

Trust Facts

Launch date: 1926

Wind-up date: None

ISIN: GB0008825324

TIDM code: TMPL

Year end: 31 December

Dividends paid:

Quarterly in March, June, September and December

AGM: March

Benchmark: FTSE All-Share

Association of Investment Companies (AIC) sector: UK Equity Income

ISA status:

May be held in an ISA

Capital Structure:

Share class	No. in issue	Sedol
Ordinary	66,872,765	0882532

Debt:

5.50% Debenture Stock 2021 £38m 4.05%
Private Placement Loan 2028
£50m
2.99% Private Placement Loan 2047
£25m

Charges:

Ongoing charge: 0.49% (31.12.19)
Includes a management fee of 0.35%. Excludes borrowing and portfolio transaction costs.

Auditors: Ernst & Young LLP

Investment Manager:

Ninety One Fund Managers UK Limited

Portfolio Manager: Alastair Mundy (post April 2020 - Alessandro Dicorradò and Steve Wooley)

Portfolio Manager start date:

1 August 2002

Registrars: Equiniti Ltd

Secretary:

Ninety One UK Limited

Depositary & Custodian: HSBC Bank Plc

The Company's gearing and discount management policies can be found at <https://www.templebarinvestments.co.uk/investment-approach/investment-policies/>

Trust Objective

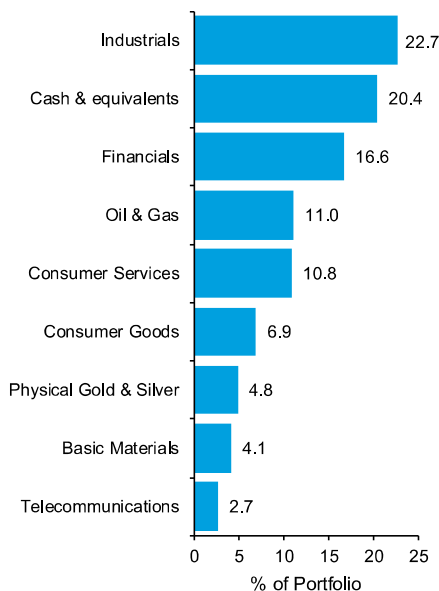
To provide growth in income and capital to achieve a long-term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)¹

Travis Perkins Plc	6.1
BP Plc	5.5
Royal Dutch Shell Plc	5.5
Grafton Group Plc	4.5
Barclays Plc	3.5
Royal Bank of Scotland Group Plc	3.4
TP ICAP Plc	3.2
Kingfisher Plc	3.1
Capita Plc	2.6
Citigroup Inc	2.6
Total	40.0

¹% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	596.6
Share price (p)	762.0
NAV (p) (ex income, debt at mkt)	743.8
Premium/(Discount), Ex income (%)	2.5
NAV (p) (cum income, debt at mkt)	753.5
Premium/(Discount), Cum income (%)	1.1
Historic net yield (%)	6.7

Dividend History

Type	Amount (p)	XD date	Pay date
Final	18.39	12-Mar-20	31-Mar-20
3 rd interim	11.00	05-Dec-19	30-Dec-19
2 nd interim	11.00	12-Sep-19	30-Sep-19
1 st interim	11.00	06-Jun-19	28-Jun-19

Performance (Total Return)

Cumulative Returns (%)

	Share Price	NAV	FTSE All-Share
1 month	-34.8	-36.5	-15.1
3 months	-47.3	-47.3	-25.1
1 year	-39.0	-41.0	-18.5
3 years	-30.4	-35.5	-12.2
5 years	-20.9	-25.1	2.9
10 years	41.7	29.9	53.6

Rolling 12 Month Returns (%)

	Share Price	NAV	FTSE All-Share
31.03.19-			
31.03.20	-39.0	-41.0	-18.5
31.03.18-			
31.03.19	11.6	9.3	6.4
31.03.17-			
31.03.18	2.2	0.1	1.2
31.03.16-			
31.03.17	26.3	22.7	22.0
31.03.15-			
31.03.16	-10.1	-5.4	-3.9

Performance, Price and Yield information is sourced from Morningstar as at 31.03.2020

Past performance should not be taken as a guide to the future and dividend growth is not guaranteed. The value of your shares in Temple Bar and the income from them can fall as well as rise and you may lose money. This Trust may not be appropriate for investors who plan to withdraw their money within the short to medium term.

