



HALF YEAR REPORT FOR THE  
SIX MONTHS ENDED 30 JUNE 2018

**Temple Bar Investment Trust PLC's ('the Company') investment objective is to provide growth in income and capital to achieve a long-term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the constituents of the FTSE 350 Index.**

**Benchmark**

Performance is measured against the FTSE All-Share Index.

**Total assets less current liabilities**

£1,061,347,000

**Total equity**

£947,445,000

**Market capitalisation**

£884,057,953

**Capital structure**

Ordinary shares	66,872,765 shares
5.5% Debenture Stock 2021	£38,000,000
4.05% Private Placement Loan 2028	£50,000,000
2.99% Private Placement Loan 2047	£25,000,000

**Voting structure**

Ordinary shares 100%

**Winding-up date**

None

**Manager's fee**

0.35% per annum based on the value of the investments (including cash) of the Company, payable quarterly in arrears. There is no performance fee.

**Ongoing charges**

0.49%

**ISA status**

The Company's shares qualify to be held in an ISA.

**Principal risks and uncertainties**

The Board believes that the principal risks and uncertainties faced by the Company continue to be as set out in the Strategic Report section of the Annual Report for the year ended 31 December 2017.

**Association of Investment Companies (AIC):**

Member

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your ordinary shares in Temple Bar Investment Trust PLC, please forward this document as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is being affected for delivery to the purchaser or transferee.

# SUMMARY OF RESULTS

	6 months to 30 June 2018 £'000	6 months to 30 June 2017 £'000	Year to 31 December 2017 £'000	% change since year end
Net assets	947,445	894,310	936,366	1.2%
<b>Ordinary shares</b>				
Net asset value per share with debt at book value	1,416.79p	1,337.33p	1,400.22p	1.2%
Net asset value per share with debt at market value	1,407.54p	1,322.18p	1,386.92p	1.5%
Market price per share	1,322.00p	1,236.00p	1,314.00p	0.6%
Discount with debt at book value	6.7%	7.6%	6.2%	
Discount with debt at market value	6.1%	6.5%	5.3%	
<b>REVENUE for the half year ended 30 June</b>				
	2018	2017	2017	
Revenue return per ordinary share	27.93p	24.71p	43.30p	
Dividends per ordinary share	17.50p	16.66p	42.47p	
<b>CAPITAL for the half year ended 30 June</b>				
	2018 £'000	2017 £'000	2017 £'000	
Capital return attributable to ordinary shareholders	9,891	14,228	54,989	
Capital return attributable per ordinary share	14.79p	21.28p	82.23p	
<b>TOTAL RETURNS including dividends paid for the half year ended 30 June 2018</b>				
Return on net assets				3.1%
Return on share price				2.6%
FTSE All-Share Index				1.7%

# CHAIRMAN'S STATEMENT

I am delighted to present my first report to you as Chairman of the Company, having succeeded John Reeve in May of this year.

It is pleasing to report that during the six months to 30 June 2018 Temple Bar generated a total return on net assets of 3.1%, outperforming the benchmark FTSE All-Share Index total return of 1.7%.

## Dividend

A first quarterly dividend of 8.75p per share was paid on 29 June 2018 and the directors have declared a second interim dividend, also of 8.75p per share, again an increase of 5% on the equivalent dividend last year. This will be paid on 28 September 2018 to those shareholders on the register of members as at 7 September 2018. The ex-dividend date for this payment is 6 September 2018.

## Board changes

As mentioned above, John Reeve retired as a director and chairman of the Company on 24 May 2018, having provided 26 years of outstanding service. We are extremely grateful to John for his leadership during this period which has contributed in no small measure to the Company's successful development. I am greatly honoured to have been chosen by my fellow directors to succeed John as Chairman.

## Outlook

The current macro-economic situation in the U.K. is exceptionally uncertain. Nevertheless, we believe that our managers have the necessary skills to negotiate these choppy waters and find cheap, out of favour stocks that will hopefully generate positive returns and further outperformance.

## Arthur Copple

Chairman

26 July 2018

# MANAGER'S REPORT

As mentioned in the Chairman's Statement, Temple Bar generated a net asset value total return of 3.1%.

