Temple Bar Investment Trust PLC

Monthly update **30 April 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: 0.47% (31.12.18)
Includes a management fee of 0.35%

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

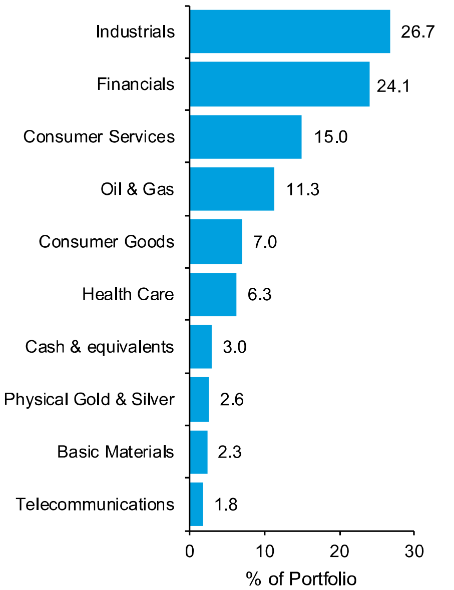
To provide growth in income and capital to achieve a long-term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)[1]

GlaxoSmithKline Plc	6.3
Royal Dutch Shell Plc	5.9
Travis Perkins Plc	5.9
Capita Plc	5.8
BP Plc	5.4
Grafton Group Plc	4.5
Lloyds Banking Group Plc	4.3
HSBC Holdings Plc	4.2
SIG Plc	4.2
Tesco Plc	3.9
Total	50.4

[1]% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	1010.2
Share price (p)	1336.0
NAV (p) (ex income, debt at mkt)	1367.7
Premium/(Discount), Ex income (%)	-2.3
NAV (p) (cum income, debt at mkt)	1386.5
Premium/(Discount), Cum income (%)	-3.6
Historic net yield (%)	3.7

Dividend History

Type	Amount (p)	XD date	Pay date
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
2nd interim	8.75	06-Sep-18	28-Sep-18

Performance (Total Return)

Cumulative Returns (%)

	Share Price	NAV	FTSE All-Share
1 month	2.1	3.6	2.7
3 months	8.6	9.5	7.8
1 year	6.3	5.4	2.6
3 years	40.5	35.0	33.3
5 years	29.3	34.1	35.2
10 years	213.8	233.0	167.9

Rolling 12 Month Returns (%)

	Share Price	NAV	FTSE All-Share
31.04.18-31.04.19	6.3	5.4	2.6
31.04.17-31.04.18	6.8	8.1	8.2
31.04.16-31.04.17	23.7	18.5	20.1
31.04.15-31.04.16	-7.5	-6.1	-5.7
31.04.14-31.04.15	-0.6	5.7	7.5

Performance, Price and Yield information is sourced from Morningstar as at 30.04.2019

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

We can often detect a discernible hint of curiosity from clients when we mention that our list of out-of-favour stocks has grown significantly in size. What new fish are swimming in our pool? There is a sense that they are expecting news of some outrageously high-quality stocks available at bargain prices. Sadly, on seeing the constituents of our 'naïve' out-of-favour screen, client curiosity quickly changes to something closer to polite disgust.

Their sentiment is understandable, but in a way completely predictable. The reality is that companies can only be truly out-of-favour if investors have very genuine concerns about their futures. If an investor thinks they have discovered a 'gimme' it is often because they have not fully embraced and understood the fears of others.

This visceral reaction to names on the list reflects a natural reaction to overweight the recent past when assessing the future – recency bias at work. And the more vivid the recent past, the harder it probably is to conceive of a vastly different future. For example, what's your immediate reaction when considering the future of Royal Mail, M&S, ITV, BT, Thomas Cook, Kier and Capita? Unless you are the most bloody-minded of contrarians, the answer is unlikely to be particularly positive.

However, things do change. And one way of illustrating this is to look back at when some of the current underperformers (which thankfully we managed to avoid) were flying high.

For example, when Provident Financial's share price was peaking at the end of 2015, an investment bank described it as a "safe place to hide" with a forward price earnings ratio of 20x. Similarly, Capita was described as a "relatively safe haven in a stormy market" as it peaked in the autumn of 2015 with a forecast price/earnings (P/E) ratio of almost 17x. Kier at its peak in 2015 was also a place to "shelter from the storm" with a prospective P/E of 15.9x. Even Royal Mail climbed to a forward P/E of 11.5x ratio at its peak in 2016 when there was "improved visibility on wages and regulations".

These examples are not designed to embarrass anyone – we all have our own catalogue of mistakes – but simply to illustrate how facts (earnings) and views (the valuation put on those earnings) can change. In all these cases (and, yes, we are guilty of picking winners that developed into losers, but that is after all what our screen is designed to highlight) investors discovered they were applying high ratings to high earnings numbers. A very dangerous cocktail.

Obviously, our challenge is to ascertain which companies on our watch list are most likely to have futures significantly different from their recent past and provide investors with the beautiful combination of higher earnings priced at a higher valuation. Often – depressingly often – it is correct to extrapolate current trends, but experience tells us that hidden among the rubbish are some real gems doing their very best to look like rubbish.

"Face facts Derek. Once a caterpillar, always a caterpillar"

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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