Monthly update **31 August 2019**

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: 0.48% (30.06.19)
Includes a management fee of 0.35%. Excludes borrowing and portfolio transaction costs.

Auditors: Ernst & Young LLP

Investment Manager:
Investec Fund Managers Ltd

Portfolio Manager: Alastair Mundy

Portfolio Manager start date:
1 August 2002

Registrars: Equiniti Ltd

Secretary:
Investec Asset Management Ltd

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

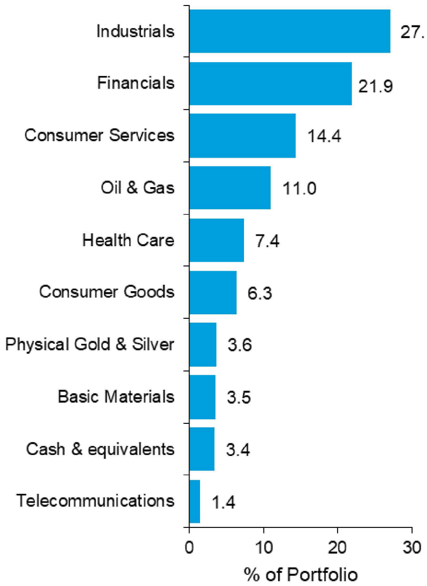
To provide growth in income and capital to achieve a long-term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)[1]

GlaxoSmithKline Plc	7.4
Capita Plc	7.1
Royal Dutch Shell Plc	5.9
Travis Perkins Plc	5.7
BP Plc	5.2
Grafton Group Plc	4.1
SIG Plc	3.7
Tesco Plc	3.7
Lloyds Banking Group Plc	3.7
Barclays Plc	3.2
Total	49.7

[1]% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	928.8
Share price (p)	1176.0
NAV (p) (ex income, debt at mkt)	1233.7
Premium/(Discount), Ex income (%)	-4.7
NAV (p) (cum income, debt at mkt)	1265.1
Premium/(Discount), Cum income (%)	-7.0
Historic net yield (%)	4.4

Dividend History

Type	Amount (p)	XD date	Pay date
2nd interim	11.00	12-Sep-19	30-Sep-19
1st interim	11.00	06-Jun-19	28-Jun-19
Final	20.47	07-Mar-19	29-Mar-19
3rd interim	8.75	06-Dec-18	27-Dec-18

Performance (Total Return)

Cumulative Returns (%)

	Share Price	NAV	FTSE All-Share
1 month	-5.9	-4.4	-3.6
3 months	-3.9	-0.3	2.0
1 year	-3.9	-3.8	0.4
3 years	17.8	15.2	20.2
5 years	12.9	21.4	31.2
10 years	136.9	140.9	124.8

Rolling 12 Month Returns (%)

	Share Price	NAV	FTSE All-Share
31.08.18-31.08.19	-3.9	-3.8	0.4
31.08.17-31.08.18	1.7	3.4	4.7
31.08.16-31.08.17	20.4	15.9	14.3
31.08.15-31.08.16	3.2	9.6	11.7
31.08.14-31.08.15	-7.2	-3.8	-2.3

Performance, Price and Yield information is sourced from Morningstar as at 31.08.2019

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.

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Manager's Commentary

Thought for the month

A colleague clearly believing I have my own 'How bad does this Value cycle feel relative to previous Value cycles' swingometer often asks, "Does it feel like 1999 yet?" That is a pretty extreme benchmark he uses, and I thought that having survived that particular onslaught one of the positives was that it would be a once in a working lifetime experience. I was wrong. And yes, it does now feel like 1999. And the charts back up this view. For example, Morgan Stanley illustrates that, using a blend of three valuation metrics, European Value is as cheap relative to the market as it has been for many decades.

Figure 1: Undervaluation of Value vs Growth

Source: MSCI, Morgan Stanley Research

Despite – or because of? – this, August was another terrible month for value stocks globally with bond proxies outperforming and rising ever higher, while stocks negatively correlated to bonds (cyclical sectors such as industrials, financials, and consumer discretionary) underperformed and fell. Investor confidence in a looming recession and consequent 'Japanification' of the western world reached extreme levels. You can get a bit punch-drunk by these charts, as they've been delivering the same message for months now (if not years). However, the current 'bond-bifurcation of equity markets' as Soc Gen put it in a recent report is at unprecedented levels in terms of both relative performance and valuations (shown below for the US and Europe, based on median forward PE based on quintiles in MSCI US and Europe respectively.

