

# THE MONKS INVESTMENT TRUST PLC

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Global growth from  
different perspectives



Interim Financial Report  
31 October 2018





## 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 2018	30 April 2018	% change
Net asset value per share† (NAV)	750.7p	759.0p	(1.1)
Share price	769.0p	785.0p	(2.0)
FTSE World Index#‡			3.2
Premium†	2.4%	3.4%	
Active share	92%	91%	

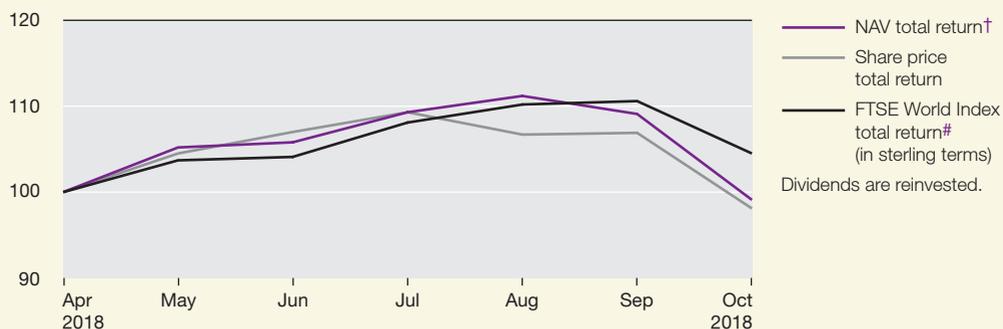
## Total Return Performance\*‡

### To 31 October 2018

	Six months	1 year	3 years	5 years	10 years
Net asset value†	(0.9%)	1.0%	65.7%	73.6%	245.7%
Share Price	(1.9%)	3.3%	92.8%	104.2%	302.8%
FTSE World Index#	4.5%	4.7%	54.4%	75.9%	242.7%

### For six months to 31 October 2018

(figures plotted on a monthly basis and rebased to 100 at 30 April 2018)



\* For a definition of terms used see Glossary of Terms on page 20.

† 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/Morningstar and relevant underlying index providers. See disclaimer on page 19.

Past performance is not a guide to future performance.

## Interim Management Report

After a period of generally steadily rising markets, the past six months have seen a return of volatility and a shift in market sentiment. This is far from unusual or unhealthy as markets rarely move in straight lines and are subject to unpredictable mood swings. The managers are bottom-up investors who do not attempt to time or forecast market moves but who instead focus on identifying and holding a portfolio of the best growth companies from around the world. They believe that retaining a long-term view that focuses on corporate fundamentals is the best way to produce superior returns.

During the period, the Company produced a negative net asset value (NAV)\* return of 0.9% compared to an increase of 4.5% for the comparative index (FTSE World in sterling), both in total return terms. Over the period, the share price total return declined by 1.9% with the premium to NAV\* falling from 3.4% to 2.4%. While this was evidently not a profitable period for the Company, 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 comparative index total return has been 46.7%, the NAV\* total return 56.0% and the share price total return 82.4%.

Not surprisingly given the market volatility and performance described above, several holdings in the portfolio saw material share price declines. A number of Asian consumer holdings got caught up in the negative sentiment towards Emerging Markets, which in turn was partly driven by trade war rhetoric. Whilst, as described below, the managers have been diversifying the portfolio somewhat in recent months, they have retained their enthusiasm for Asian companies which they believe offer exceptional long-term growth prospects, but in the short term have held back portfolio performance.

### Portfolio Changes

The turnover of holdings in the portfolio was low and is consistent with a near six year holding period. During the period, ten new holdings were purchased and eight sold. In general, there are three broad themes reflecting a desire for greater diversification in the portfolio.

\* With borrowings deducted at fair value.

Past performance is not a guide to future performance. For a definition of terms used see Glossary of Terms on page 20. Total return information is sourced from Baillie Gifford/Morningstar and relevant underlying index providers. See disclaimer on page 19.

First, over the long term the portfolio has benefited from many profitable investments in 'online platforms'. Within this area the managers have been recycling money away from the biggest technology platforms which have been amongst the outstanding past performers into smaller and less established online companies which are believed to have the potential for rapid growth. Since mid-2017, the position in Amazon (online retail and cloud computing) has been trimmed four times (twice during the reporting period) with the total number of shares held reduced by around one-third.