Performance was particularly aided by the good performance of business outsourcer Capita and by GlaxoSmithKline, Tesco and Wm Morrison. We were also helped by not owning either British American Tobacco or Vodafone – two fairly large constituents of the FTSE-All Share Index which underperformed. The biggest detractor to performance by some distance was SIG, a large holding which gave back some of the positive gains of 2017.

## Market background

As we have observed extensively on previous occasions, low interest rates have supported growth investing over value investing. However, there are signs that this theme could be coming to an end. A large driver of lower interest rates in the last thirty years has been disinflation (and in some countries a touch of deflation) propelled by often discussed issues such as technology, cheap Asian labour and the internet. Whilst these factors should not be ignored there appear to be several signs of full employment and skill shortages around the world and increasing concerns about trade barriers and protectionism generally. If markets start to believe that inflation is ticking up, this is likely to be reflected in higher bond yields – particularly if central banks are as reluctant, as ever, to remove the punch bowl too early.

Perhaps the second reason to have doubts about how much longer growth can outperform value is the simple belief that many stocks with a growth rating do not deserve this moniker. A great deal of investment flows have been diverted towards growth stocks in recent years – and this money has had to be invested. Consequently, the prices and valuations

of many stocks have been raised to levels which require the underlying companies to generate excellent earnings performance for many years. Whilst some companies have historically justified a degree of optimism we believe too much is being asked of this group as a whole. With such high valuations, if these companies disappoint their share prices may have a long way to fall.

The main pushback to our confidence in the relative resurgence of value is that global economic growth appears to have peaked and a recession may not be far away. If so, this would drive inflation and bond yields down again. This is certainly a possibility, but if it occurs we would expect 'shock and awe' tactics from central banks, eager to avoid the debt mountain (that never went away) engulfing the global economy. We would regard it as dangerous to fine-tune our expectation of higher bond yields with one preceded by a brief spell of lower bond yields, given the speed with which we think one environment could transition to another.

## Brexit

We have no great insight into Brexit (who has?), but we are alert to the potential for investor dismay if news flow deteriorates. The UK consumer is far from buoyant and fears of, or indeed the event of a hard Brexit, could encourage investors to distance themselves from stocks they see as most vulnerable to this outcome. Our strategy is not to predict short-term price movements, but instead to look through bad news and assess the value of a company over the longer term.

This has encouraged us to invest in stocks such as flooring wholesaler, Headlam and retirement homebuilder, McCarthy & Stone. Trading conditions are tough for these companies but they have strong market positions, decent balance sheets, operate in industries not suffering from

# MANAGER'S REPORT CONTINUED

disruption and, most importantly, are priced for a bleak future. Of course, if sentiment moves further against them this may provide us with opportunities to increase our positions at an even greater discount to fair value.

## Capita

The events at Capita in the last six months encapsulate our investment process very well. We had tracked the company for years and watched (in pain) as its share price rose. Investors bought into an outsourcing growth story assisted by an extensive acquisition strategy. However, as often happens to these sorts of companies, when growth slowed, the quality of acquisitions deteriorated, accounting became rather lax and debt grew so investors capitulated. By the end of January we felt sufficient bad news had been discounted and we invested. Unfortunately, our purchase was a day too early, just before new management announced a step-down in profitability together with a rights issue. This drove the shares down further which in itself encouraged investors to fear the worst. We continued buying, believing that despite its various issues Capita owned some good businesses which the new management could help to prosper, particularly with a strengthened balance sheet following the rights issue. Once the company had announced results, successfully completed the rights issue and announced some disposals at attractive prices, the share price recovered significantly. By the end of June, Capita was the largest equity holding on the portfolio.

## Marks & Spencer

Our holding in Marks & Spencer (to which we added in the first half) attracts significant interest from shareholders. We accept that the high street is under pressure and that Marks & Spencer has plenty of high quality competition in both

food and clothing. However, we believe a lot of the company's current difficulties are as much self-inflicted as a consequence of external issues. The new Chairman, who describes the company as having a 'burning platform', has, together with the Chief Executive, highlighted a variety of challenges such as excessive costs, poor IT, sub-optimal customer service, a sub-standard website, weak distribution infrastructure, a lack of innovation in food, an excessive number of clothing brands, too many stores and an insufficiently attractive choice of low priced items. Some of these issues have already been improved whilst others will take longer. It is clear that a turnaround will not be straightforward, but much of its success appears to be in the hands of the management. The market believes a recovery is unlikely and expects profits to remain flat over the next three years. The shares are, given that scepticism, cheaply valued and, like much of the portfolio, could appreciate significantly if a recovery is engineered.

