2015 through August 2020, returns were ahead of the MSCI ACWI Growth Index and the peer group average. Long-term success was largely attributable to good stock-picking.



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## Morningstar Analyst Rating

	2019	2020	2021
Gold			
Silver			
Bronze			
Neutral			
Negative			
Under Review			
Not Ratable			

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The date shown next to the Morningstar Analyst Rating is the date on which Morningstar Manager Research Analyst assigned or reaffirmed the current rating for the fund based on the analyst's latest review and research report for the fund.

## The Five (5) Pillars

Morningstar has identified five key areas that we believe are crucial to predicting the future success of funds: People, Parent, Process, Performance, and Price. Each pillar is evaluated when assessing a fund as well as the interaction between the pillars, which we believe is crucial to understanding a fund's overall merit.

### People

The overall quality of a fund's investment team is a significant key to its ability to deliver superior performance relative to its benchmark and/or peers. Evaluating a fund's investment team requires that analysts assess several relevant items including how key decisions are made.

### Parent

We believe the parent organization is of utmost importance in evaluating funds. The fund's management set the tone for key elements of our evaluation, including capacity management, risk management, recruitment and retention of talent, and incentive pay. Beyond these operational areas, we prefer firms that have a culture of stewardship and put investors first to those that are too heavily weighted to salesmanship.

### Process

We look for funds with a performance objective and investment process (for both security selection and portfolio construction) that is sensible, clearly defined, and repeatable. In addition, the portfolio should be constructed in a manner that is consistent with the investment process and performance objective.

### Performance

We do not believe past performance is necessarily predictive of future results, and this factor accordingly receives a relatively small weighting in our evaluation process. In particular, we strive not to anchor on short-term performance. However, we do believe that the evaluation of long-term return and risk patterns is vital to determining if a fund is delivering to our expectations.

### Price

To reflect actual investor experience, price is evaluated within the context of the relevant market or cross-border region—for example, the United States, Australia, Canada, or Europe. In recognition of differences in scale and distribution costs in various markets, the level at which a fund is penalised for high fees or rewarded for low fees can vary with region. In Europe, for example, funds are penalised if they land in the most expensive quintile of their Morningstar category and are rewarded if they land in the cheapest quintile. The assessment is made using annual expense ratios, but in the case of funds with performance fees, expenses are evaluated excluding any performance fees and then the structure of the performance fee is evaluated separately.

## Morningstar Analyst Ratings

Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken.

### Gold

Represents funds that our analyst has the highest-conviction in for that given investment mandate. By giving a fund a Gold rating, we are expressing an expectation that it will outperform its relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five

years). To earn a Gold rating, a fund must distinguish itself across the five pillars that are the basis for our analysis.

#### Silver

Represents funds our analyst has high-conviction in, but not in all of the five pillars. With those fundamental strengths, we expect these funds will outperform their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years).

#### Bronze

Represents funds that have advantages that clearly outweigh any disadvantages across the pillars, giving analyst the conviction to award them a positive rating. We expect these funds to beat their relevant performance benchmark and/or peer group within the context of the level of risk taken over a full market cycle (or at least five years).

#### Neutral

Represents funds in which our analysts don't have a strong positive or negative conviction. In our judgment, these funds are not likely to deliver standout returns, but they aren't likely to seriously underperform their relevant performance benchmark and/or peer group either.

#### Negative

Represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance, such as high fees or an unstable management team. Because of these faults, we believe these funds are inferior to most competitors and will likely underperform their relevant performance benchmark and/or peer group, within the context of the level of risk taken, over a full market cycle.

Morningstar may also use two other designations in place of a rating:

#### Under Review

This designation means that a change that occurred with the fund or at the fund company requires further review to determine the impact on the rating.

#### Not Ratable

This designation is used only where we are providing a report on a new strategy or on a strategy where there are no relevant comparators, but where investors require information as to suitability.

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#### Equity-Related Data Points

The Report lists the fund's top ten holdings as of the dated noted. For each underlying holding, a series of data points is provided including, where applicable, that security's Economic Moat as of the date noted.

##### Economic Moat

The concept of an economic moat plays a vital role in our equity analyst's qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of its fair value estimate. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a *narrow moat* are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. *Wide-moat* companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, *no-moat* companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

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