Figure 2: US sector-neutral portfolios on bond correlation

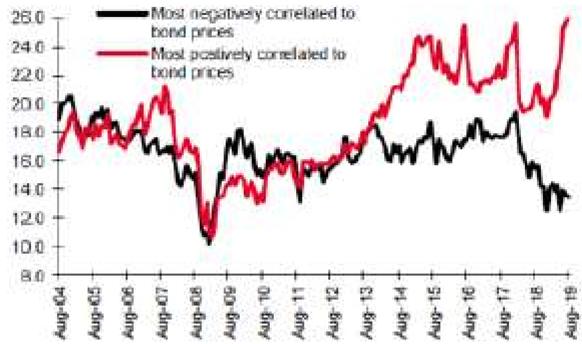
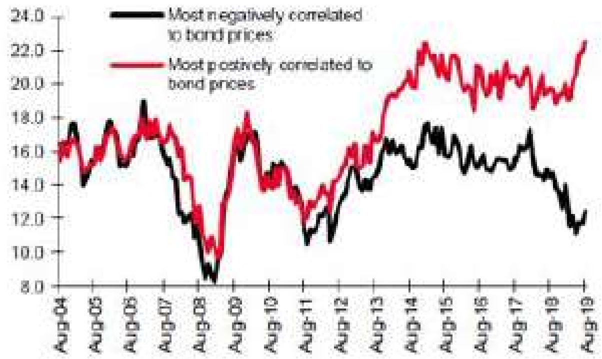


Figure 3: Europe sector-neutral portfolios on bond correlation



Source: SG Cross Asset Research/Equity Quant

Several stocks are now shouting 'recession!' while, perversely, others – trading atvery high levels relative to history – are perceived as completely immune to a recession, or indeed any negative outcome.

How has it come to this? I think we have a combination of at least three factors turbo-charging the growth/value trade:

• Firstly, a belief that we are in a winner takes all environment and that certain companies are immune from cyclical or competitive pressures and will thrive in the future regardless of, well, anything.
• Secondly, a growing belief that interest rates will remain low for much, much longer and therefore that the profits of the winners can be discounted at very low interest rates.

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

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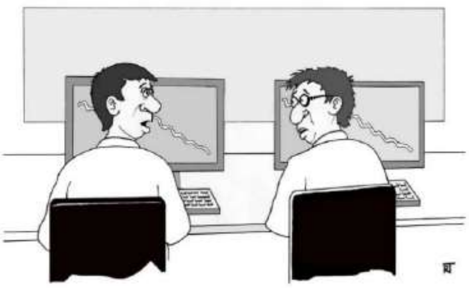
• Thirdly, a memory of the depth of the recession in the Global Financial Crisis. Given the GFC is the only experience a high percentage of money managers have of a recession and a bear market, experience may influence their actions much more than prior recessions.

It is worth remembering that the GFC was extreme. Authorities were simply not ready for the implosion of the banking sector and it took them some time to formulate a plan. An apparent consequence of this severe experience for investors is that many managers sit in the 'show-me' camp. They wish to see some meaningful price momentum and more importantly earnings momentum before they buy into those stocks most vulnerable to a recession.

While this desire to wait is completely understandable, it suggests there is a large amount of money awaiting the same catalyst. But when that catalyst arrives, and this money looks for a new home, the identity of the sellers of cheap value stocks is unclear. The bounce-back could be sharp and severe. Admittedly, our call to arms is diluted as:

i) We've highlighted previously the relative cheapness of value to growth at higher levels.
ii) We can give no indication on when the trend will reverse. Understandably, the confidence of those who believe value is dead (again) has soared and the misery of the value investing clan is back to 1999 levels. However, markets have a dreadful habit of making the consensus look stupid at the point of peak comfort.



"At least in 1999 we had hope the millennium bug would wipe the data!"

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