## Outlook

Uncertainties surrounding Brexit have left the UK equity market particularly out of favour and thrown up some interesting opportunities. The portfolio has several holdings which we believe are very cheap, but which investors are reluctant to embrace until they have a clearer vision of the future. Whilst we acknowledge this strategy, sometimes one has to pay a lot more to learn only a little more. We prefer to be invested in uncertainty in the belief it will benefit long-term returns.

**Alastair Mundy**  
**For Investec Fund Managers Limited**

26 July 2018

# RESPONSIBILITY STATEMENT

The directors confirm to the best of their knowledge that:

- the condensed set of financial statements contained within the half-year report has been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Reports';
- the half-yearly financial report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- in accordance with Disclosure and Transparency Rule 4.2.8R there have been no related parties transactions during the six months to 30 June 2018 and therefore nothing to report on any material effect by such a transaction on the financial position or performance of the Company during that period.

The half-yearly financial report was approved by the Board on 26 July 2018 and the above responsibility statement was signed on its behalf by:

**Arthur Copple**

Chairman

# PORTFOLIO OF INVESTMENTS

## AS AT 30 JUNE 2018

Company	Industry	Place of Primary Listing	Valuation £'000	% of Portfolio
UK Treasury 1.25% 2018	Fixed Interest	UK	80,404	7.6%
Capita	Industrials	UK	76,418	7.2%
Royal Dutch Shell	Oil & Gas	UK	68,260	6.4%
GlaxoSmithKline	Healthcare	UK	64,141	6.1%
HSBC Holdings	Financials	UK	62,913	5.9%
BP	Oil & Gas	UK	58,196	5.5%
Lloyds Banking Group	Financials	UK	45,073	4.2%
Barclays	Financials	UK	43,378	4.1%
Royal Bank of Scotland	Financials	UK	42,244	4.0%
Grafton Group	Industrials	UK	41,957	4.0%
<b>Top Ten Investments</b>			<b>582,984</b>	<b>55.0%</b>
SIG	Industrials	UK	37,902	3.6%
Tesco	Consumer Services	UK	32,754	3.1%
Travis Perkins	Industrials	UK	30,987	2.9%
Marks & Spencer	Consumer Services	UK	24,996	2.4%
Wm Morrison Supermarkets	Consumer Services	UK	21,872	2.1%
Land Securities REIT	Financials	UK	20,760	2.0%
Centrica	Utilities	UK	20,042	1.9%
Citigroup	Financials	USA	19,683	1.8%
ETFS Physical Silver	Physical Gold and Silver	UK	19,206	1.8%
Next	Consumer Services	UK	18,187	1.7%
<b>Top Twenty Investments</b>			<b>829,373</b>	<b>78.3%</b>
EasyJet	Consumer Services	UK	17,974	1.7%
BT Group	Telecommunications	UK	17,492	1.6%
CRH	Industrials	UK	17,113	1.6%
Signet Jewelers	Consumer Services	USA	16,007	1.5%
Games Workshop	Consumer Goods	UK	14,500	1.4%
Global X Silver Miners ETF	Basic Materials	USA	14,281	1.4%
Aggreko	Industrials	UK	14,127	1.3%
Drax	Utilities	UK	13,606	1.3%
Forterra	Industrials	UK	12,116	1.1%
Green REIT	Financials	Ireland	11,290	1.1%
<b>Top Thirty Investments</b>			<b>977,879</b>	<b>92.3%</b>