Successful platforms often bring together buyers and sellers at scale, offering a better selection of products or services and lowering prices. These features are clear in online food delivery. GrubHub, the dominant US player, has been held since 2015. It is delivering on its potential and the position has been trimmed to help fund a new holding in Just Eat, which leads in markets such as the UK, Canada, Australia and Brazil. A position was also initiated in Meituan Dianping, which offers food delivery and other local services in China. Meituan has 310 million customers in 2,800 cities.

Banking is another sector which is likely to see a lot of disruption from platforms over the coming decade. In mature economies, these 'Fintech' disruptors are often using the established credit card infrastructure, hence the continued ownership of Visa and Mastercard. China is different: the managers invested in the unlisted Ant International, which was spun out from Alibaba in 2014 and offers the largest mobile payment app in China. In 2017 Ant processed transactions worth over US\$9 trillion, up over 50% on a year earlier. By comparison, Visa and Mastercard's combined transaction values in 2017 were US\$12.5 trillion and grew by 20%.

Secondly, exposure was reduced where share prices have been unusually strong, notably in semiconductors which can be a viciously cyclical industry. The holdings in Samsung Electronics and NVIDIA were sold and the positions in Advanced Micro Devices and TSMC reduced. Elsewhere, Abiomed, the manufacturer of the world's smallest heart pump, is a good example

## Interim Management Report

of shares moving much faster than fundamentals. Abiomed was purchased in early 2017 on the premise that it was capable of growing its earnings 30%–35% per annum for a decade. However, the shares rose three and a half times in just over 18 months and the valuation moved from high to stratospheric, so the position was sold.

Another area where it was felt that valuations had become stretched was in US domestic cyclicals. The exposure here has been reduced through the complete sale of Lincoln Electric (welding equipment), the reduction of Royal Caribbean Cruises for the third time in just over a year, and the reduction of SiteOne Landscape Supply (a distributor to professional landscaping contractors) whose shares had nearly doubled since the initial purchase in 2017.

Thirdly, the managers have looked to diversify the portfolio into stocks which are uncorrelated with the rest of the portfolio. Mining and oil production have both suffered from lower commodity prices in recent years and a consequent cutback in capital expenditure. Companies have stopped spending on new projects and this should eventually lead to better supply/demand characteristics, rising prices, more respectable returns and ultimately a new investment cycle. Recent purchases include BHP Billiton (a diversified miner) and Albemarle (lithium mining). Additions have been made to Epiroc (a spin out from Atlas Copco, involved in mining equipment) and Kirby, which is a barge operator moving petrochemicals around US waterways. Positions have also been initiated in Chipotle Mexican Grill, a fast-casual dining chain, and Service Corp International, the dominant US funeral operator.

### Gearing

The level of actual gearing at the period end stood at 6.6%, compared to 4.6% six months earlier. We increased borrowings moderately during the period by drawing on our existing facilities. It is expected that gearing will be maintained in the range of minus 15% to plus 15%, 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 full year results, reflecting the Company's focus on capital growth.

### Current Positioning and Outlook

The managers remain optimistic about the long-term opportunities afforded by the companies held in the portfolio. The operating performance of the vast majority of these investments remains strong.

The managers retain great enthusiasm for Asian growth and the portfolio contains many exciting technology and consumer companies across the region. During the period two new Asian insurance holdings were purchased. Ping An Insurance, which brings exposure to mainland China, and ICICI Prudential in India. This, along with Prudential PLC and AIA, brings the number of Asian insurance focused holdings to four. This enthusiasm is based on an Asian middle-class population which is around six times the size of that of the G7, but where spending on social welfare is only one-sixth of western levels.

Technology, disruption and innovation also remain at the heart of the portfolio. Many of the holdings are seeking to disrupt traditional business models and benefit from the huge growth in cloud computing and storage. Diversification remains a key portfolio characteristic, which we believe will support the performance of the portfolio through a range of economic and market environments.

