Temple Bar Investment Trust PLC

Monthly update **31 March 2017**

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: 0.51% (31.12.16)
Includes a management fee of 0.35%

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

Auditors: Ernst & Young LLP

Investment Manager:
Investec Fund Managers Ltd

Registrars: Equiniti Ltd

Secretary:
Investec Asset Management Ltd

Stockbrokers: JPMorgan Cazenove

Depositary & Custodian: HSBC Bank Plc

Trust Objective

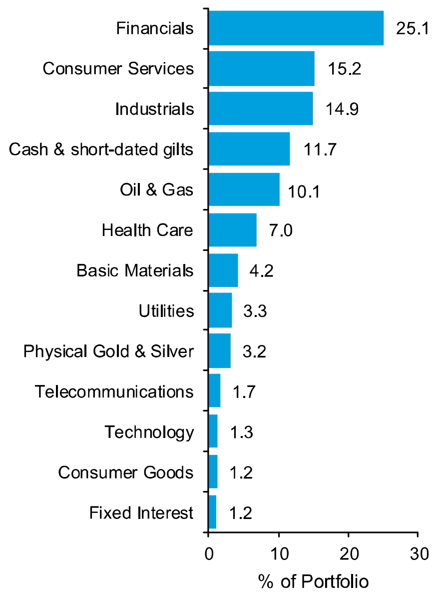
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)[1]

HSBC Holdings Plc	7.4
GlaxoSmithKline Plc	7.0
Royal Dutch Shell Plc	5.5
Grafton Group Plc	5.4
Barclays Plc	4.9
BP Plc	4.6
SIG Plc	3.0
Royal Bank of Scotland Plc	3.0
WM Morrison Supermarkets Plc	2.9
Lloyds Banking Group Plc	2.7
Total	46.4

[1]% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	960.2
Share price (p)	1230.0
NAV (p) (ex income, debt at mkt)	1296.8
Premium/(Discount), Ex income (%)	-5.2
NAV (p) (cum income, debt at mkt)	1308.2
Premium/(Discount), Cum income (%)	-6.0
Historic net yield (%)	3.3

Dividend History

Type	Amount (p)	XD date	Pay date
Final	16.18	09-Mar-17	31-Mar-17
3rd interim	8.09	08-Dec-16	30-Dec-16
2nd interim	8.09	08-Sep-16	30-Sep-16
1st interim	8.09	09-Jun-16	30-Jun-16

Performance

Share Price % change[2]

	Trust	FTSE All-Share
1 month	-4.0	0.9
3 months	0.6	3.0
1 year	22.0	17.5
3 years	1.7	12.2
5 years	33.4	32.9

[2]Capital return only

NAV total return % change[3]

	Trust	FTSE All-Share
1 month	1.1	1.2
3 months	2.0	4.0
1 year	22.7	22.0
3 years	19.0	24.9
5 years	71.8	58.7

[3]Total return

Performance, Price and Yield information is sourced from Morningstar as at 31.03.17.

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

A recent desk move reacquainted me with a few items I thought were lost for ever. One of them was 'Investing with Anthony Bolton', written over a decade ago by the man himself and journalist Jonathan Davis. It is a book you are unlikely to find on an 'investment classics' list, but, given Bolton's extraordinary performance over three decades, there should be some worthwhile nuggets hidden within.
Bolton's performance was so strong it is worth reminding ourselves just how good he was. From 1980 to the end of 2005 (when the book was published), his UK Special Situations Fund generated a compound return of 20.4% and outperformed the FTSE All-Share Index) by approximately 6.6% per annum. Against the possibly more appropriate FTSE 250 Index (given his long-term preference for stocks outside the FTSE 100 and with which the fund was highly correlated) performance was still very impressive, Davis quoting outperformance of 2.8% from the time the index was created in 1986. And as if that was not sufficiently impressive, Bolton repeated the trick with his European Fund.

(In a separate document I found during the desk move, an academic paper analysed the long-term outperformance of Warren Buffett, Bill Gross and Peter Lynch, Bolton's colleague at Fidelity. The paper deconstructed the records of Buffett and Gross to reveal the presence of certain style factors (such as 'quality' in the case of Buffett), but Lynch proved impossible to place in a style box. The report concluded that his performance was due in good part to superior stock-picking. Analysis on Bolton reaches the same conclusion).