Company	Industry	Place of Primary Listing	Valuation £'000	% of Portfolio
Go Ahead	Consumer Services	UK	10,835	1.0%
Kingfisher	Consumer Services	UK	9,878	0.9%
Gold Bullion Securities ETF	Physical Gold and Silver	UK	8,755	0.8%
Headlam Group	Consumer Goods	UK	8,039	0.8%
McCarthy & Stone	Consumer Goods	UK	8,019	0.8%
Crest Nicholson	Consumer Goods	UK	7,970	0.7%
Chemring	Industrials	UK	7,647	0.7%
VanEck Vectors Gold Miners	Basic Materials	USA	4,971	0.5%
Brown (N) Group	Consumer Services	UK	4,251	0.4%
Bovis Homes	Consumer Goods	UK	3,472	0.3%
<b>Top Forty Investments</b>			<b>1,051,716</b>	<b>99.2%</b>
Avon Products	Consumer Goods	USA	3,157	0.3%
Countrywide	Financials	UK	1,191	0.1%
Aviva 2020 5.9021% FRN Perpetual	Fixed Interest	UK	991	0.1%
Lloyds Banking Group - preference shares	Financials	UK	892	0.1%
Hochschild Mining	Basic Materials	UK	687	0.1%
St Ives	Industrials	UK	664	0.1%
Johnston Press	Consumer Services	UK	2	–
<b>Total Valuation of Portfolio</b>			<b>1,059,300</b>	<b>100.0%</b>



## STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2018 (unaudited)

	Ordinary share capital £'000	Share premium account £'000	Capital reserves £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2018</b>	16,719	96,040	790,167	33,440	936,366
Profit for the period	–	–	9,891	18,678	28,569
Unclaimed dividends	–	–	–	51	51
Dividends paid to equity shareholders	–	–	–	(17,541)	(17,541)
<b>Balance at 30 June 2018</b>	<b>16,719</b>	<b>96,040</b>	<b>800,058</b>	<b>34,628</b>	<b>947,445</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2017 (unaudited)

	Ordinary share capital £'000	Share premium account £'000	Capital reserves £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2017</b>	16,719	96,040	735,178	32,003	879,940
Profit for the period	–	–	14,228	16,521	30,749
Unclaimed dividends	–	–	–	11	11
Dividends paid to equity shareholders	–	–	–	(16,390)	(16,390)
<b>Balance at 30 June 2017</b>	<b>16,719</b>	<b>96,040</b>	<b>749,406</b>	<b>32,145</b>	<b>894,310</b>

# STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2018 (unaudited)

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
<b>Non-current assets</b>			
Investments held at fair value through profit or loss*	1,059,300	986,691	1,035,670
<b>Current assets</b>			
Receivables	4,721	4,557	3,613
Cash and cash equivalents	9,834	18,108	12,161
	14,555	22,665	15,774
<b>Total assets</b>	1,073,855	1,009,356	1,051,444
<b>Current liabilities</b>			
Interest bearing borrowings	–	(25,000)	–
Payables	(12,508)	(1,200)	(1,159)
<b>Total assets less current liabilities</b>	1,061,347	983,156	1,050,285
<b>Non-current liabilities</b>			
Interest bearing borrowings	(113,902)	(88,846)	(113,919)
<b>Net assets</b>	947,445	894,310	936,366
<b>Equity attributable to equity holders</b>			
Ordinary share capital	16,719	16,719	16,719
Share premium	96,040	96,040	96,040
Capital reserves	800,058	749,406	790,167
Retained earnings	34,628	32,145	33,440
<b>Total equity</b>	947,445	894,310	936,366
<b>Net asset value per share</b>	1,416.79p	1,337.33p	1,400.22p

\*Includes £80.4 million UK Treasury holding considered by the Board to be held in lieu of cash.

# STATEMENT OF CASH FLOWS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018 (unaudited)

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
<b>Cash flows from operating activities</b>			
Profit before tax	28,626	30,857	84,154
<b>Adjustments for:</b>			
Gains on investments	(13,321)	(17,767)	(62,251)
Finance costs	2,428	3,288	6,779
Purchases of investments <sup>1</sup>	(292,616)	(180,266)	(437,327)
Sales of investments <sup>1</sup>	293,926	184,694	437,261
Dividend income	(20,502)	(18,306)	(32,410)
Interest income	(272)	(683)	(1,588)
Dividends received	18,567	16,525	32,189
Interest received	836	701	1,248
(Increase)/decrease in receivables	(6)	1,470	1,212
(Decrease)/increase in payables	(1)	30	(10)
Overseas withholding tax suffered	(57)	(108)	(207)
	(11,018)	(10,422)	(55,104)
<b>Net cash flows from operating activities</b>	<b>17,608</b>	<b>20,435</b>	<b>29,050</b>
<b>Cash flows from financing activities</b>			
Repayment of 9.875% 2017 debenture	-	-	(25,000)
Proceeds from issue of 2.99% Private Placement Loan	-	-	25,000
Issue costs relating to 2.99% Private Placement Loan	-	-	(121)
Unclaimed dividends	51	11	11
Interest paid on borrowings	(2,445)	(3,288)	(6,587)
Equity dividends paid	(17,541)	(16,390)	(27,532)
	(19,935)	(19,667)	(34,229)
<b>Net cash used in financing activities</b>	<b>(19,935)</b>	<b>(19,667)</b>	<b>(34,229)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,371)</b>	<b>768</b>	<b>(5,179)</b>
Cash and cash equivalents at the start of the period	12,161	17,340	17,340
<b>Cash and cash equivalents at the end of the period</b>	<b>9,834</b>	<b>18,108</b>	<b>12,161</b>