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

On behalf of the Board  
JGD Ferguson  
Chairman  
4 December 2018

## 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

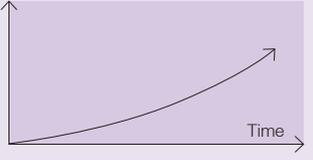
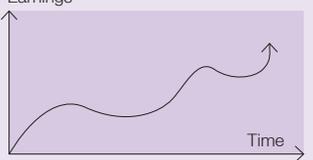
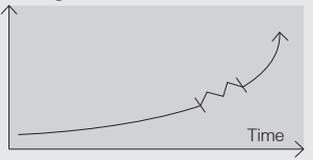
- Investments are held in three broad holding sizes – as set out on pages 4 and 5.
- This allows us to back our judgement in those stocks for which we have greater conviction, and to embrace the asymmetry of returns through 'incubator' positions in higher risk/return stocks.
- 'Asymmetry of returns': 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.

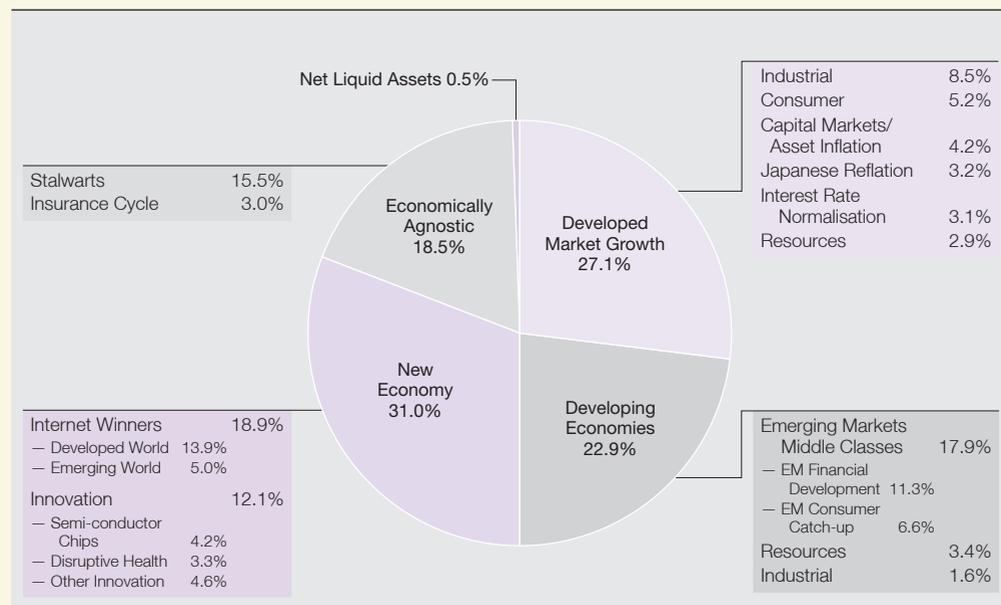
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## Portfolio by Growth Category as at 31 October 2018