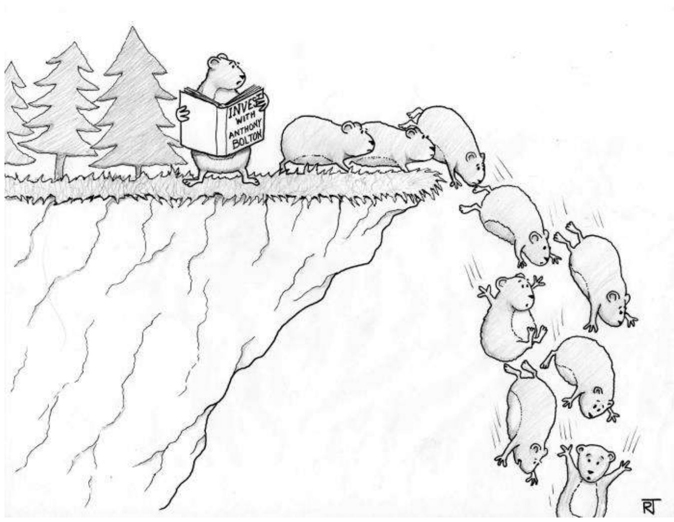
As with Peter Lynch in his various books, Bolton struggles (or declines?) to fully articulate the ingredients of his magic dust so the reader is left with a few basic observations and forced to read between the lines. Bolton highlights, for example, the importance of understanding a business's franchise, favouring simple over complex businesses, understanding the key variables that drive the business, avoiding dodgy management, and so on. All very sensible motherhood and apple pie stuff and strategies with which virtually all investors would agree and claim to follow. Bolton may just be better than his competitors at sticking to these disciplines, a view supported by colleagues quoted in the book highlighting his dispassionate and implacable temperament.

Bolton also focuses on the importance of thinking two moves ahead of the crowd. In a book in which he does little trumpet-blowing, he remarks that he thinks he is "good at knowing the types of situation that will excite investors, where there can be 'blue sky' in the future. I will try to find companies where this is currently being ignored, but in my view will impact investor psychology again in the future". Although he talks elsewhere about liking to ask the simple question, "how likely is the business to be here in 10 years' time – and how likely is it to be more valuable than today", he does not necessarily ask it with the intention of holding the shares for 10 years (from the ever changing top 10 holdings listed each year in the book one gets the impression holding periods were typically much shorter than a decade), but to determine if other investors will pay (a lot) more for his stock than he paid. The many bids he received for holdings over the years – including a mind-boggling 30 in 1999 – highlight that the buyer paying a higher price came from a variety of sources.

Bolton states that he can remember little about some of his largest holdings (he mentions Vitatron and Debron Investments) whilst a number of others (such as British Energy and the Irish banks) met unhappy endings after Bolton sold them profitably. It seems that Bolton was much better working out what other investors would pay for a company's perceived future than correctly forecasting that future!

Not surprisingly, Bolton's preference for cheap small caps and complete disregard for index risk led to a few periods of significant relative underperformance. The UK recession of 1990-91 led to two years of relative underperformance of 17.9% and 16.2% (and a letter from a shareholder suggesting he was better suited to 'sweeping the streets'), but, interestingly, his absolute performance characteristics in falling markets were never as bad as the market despite the received wisdom of the heightened risk of small cap investing. Bolton's worst 12-month period during his management of the fund was -30.0% compared with a worst 12-month period of -29.8% for the market.

Bolton (with the help of Davis) makes it all sound rather easy. Typically look for out-of-favour, cheap, well-financed small caps with straightforward business models that have fallen on hard times, are run by non-hyperbolic trustworthy management and that have a decent chance of recovering to such an extent that other investors will then pay up for the story. And repeat for 27 years.



"Sorry guys but this has given me a different perspective on things!"

The yield information has been calculated as at 31.03.17. All other information is from Investec Asset Management at 31.03.17.

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.

Issued by Investec Asset Management, which is authorised and regulated by the Financial Conduct Authority, March 2017.