Temple Bar Investment Trust PLC

Monthly update **30 September 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

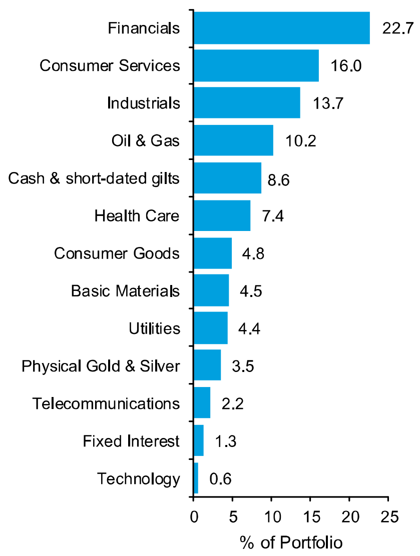
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)[1]

GlaxoSmithKline Plc	7.4
HSBC Holdings Plc	7.1
Royal Dutch Shell Plc Class B	5.4
BP Plc	4.8
Grafton Group Plc	3.5
Lloyds Banking Group Plc	3.2
Barclays Plc	3.1
WM Morrison Supermarkets Plc	2.9
SIG Plc	2.7
Marks and Spencer Group Plc	2.6
Total	42.6

[1]% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	891.6
Share price (p)	1110.0
NAV (p) (ex income, debt at mkt)	1185.3
Premium/(Discount), Ex income (%)	-6.4
NAV (p) (cum income, debt at mkt)	1203.6
Premium/(Discount), Cum income (%)	-7.8
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	0.0	1.6
3 months	8.1	6.8
1 year	6.3	12.6
3 years	-6.3	9.0
5 years	33.4	41.5

[2]Capital return only

NAV total return % change

	Trust	FTSE All-Share[3]
1 month	-0.3	1.7
3 months	7.6	7.8
1 year	15.6	16.8
3 years	14.6	21.1
5 years	82.3	68.9

[3]Total return

Performance, Price and Yield information is sourced from Morningstar as at 30.09.16.

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.

Manager's Commentary

Thought for the month

We have often stressed that we spend too little time with company management as we struggle to differentiate between those teams who are truly talented and those with silver tongues who have found themselves in the right place at the right time. In general, if an audience can see tangible evidence of success it is far more likely to be convinced of management brilliance, thus making objective analysis difficult.

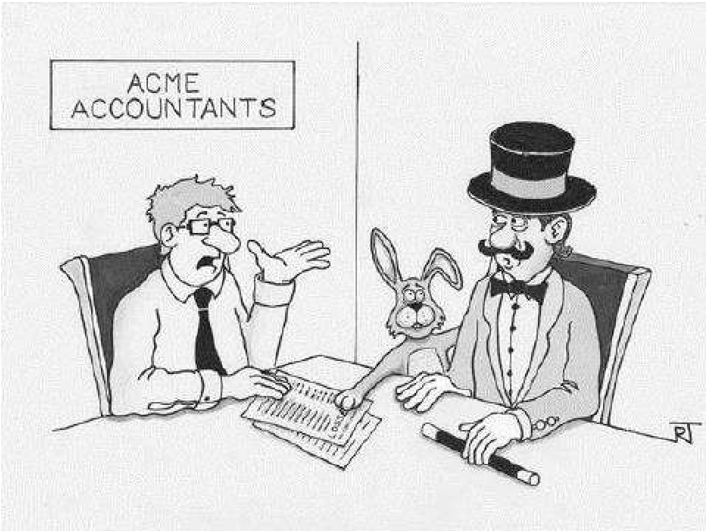
Is it any easier to detect poor management – and I should emphasise this is a discussion about underperformance rather than dodginess – and, if so, does this bring opportunity with it? Once again, the risk of identifying poor management from their performance in meetings is that this often highlights failings in presentation skills, not management abilities. Instead, we prefer to judge management through their historic actions. This, typically, would be from analysis of their capital allocation decisions such as whether acquisitions have proved fruitful, if share buybacks have been implemented sensibly, or if capital expenditure has generated strong returns. We can also assess if the core business has generated returns in line with peers.

Perhaps the hardest of these to judge is the latter. In the current era, a management team clearly underperforming its peers is likely to find itself moved on fairly quickly. Consequently, it builds a rational argument to explain away the apparently inferior performance. This might contain 'front foot' excuses such as claims that competitors are pricing aggressively for short-term benefit and long-term cost, providing a poor service or even using aggressive accounting. 'Backfoot' excuses might cover claims that the businesses are not comparable due to differences in say, location, customer type, ownership structure, business mix and so on.

Taken to the extreme, this might come across as a naïve preference for the lowest-margin business in an industry. Perhaps a compromise is to ensure that the excuses used for underperformance pass the sniff test. For example, I remember many years ago a publicly quoted bookmaker claiming its outlets were too small to hold the maximum permissible number of betting terminals. Given how profitable these terminals were, it was not a great surprise that this company soon received a bid and that the new owner managed to find the necessary space to squeeze in the extra machines. (Similarly, many high margins have been justified by supposed structural advantages. History informs us a number of these were simply cyclical advantages).

Often a company is unique, or, at least, sufficiently different to make cross-company comparison sub-optimal. In these cases, I wonder if it is possible to get a sense of some excess cost in the system. In my previous life at an insurance company, the generous holiday entitlement (plus flexi-days), fantastic free outdoor sports facilities, gold-plated pension scheme, house-moving day and staff mortgage scheme (sadly, I arrived a year or two too late for luncheon vouchers) ultimately registered as over-indulgence of employees relative to shareholders, and it was no surprise that when an outsider arrived he found excess costs in all corners of the business. It is doubtful with so much competition and opportunities for takeovers that many of these companies still exist in the UK market although the actions of new chief executives at Royal Dutch Shell and Marks & Spencer in recent years suggest opportunities remain.

A poor management team is often seen as a reason to give shares a wide berth. Even if this action is correct, investors must be ready to act with haste if there are personnel changes.



"I don't know how you've done it Mr Marvello but all your profits have completely disappeared!"

The yield information has been calculated as at 30.09.16. All other information is from Investec Asset Management at 30.09.16.

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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