Holding Size	Growth Stalwarts	24.1%	Rapid Growth	37.0%	Cyclical Growth	21.8%	Latent Growth	17.1%	Total						
		%		%		%		%	%						
<b>Highest conviction holdings c.2.0% each</b>	Prudential	2.6	Amazon.com	3.6	TSMC	1.9	Apache	1.9	<b>29.0</b>	<b>Growth Stalwarts</b> Earnings  c.10% p.a. earnings growth.	<b>Company Characteristics</b> Durable franchise Deliver robust profitability in most macroeconomic environments Competitive advantage includes dominant local scale, customer loyalty and strong brands				
	Anthem	2.5	Naspers	2.1	Banco Bradesco	1.7									
	AIA	1.9	Alphabet	2.1											
	MasterCard	1.8	Alibaba	1.8											
	SAP	1.7													
	Moody's	1.7													
	Visa	1.7													
<b>Average sized holdings c.1.0% each</b>	Thermo Fisher Scientific	1.3	ICICI Bank	1.4	CRH	1.4	MS&AD Insurance	1.3	<b>46.1</b>	<b>Rapid Growth</b> Earnings  c.15% to 25% p.a. earnings growth.	<b>Company Characteristics</b> Early stage businesses with vast growth opportunity Innovators attacking existing profit pools or creating new markets				
	Resmed	1.1	Ping An Insurance	1.4	Markel	1.1	Sumitomo Mitsui Trust Holdings	1.0							
	Verisk Analytics	1.1	HDFC	1.2	Royal Caribbean Cruises	1.1	Fairfax Financial	1.0							
	Schindler	1.1	MarketAxess	1.1	Martin Marietta Materials	1.1	BHP Billiton	0.9							
	Service Corp International	1.0	Ryanair	1.0	EOG Resources	0.9	Fiat Chrysler Autos	0.9							
	Arthur J. Gallagher	1.0	Facebook	1.0	Richemont	0.9	Kirby	0.9							
	Pernod Ricard	0.9	Chegg	0.9	TD Ameritrade	0.8	Bank of Ireland	0.7							
	Bureau Veritas	0.8	Baidu	0.8	First Republic Bank	0.8	Sberbank of Russia	0.7							
	Waters	0.8	Zillow	0.8	CH Robinson Worldwide	0.7	Signify	0.7							
	Olympus	0.8	GrubHub	0.8	SMC	0.7									
			Seattle Genetics	0.8	Jefferies Financial Group	0.7									
			Tesla	0.8	Deutsche Boerse	0.7									
			LendingTree	0.8	Wabtec	0.7									
			Myriad Genetics	0.8											
			Schibsted	0.8											
			CyberAgent	0.7											
			Renishaw	0.7											
			iRobot	0.7											
	<b>Incubator holdings c.0.5% each</b>	Kansai Paint	0.3	58.com	0.6	Atlas Copco	0.6	Lindblad Expeditions Holdings				0.6	<b>24.9</b>	<b>Cyclical Growth</b> Earnings  c.10% to 15% p.a. earnings growth through a cycle.	<b>Company Characteristics</b> Subject to macroeconomic and capital cycles with significant structural growth prospects Strong management teams highly skilled at capital allocation
				MercadoLibre	0.6	Hays	0.6	AP Moller-Maersk				0.6			
			Spotify	0.6	Svenska Handelsbanken	0.5	Toyota Tsusho	0.6							
			Netflix	0.6	Albemarle	0.5	Stericycle	0.6							
			Trupanion	0.6	Advantest	0.5	DistributionNOW	0.6							
			Ctrip.com International	0.6	Teradyne	0.5	Iida Group Holdings	0.5							
			Autohome	0.6	Ritchie Bros Auctioneers	0.5	ICICI Prudential Life Insurance	0.5							
			B3 Group	0.6	Jardine Strategic Holdings	0.5	Howard Hughes	0.5							
			Ant International	0.5	Epiroc	0.5	MRC Global	0.5							
			M3	0.5	Persol Holdings	0.4	Rohm	0.4							
			Interactive Brokers Group	0.5	PageGroup	0.4	Tsingtao Brewery	0.4							
			Infineon Technologies	0.5	Orica	0.4	Advanced Micro Devices	0.4							
			Chipotle Mexican Grill	0.4	SiteOne Landscape Supply	0.4	Veeco Instruments	0.3							
			Shopify	0.4	Sands China	0.3	Ferro Alloy Resources	0.2							
			GRAIL	0.4			Silk Invest Africa Food Fund	0.2							
			Just Eat	0.4			HTC	0.2							
			Mail.ru Group	0.4											
			Meituan Dianping	0.4											
			Alnylam Pharmaceuticals	0.4											
			NetEase	0.4											
		Genmab	0.3												
		Line	0.3												
		IP Group	0.3												
		China Biologic Products	-												
										<b>Latent Growth</b> Earnings  Earnings growth to accelerate over time.	<b>Company Characteristics</b> Company specific catalyst will drive above average earnings in future Unspectacular recent operational performance and therefore out of favour				

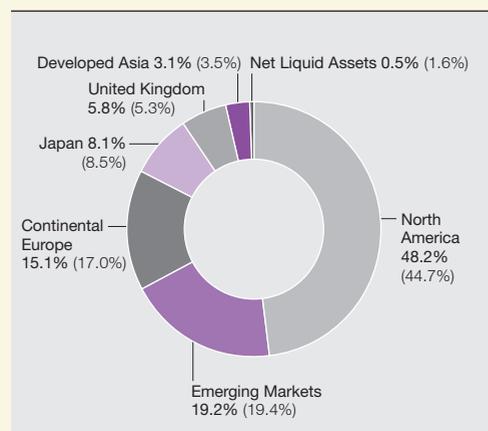
## Portfolio Positioning as at 31 October 2018