<sup>1</sup> Purchases and sales of investments are considered to be operating activities of the Company, given its purpose, rather than investing activities.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Temple Bar Investment Trust PLC is a company incorporated in the United Kingdom under the Companies Acts 1908 to 1917.

### Principal Activity

The principal activity of Temple Bar Investment Trust PLC is that of an investment company within the meaning of Section 833 of the Companies Act 2006.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The half yearly financial statements have been prepared on the basis of the accounting policies set out in the Company's annual report and financial statements for the year ended 31 December 2017 and have not been audited or reviewed by the Auditors pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. They have been prepared on a going concern basis as it is the Directors' opinion that the Company will continue in operational existence for the foreseeable future.

## 3 GAINS/(LOSSES) ON INVESTMENTS

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
Net gains realised on sale of investments	30,651	35,097	53,370
Movement in investment holding gains	(17,330)	(17,330)	8,881
Gains on investments	13,321	17,767	62,251

## 4 INCOME

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
<b>Income from investments</b>			
UK dividends	19,838	17,491	30,717
Overseas dividends	664	814	1,693
Income on fixed income securities	266	680	1,580
	20,768	18,985	33,990
<b>Other income</b>			
Deposit interest	6	4	8
Total income	20,774	18,989	33,998

## 5 DIVIDENDS

The final dividend relating to the year ended 31 December 2017 of 17.48 pence per ordinary share was paid during the six months ended 30 June 2018 and amounted to £11,689,000.

A first interim dividend relating to the year ending 31 December 2018 of 8.75 pence per share (amounting to £5,851,367) was paid during the six months ended 30 June 2018. A second interim dividend of 8.75 pence per ordinary share will be paid on 28 September 2018 to shareholders registered on 7 September 2018. In accordance with IFRS, this dividend has not been recognised in these financial statements. The ex-dividend date for this payment is 6 September 2018.

As at 30 June 2018 the Company has £34,628,000 (2017: £32,145,000) of revenue reserves and £669,623,000 (2017: £627,808,000) of realised capital reserves available for distribution.

## 6 COMPARATIVE FIGURES

The financial information contained in this half-year report does not constitute statutory accounts as defined in sections 434-436 of the Companies Act 2006. The financial information for the six months ended 30 June 2018 and 30 June 2017 has not been audited.

The information for the year ended 31 December 2017 does not constitute statutory accounts, but has been extracted from the latest published audited accounts, which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under section 498 (2) or (3) of the Companies Act 2006.

# DIRECTORS AND ADMINISTRATION

## DIRECTORS

A T Copple (Chairman)  
R W Jewson  
J F de Moller  
N S L Lyons  
L R Sherratt  
R E J Wyatt

## DEPOSITARY, BANKERS AND CUSTODIAN

**HSBC Bank PLC**  
Poultry  
London EC2P 2BX

## ALTERNATIVE INVESTMENT FUND MANAGER

### **Investec Fund Managers Limited**

(authorised and regulated by the Financial Conduct Authority)

Woolgate Exchange  
25 Basinghall Street  
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Tel No. 020 7597 2000

Contacts: Alastair Mundy or Martin Slade

## SECRETARY AND REGISTERED OFFICE

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## REGISTRAR

### **Equiniti Limited**

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0906 559 6025 (broker helpline)

## REGISTERED AUDITORS

### **Ernst & Young LLP**

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Edinburgh  
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**Investment Manager**

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