Your capital is at risk. Past performance is not a guide to future returns.

Richie Vernon: It would be no surprise if you, as an investor, are feeling somewhat conflicted as we enter 2026. On one hand, global indices have just delivered a third straight year of strong returns, a cumulative gain of over 55 per cent in pounds, and an outcome far ahead of what many of us would have hoped for as we approach the end of 2022.

And yet, an unnerving cocktail of geopolitical uncertainty, high valuations, and remarkable levels of investment into artificial intelligence all shout from the headlines, urging caution.

Certainly, markets are unbalanced. US markets' returns have continued to be dominated by a small group of the very largest companies. Outside the US, money has crowded into sectors such as banks and resource companies, resulting in the dramatic outperformance of duller companies over their growthier counterparts.

Despite all of this, Monks delivered another year of excellent returns, with its share price rise beating that of its benchmark. This was driven, quite simply, by great businesses growing strongly.

We aim for this to continue by navigating this unbalanced environment in two ways. Firstly, it's by ensuring that, in aggregate, the portfolio reflects a set of characteristics consistent with an ambitious growth approach. Delivered profit growth of the portfolio has increased to nearly 16 per cent and remains meaningfully higher than the benchmark. We expect that to persist.

Monks' performance has been entirely driven by this earnings growth. The valuation of the portfolio hasn't moved. It costs the same as it did 12 months ago. In contrast, the index's return was supported not just by earnings growth, but by rising valuations. This matters for the sustainability of those returns in future.

Both the quality and resilience of the portfolio remain evident in superior gross margins, lower indebtedness, and increasing profitability.

This means the companies we own for our shareholders are using capital more efficiently as they grow. As they continue to scale, that growth can act as a fuel for further expansion. Our second focus is stock specific. It's ensuring that each company is well aligned with our clear view of the future for their respective industries.

The coming years will bring extraordinary advances and extraordinary changes. Ambition and adaptability will be rewarded. Complacency and inertia will be penalised.

Take banking, for instance. We don't own traditional banks, but their strong performance last year boosted the index's returns. We're unapologetic about this positioning.

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We believe that the future lies with the likes of Nubank in Brazil, which offers a materially better, fully digital experience at lower cost. Or in the ambitions of Block, whose Cash App provides financial tools that offer a genuine alternative to conventional banking in the US.

Healthcare offers similar underappreciated opportunities. The recent purchase of Medline, a supplier of medical equipment, illustrates a deliberate evolution towards broader beneficiaries of healthcare innovation over companies relying on bringing single drugs to market.

In artificial intelligence, a source of both market hope and angst, we're focused on the bottlenecks, where demand will continue to far exceed supply. Taiwanese semiconductor foundry, TSMC, is a perfect example. Its relentless pursuit of manufacturing scale and expertise has enabled it to capture 70 per cent of industry revenues, with even higher market shares in the highest performance chips. Only TSMC can meet AI's voracious demand for more computing power.

Downstream of TSMC, to companies making AI applications, we favour those that own distribution, like Microsoft, or those that are already applying the technology to profitable effect, such as mobile game advertising platform App Loving. But we will keep adjusting our view as the market evolves.

For example, last quarter, we added to Alphabet as evidence of its internal chip advantage became clear, while reducing Meta, where its increased investment spending is creating higher execution risk.

Over the last two years, we've successfully navigated this unbalanced market for Monks' shareholders by being disciplined, sticking to our process, and being relentless in our hunt for underappreciated growth businesses.

As we begin 2026, by maintaining our growth ambition and a breadth of growth drivers in the portfolio, we believe it's well-positioned to continue to deliver strong returns for our shareholders.

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The Monks Investment Trust plc

Annual discrete performance to 31 December

	2021	2022	2023	2024	2025
Share Price (%)	1.2	-31.0	12.6	19.2	18.7
NAV (%)	7.2	-23.4	13.0	17.6	13.5
Index* (%)	22.1	-7.2	17.2	20.1	15.0

Performance source: Morningstar, FTSE, total return in sterling
*FTSE World Index

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