### Thematic Exposure

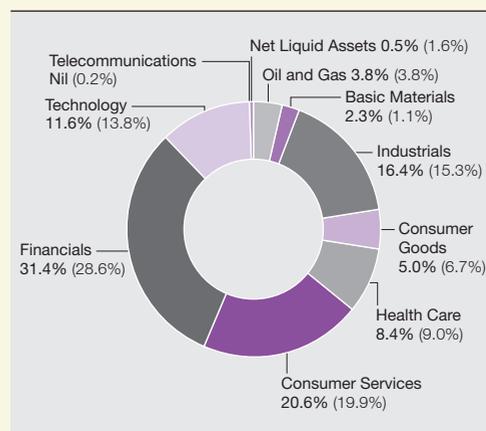


Although the Managers' approach to stock picking is resolutely bottom up in nature and pays no attention to the structure of the index, it is essential to understand the risks of each investment and, in turn, where there may be concentrations of exposures. The chart above outlines the key exposures of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

### Geographical at 31 October 2018 (30 April 2018)



### Sectoral at 31 October 2018 (30 April 2018)



## Thirty Largest Holdings as at 31 October 2018

Name	Growth category	Business description	Fair value £'000	% of total assets
Amazon.com	Rapid	Online retailer	62,698	3.6
Prudential	Stalwart	International life insurance	46,085	2.6
Anthem	Stalwart	Healthcare insurer	44,251	2.5
Naspers	Rapid	Media and e-commerce company	36,955	2.1
Alphabet	Rapid	Online search engine	36,297	2.1
AIA	Stalwart	Asian life insurer	33,977	1.9
TSMC	Cyclical	Semiconductor manufacturer	33,738	1.9
Apache	Latent	Oil exploration and production	32,590	1.9
Alibaba	Rapid	Online commerce company	30,947	1.8
MasterCard	Stalwart	Electronic payments network and related services	30,715	1.7
SAP	Stalwart	Enterprise software provider	30,339	1.7
Banco Bradesco	Cyclical	Brazilian commercial bank	29,303	1.7
Moody's	Stalwart	Credit rating agency	28,970	1.6
Visa	Stalwart	Electronic payments network and related services	28,963	1.6
ICICI Bank	Rapid	Indian retail and corporate bank	25,342	1.4
CRH	Cyclical	Diversified building materials company	25,097	1.4
Ping An Insurance	Rapid	Life insurance services	24,803	1.4
MS&AD Insurance	Latent	Japanese insurer	23,374	1.3
Thermo Fisher Scientific	Stalwart	Scientific instruments, consumables and chemicals	22,003	1.3
HDFC	Rapid	Indian mortgage provider	21,531	1.2
Resmed	Stalwart	Develops and manufactures medical equipment	19,623	1.1
Markel	Cyclical	Markets and underwrites speciality insurance products	19,547	1.1
Verisk Analytics	Stalwart	Risk assessment services and decision analytics	19,435	1.1
Schindler	Stalwart	Elevator and escalator company	19,362	1.1
MarketAxess	Rapid	Electronic bond trading platform	18,894	1.1
Royal Caribbean Cruises	Cyclical	Global cruise company	18,816	1.1
Martin Marietta Materials	Cyclical	Cement and aggregates manufacturer	18,698	1.1
Service Corp International	Stalwart	Death care services	18,298	1.0
Ryanair	Rapid	Low cost European airline	17,459	1.0
Arthur J. Gallagher	Stalwart	Insurance broker	17,266	1.0
			<b>835,376</b>	<b>47.4</b>