Risks

Borrowing/leverage risk

The Company can borrow additional money to invest, known as leverage. This increases the exposure of the Company to markets above and beyond its total net asset value. This can help to increase the rate of growth of the fund but also cause losses to be magnified.

Charges to capital risk

A portion (60%) of the Company's expenses are charged to its capital account rather than to its income, which has the effect of increasing income (which may be taxable) whilst reducing its capital to an equivalent extent. This could constrain future capital and income growth.

Company share price risk

The Company's share price is determined by supply and demand for such shares in the market as well as the net asset value per share. The share price can therefore fluctuate and may represent a discount or premium to the net asset value per share. This can mean that the price of an ordinary share can fall when its net asset value rises, or vice versa.

Interest rate

The value of fixed income investments (e.g. bonds) tends to decrease when interest rates and/or inflation rises.

Equity investment

The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. bankruptcy), the owners of their equity rank last in terms of any financial payment from that company.

The effect of borrowings to finance the Trust's investments is to magnify the volatility of its price and potential capital gains and losses. We recommend that you seek independent financial advice to ensure this Trust is suitable for your investment needs.

Manager commentary

For the last several years the market had been rising, all the while anticipating an eventual decline or recession. With the world's central banks keeping interest rates deliberately low so as not to derail an already anaemic rate of economic growth, many investors bought into equities somewhat reluctantly, in search for yield. This reluctance, coupled with the knowledge that eventually a very long bull market would come to an end, meant that it became known as "most hated bull market in history". One area of the market, however, lagged significantly over the last two years: cyclical stocks. It appeared to us that, unable to price a recession into the overall market due to the need for yield, investors began pricing in a recession only in those stocks that would be hit hardest in such an event, due to their economic sensitivity. Eventually the prices of these cyclical stocks became so low that we thought they were already pricing in a negative outcome, and that when the recession would finally materialise investors would begin to price in a recovery, and that therefore stock prices would follow.

Historically this had worked well. Given the market's function as a discounting machine, it tends to sell off cyclical stocks ahead of an economic downturn and then begins to price in a recovery well before it ends, and often before it even begins. The one important additional point to make is that companies need to have strong enough market positions and strong enough balance sheets to be able to make it to the other side of the recession unharmed. We deliberately made sure to purchase, by and large, companies with strong balance sheets that could comfortably withstand a recession. We therefore entered the current crisis with a portfolio skewed towards industrial and financial stocks, but with strong balance sheets.

However, COVID-19 has clearly led to a particularly severe recession, made all the more worrying by the large human cost that both the disease and our efforts to fight it will entail. The completely unknown nature of the pandemic, compounded by an oil price war between Saudi Arabia and Russia, led investors to ask themselves all sorts of existential questions concerning what the world will look like after the pandemic, if our habits will be different, how large the bill to get us out of it will ultimately be, and who will bear it. Covid-19 has created the type of situation where investors shoot first and ask questions later; where liquidity becomes all-important; and where the market could record one of its steepest drops ever in the early days of March. These conditions appear to have exacerbated the investor behaviour that already prevailed before the crisis: return of capital became more important than return on capital. Therefore, the shares of companies with the most predictable and safest business models held up best, while the shares of companies with businesses that are more economically sensitive, be in the auto supply chain, travel, capital goods, banking or energy, were hit hardest.

One particular feature of this sell-off in cyclical shares is that it has been indiscriminate of balance sheet strength. Companies with strong balance sheets have been marked down just as much as those with weak ones, and this has led both some clients and our internal risk teams to ask how much bankruptcy risk we carry in the portfolio. We have stress-tested all our holdings for some very severe outcomes (in most cases involving at least six months with no revenues at all) and have managed to identify only a few holdings that would come close to financial trouble. For those that do come close, "financial trouble" does not mean bankruptcy, but rather an equity raise or a debt offering. We do not think we will ultimately suffer any permanent impairment of capital through this crisis, a testament to the fact that our investee companies really did have strong balance sheets to begin with.

Contact us

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