Temple Bar Investment Trust PLC

Monthly update **31 August 2016**

Trust Facts

Launch date: 1926

Wind-up date: None

Year end:
31 December

Dividends paid:
Quarterly in March, June, September and December

AGM:
March

Benchmark:
FTSE All-Share

ISA status:
May be held in an ISA

Capital Structure:

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

Debt:
9.875% Debenture Stock 2017 £25m
5.50% Debenture Stock 2021 £38m
4.05% Private Placement Loan 2028 £50m

Charges:
Ongoing charge: 0.49% (30.06.16)
Includes a management fee of 0.35%

Board of Directors:
John Reeve (Chairman)
Arthur Copple
Richard Jewson
June de Moller
Lesley Sherratt
David Webster

Auditors: Ernst & Young LLP

Investment Manager:
Investec Fund Managers Ltd

Registrars: Equiniti Ltd

Savings Scheme Administrator:
Equiniti Financial Services Ltd

Secretary:
Investec Asset Management Ltd

Stockbrokers: JPMorgan Cazenove

Depositary & Custodian: HSBC Bank Plc

Trust Objective

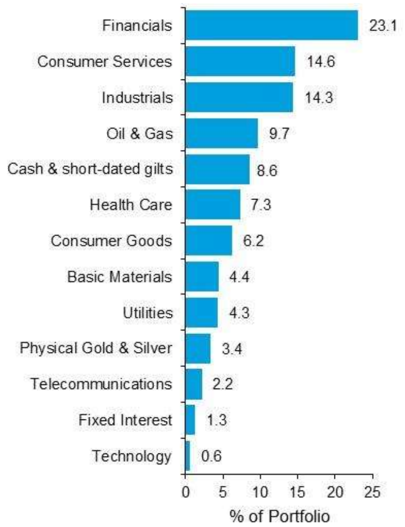
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)[1]

HSBC Holdings Plc	7.3
GlaxoSmithKline Plc	7.3
Royal Dutch Shell Plc Class B	5.2
BP Plc	4.6
Grafton Group Plc	3.8
Lloyds Banking Group Plc	3.5
British American Tobacco Plc	3.5
SIG Plc	2.9
Barclays Plc	2.6
Royal Bank of Scotland Group Plc	2.6
Total	43.3

[1]% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	897.1
Share price (p)	1110.0
NAV (p) (ex income, debt at mkt)	1189.5
Premium/(Discount), Ex income (%)	-6.7
NAV (p) (cum income, debt at mkt)	1214.7
Premium/(Discount), Cum income (%)	-8.6
Historic net yield (%)	3.6

Dividend History

Type	Amount (p)	XD date	Pay date
2nd interim	8.09	08-Sep-16	30-Sep-16
1st interim	8.09	09-Jun-16	30-Jun-16
Final	15.87	10-Mar-16	31-Mar-16
3rd interim	7.93	10-Dec-15	30-Dec-15

Performance

Share Price % change

	Trust	FTSE All-Share[2]
1 month	0.6	1.2
3 months	5.2	7.8
1 year	-0.7	7.6
3 years	-5.7	8.4
5 years	27.1	32.0

[2]Capital return only

NAV total return % change

	Trust	FTSE All-Share[3]
1 month	3.7	1.9
3 months	8.2	9.0
1 year	9.6	11.7
3 years	16.1	20.4
5 years	75.2	57.7

[3]Total return

Performance, Price and Yield information is sourced from Morningstar as at 31.08.16.

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.

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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Manager's Commentary

Thought for the month

Some years ago I wrote about our team's preference for maximum analytical flexibility as opposed to sector specialisation. In our eyes, the Martini approach ('anytime, anyplace, anywhere') has a number of advantages. It encourages us to remain fresh, question the conventional wisdom, avoid stale thinking and to ignore irrelevant minutiae.