## Income Statement (unaudited)

	For the six months ended 31 October 2018			For the six months ended 31 October 2017			For the year ended 30 April 2018 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments (note 3)	–	(18,725)	<b>(18,725)</b>	–	185,930	<b>185,930</b>	–	211,299	<b>211,299</b>
Currency (losses)/gains	–	(4,510)	<b>(4,510)</b>	–	1,174	<b>1,174</b>	–	3,216	<b>3,216</b>
Income from investments and interest receivable	13,513	–	<b>13,513</b>	10,681	–	<b>10,681</b>	19,759	–	<b>19,759</b>
Investment management fee (note 4)	(3,471)	–	<b>(3,471)</b>	(3,198)	–	<b>(3,198)</b>	(6,568)	–	<b>(6,568)</b>
Other administrative expenses	(832)	–	<b>(832)</b>	(689)	–	<b>(689)</b>	(1,598)	–	<b>(1,598)</b>
<b>Net return before finance costs and taxation</b>	<b>9,210</b>	<b>(23,235)</b>	<b>(14,025)</b>	<b>6,794</b>	<b>187,104</b>	<b>193,898</b>	<b>11,593</b>	<b>214,515</b>	<b>226,108</b>
Finance costs of borrowings	(2,617)	–	<b>(2,617)</b>	(2,176)	–	<b>(2,176)</b>	(4,410)	–	<b>(4,410)</b>
<b>Net return on ordinary activities before taxation</b>	<b>6,593</b>	<b>(23,235)</b>	<b>(16,642)</b>	<b>4,618</b>	<b>187,104</b>	<b>191,722</b>	<b>7,183</b>	<b>214,515</b>	<b>221,698</b>
Tax on ordinary activities	(1,080)	–	<b>(1,080)</b>	(831)	–	<b>(831)</b>	(1,595)	–	<b>(1,595)</b>
<b>Net return on ordinary activities after taxation</b>	<b>5,513</b>	<b>(23,235)</b>	<b>(17,722)</b>	<b>3,787</b>	<b>187,104</b>	<b>190,891</b>	<b>5,588</b>	<b>214,515</b>	<b>220,103</b>
<b>Net return per ordinary share</b> (note 5)	<b>2.54p</b>	<b>(10.68p)</b>	<b>(8.14p)</b>	<b>1.77p</b>	<b>87.45p</b>	<b>89.22p</b>	<b>2.61p</b>	<b>100.08p</b>	<b>102.69p</b>

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance 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 comprehensive income for the period.

## Balance Sheet (unaudited)

	At 31 October 2018 £'000	At 30 April 2018 (audited) £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss (note 7)	1,749,179	1,730,513
<b>Current assets</b>		
Debtors	3,571	9,009
Cash and short term deposits	8,479	22,974
	12,050	31,983
<b>Creditors</b>		
Amounts falling due within one year:		
Bank loans (note 8)	(77,480)	(63,165)
Other creditors	(2,432)	(2,955)
	(79,912)	(66,120)
<b>Net current liabilities</b>	(67,862)	(34,137)
<b>Total assets less current liabilities</b>	1,681,317	1,696,376
<b>Creditors</b>		
Amounts falling due after more than one year:		
Debenture stock (note 8)	(39,859)	(39,842)
	<b>1,641,458</b>	<b>1,656,534</b>
<b>Capital and reserves</b>		
Share capital	10,891	10,857
Share premium account	41,632	35,973
Capital redemption reserve	8,700	8,700
Capital reserve	1,526,316	1,549,551
Revenue reserve	53,919	51,453
<b>Shareholders' funds (note 9)</b>	<b>1,641,458</b>	<b>1,656,534</b>
<b>Shareholders' funds per ordinary share</b> (after deducting borrowings at book value) (note 9)	<b>753.6p</b>	<b>762.9p</b>
<b>Net asset value per ordinary share</b> (after deducting borrowings at par) (note 9)	<b>753.5p</b>	<b>762.8p</b>
<b>Net asset value per ordinary share</b> (after deducting borrowings at fair value) (note 8)	<b>750.7p</b>	<b>759.0p</b>
<b>Ordinary shares in issue</b> (note 10)	<b>217,818,859</b>	<b>217,143,859</b>

## Statement of Changes in Equity (unaudited)

### 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 (note 10)	34	5,659	–	–	–	<b>5,693</b>
Dividends paid during the period (note 6)	–	–	–	–	(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>

### For the six months ended 31 October 2017

	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 2017	10,698	11,100	8,700	1,335,036	48,540	<b>1,414,074</b>
Net return on ordinary activities after taxation	–	–	–	187,104	3,787	<b>190,891</b>
Dividends paid during the period (note 6)	–	–	–	–	(2,675)	<b>(2,675)</b>
<b>Shareholders' funds at 31 October 2017</b>	<b>10,698</b>	<b>11,100</b>	<b>8,700</b>	<b>1,522,140</b>	<b>49,652</b>	<b>1,602,290</b>

\* The Capital Reserve balance at 31 October 2018 includes holding gains on investments of £477,012,000 (31 October 2017 – gains of £596,685,000).