Re-reading Daniel Kahneman's excellent book, 'Thinking, fast and slow', encouraged me to consider the battle of generalists vs sector specialists in an alternative way. Kahneman tells of an exercise in his own department at university when he and his colleagues were estimating how long it would take them to submit a finished draft of a school text book. The team's average estimate – which they reached by looking at the progress they had made to date plus the plans they had outlined for the future – was about 2 years. It then struck Kahneman that it might be rewarding to learn the completion time for peers undertaking similar projects. He discovered an outcome for those completed of between seven and ten years whilst 40% of projects were never completed.

Kahneman was astonished by both the inaccuracy and naivety of his team's estimate, blaming some of it on the 'inside view' (how sensible does our plan look?) in preference to the 'outside view' (how long do such projects typically take?).

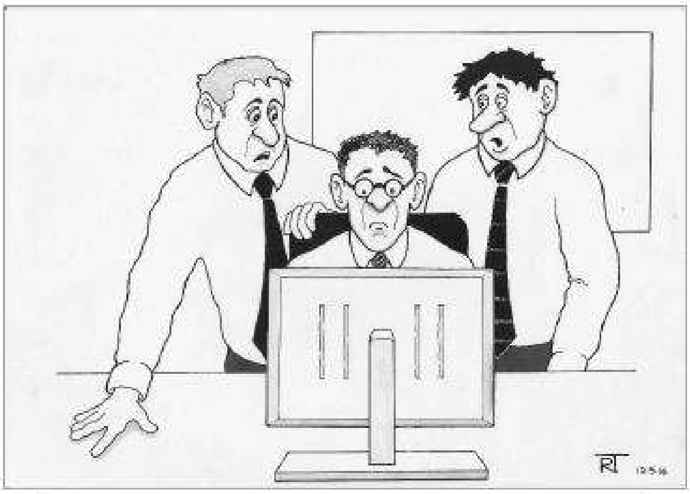
This has a number of parallels with stock analysis. A sector specialist undoubtedly knows a great deal about his area of expertise and analyses each company through that lens. For an out-of-favour company – our area of interest – how sensible does the management's recovery programme sound? Have they sufficiently understood all the issues to be solved? Do they have the skills to implement their plan? Is the balance sheet strong enough to support the programme? This is very much the inside view.

The outside view would tend to take a step back and ask slightly different questions? Do companies in this industry often recover or are new entrants constantly winning market share? Has a company with this type of balance sheet typically recovered? Do slash and burn plans work better than acquisition-led plans? In short, does this recovery plan have the look of one that typically works or fails?

Obviously no two recovery plans are the same and even if they were, there are far too many variables to have any confidence that the result will be similar. However, we are trying to make correct decisions on average and we believe the helicopter view of recovery stories can be just as, or even more, rewarding than analysing each opportunity in minute detail.

This approach can also be used in other areas. For example, there is still great debate about the outlook for the Chinese economy. A lot of analysis has been conducted by 'China watchers' to determine the risks of a significant slowdown in economic growth over the next few years and particularly whether the build-up of private sector debt will hamstring the economy; this has generated mixed views. An alternative approach is to analyse what happened in other economies where private sector debt grew at approximately the rate that it has done in China in recent years. Here the conclusion is far more skewed; high growth in private-sector debt has essentially always led to significant economic problems.

Incidentally, Kahneman's team massively under-estimated the speed at which they would work and the project took eight years to complete. Even having accepted that the outside view was superior, it was still ignored by a team of academics writing a textbook on judgement and decision making!



"Last time I saw a pattern like this it was on the floor tiles of the Titanic!"

The yield information has been calculated as at 31.08.16. All other information is from Investec Asset Management at 31.08.16.

Telephone calls may be recorded for training and quality assurance purposes.

For further details, call the Investor Services Department on 020 7597 1800, or send an email to enquiries@investecmail.com. Alternatively, visit the Temple Bar website: www.templebarinvestments.co.uk.

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