## Condensed Cash Flow Statement (unaudited)

	Six months to 31 October 2018 £'000	Six months to 31 October 2017 £'000
<b>Cash flows from operating activities</b>		
Net return on ordinary activities before taxation	(16,642)	191,722
Net losses/(gains) on investments	18,725	(185,930)
Currency losses/(gains)	4,510	(1,174)
Amortisation of fixed income book cost	–	(169)
Finance costs of borrowings	2,617	2,176
Overseas tax incurred	(1,090)	(811)
Changes in debtors and creditors	1,099	287
<b>Cash from operations*</b>	9,219	6,101
Interest paid	(2,578)	(2,153)
<b>Net cash inflow from operating activities</b>	6,641	3,948
<b>Net cash outflow from investing activities</b>	(35,546)	(310)
<b>Cash flow from financing activities</b>		
Equity dividends paid (note 6)	(3,047)	(2,675)
Ordinary shares issued	7,651	–
Borrowings drawn down	9,055	–
<b>Net cash inflow/(outflow) from financing activities</b>	13,659	(2,675)
<b>(Decrease)/increase in cash and cash equivalents</b>	(15,246)	963
Exchange movements	751	(557)
Cash and cash equivalents at start of period	22,974	15,208
<b>Cash and cash equivalents at end of period</b>	<b>8,479</b>	<b>15,614</b>

\* Cash from operations includes dividends received of £14,836,000 (31 October 2017 – £10,957,000) and interest received of £83,000 (31 October 2017 – £27,000).

## Notes to the Condensed Financial Statements (unaudited)

1 The condensed Financial Statements for the six months to 31 October 2018 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 updated in February 2018 with consequential amendments. 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 2018 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 2018.

### 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 2018 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.

	Six months to 31 October 2018 £'000	Six months to 31 October 2017 £'000	Year to 30 April 2018 (audited) £'000
<b>3 (Losses)/gains on investments</b>			
Realised gains on sales	71,810	42,395	96,901
Movement in investment holding gains and (losses)	(90,535)	143,535	114,398
	<b>(18,725)</b>	<b>185,930</b>	<b>211,299</b>

Transaction costs on purchases amounted to £315,000 (31 October 2017 – £132,000; 30 April 2018 – £258,000) and transaction costs on sales amounted to £154,000 (31 October 2017 – £55,000; 30 April 2018 – £166,000).

4 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. With effect from 1 May 2018, 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, where 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). In the year to 30 April 2018 the annual management fee was 0.45% on the first £750 million of total assets and 0.33% on the remaining total assets and prior to that was 0.45% of total assets less current liabilities.

## Notes to the Condensed Financial Statements (unaudited)

	Six months to 31 October 2018 £'000	Six months to 31 October 2017 £'000	Year to 30 April 2018 (audited) £'000
<b>5 Net return per ordinary share</b>			
Revenue return on ordinary activities after taxation	5,513	3,787	5,588
Capital return on ordinary activities after taxation	(23,235)	187,104	214,515
<b>Total net return</b>	<b>(17,722)</b>	<b>190,891</b>	<b>220,103</b>

Net return per ordinary share is based on the above totals of revenue and capital and on 217,580,408 (31 October 2017 – 213,963,859; 30 April 2018 – 214,344,215) 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 2018 £'000	Six months to 31 October 2017 £'000	Year to 30 April 2018 (audited) £'000
<b>6 Dividends</b>			
<b>Amounts recognised as distributions in the period:</b>			
Previous year's final dividend of 1.40p (2017 – 1.25p), paid 7 September 2018	3,047	2,675	2,675
<b>Amounts paid and payable in respect of the period:</b>			
Final dividend (2018 – 1.40p)	–	–	3,040

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

### 7 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 book cost of £6,274,000 was transferred from Level 2 to Level 1 following the resumption of trading in its shares, which had been temporarily suspended due to an impending corporate action.

As at 31 October 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	1,724,691	–	–	<b>1,724,691</b>
Unlisted equities	–	–	24,488	<b>24,488</b>
<b>Total financial asset investments</b>	<b>1,724,691</b>	<b>–</b>	<b>24,488</b>	<b>1,749,179</b>

### 7 Fair Value Hierarchy (continued)

As at 30 April 2018 (audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	1,693,072	23,190	–	<b>1,716,262</b>
Unlisted equities	–	–	14,251	<b>14,251</b>
<b>Total financial asset investments</b>	<b>1,693,072</b>	<b>23,190</b>	<b>14,251</b>	<b>1,730,513</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 (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.

**8** At 31 October 2018 the total book value of the Company's borrowings amounted to £117,339,000 (30 April 2018 – £103,007,000). This comprised a £40m 6% debenture stock repayable in 2023 (30 April 2018 – £40m) and a short term bank loan of US\$99m (30 April 2018 – US\$87m).

The fair value of borrowings at 31 October 2018 was £123,680,000 (30 April 2018 – £111,365,000).

### 9 Shareholders' Funds and Net Asset Value

Shareholders' funds have been calculated in accordance with the provisions of FRS 104. However, the net asset value figures in the table below have been calculated on the basis of shareholders' rights to reserves as specified in the Company's Articles of Association. A reconciliation of the two figures is as follows:

	At 31 October 2018 £'000 Per share		At 30 April 2018 (audited) £'000 Per share	
Shareholders' funds	1,641,458	753.6p	1,656,534	762.9p
Balance of debenture issue expenses not yet amortised	(141)	(0.1p)	(158)	(0.1p)
<b>Net asset value (after deducting borrowings at par)</b>	<b>1,641,317</b>	<b>753.5p</b>	<b>1,656,376</b>	<b>762.8p</b>

The per share figures above are based on 217,818,859 (30 April 2018 – 217,143,859) ordinary shares of 5p, being the number of ordinary shares in issue at the period end.

**10** In the six months to 31 October 2018 the Company issued 675,000 ordinary shares (nominal value of £33,750) at a premium to net asset value, raising net proceeds of £5,693,000. No shares were bought back during the period and no shares were held in treasury at 31 October 2018. At 31 October 2018, the Company had authority to buy back 32,564,854 shares and to allot or sell from treasury 17,541,380 shares.

### 11 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 2018, 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 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
- c) 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).

On behalf of the Board  
JGD Ferguson  
Chairman  
4 December 2018

## 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.

### 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;
- set up a direct debit to make regular investments, 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.

### 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 listed on the London Stock Exchange. 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.

As 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 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 and cancel its own shares. The risks from borrowing are increased when the Company buys back and cancels its 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. 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 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

### Total Assets

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

### Shareholders' Funds and Net Asset Value

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

### Borrowings at Fair Value

Borrowings are valued at an estimate of market worth. The fair value of the Company's 6<sup>3</sup>/<sub>8</sub>% 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.

### Borrowings at Par Value

Borrowings are valued at nominal par value.

### Discount/Premium

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).

### Total Return

The total return is the return to shareholders after reinvesting the dividend on the date that the share price goes ex-dividend.

### Ongoing Charges

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with debt at fair value).

### Active Share

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.

### Gearing

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 cash equivalents expressed as a percentage of shareholders' funds.

## Directors

Chairman:

JGD Ferguson

EM Harley

DCP McDougall

BJ Richards

Professor Sir Nigel Shadbolt

KS Sternberg

JJ Tigue

## Registered Office

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Investor Services PLC  
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120 London Wall  
London  
EC2Y 5ET

## Alternative Investment Fund Managers and Secretaries

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Edinburgh  
EH1 3AN  
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[www.bailliegifford.com](http://www.bailliegifford.com)

## Registrar

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The Pavilions  
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144 Morrison Street  
Edinburgh  
EH3 8EX

## Depository

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(International) Limited  
1 Canada Square  
London  
E14 5AL

## 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

Legal Entity Identifier:  
213800MRI1JTUKG5AF64

## Further Information

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