

## 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:** 0.49% (31.12.17)  
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

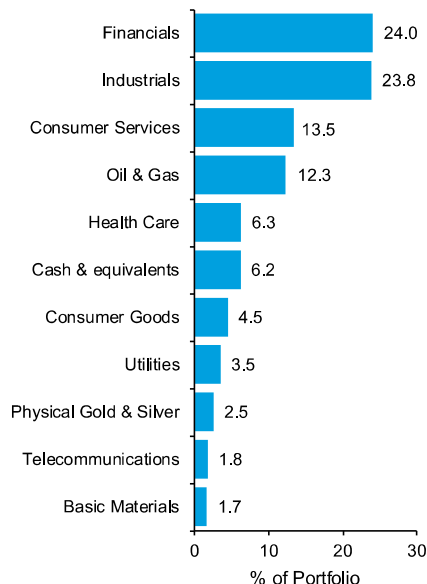
To provide growth in income and capital to achieve a long-term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

## Top Ten Equity Holdings (%)<sup>1</sup>

Royal Dutch Shell Plc	6.5
GlaxoSmithKline Plc	6.4
Capita Plc	6.2
BP Plc	5.8
Travis Perkins Plc	4.9
HSBC Holdings Plc	4.3
Lloyds Banking Group Plc	4.1
Barclays Plc	4.0
Royal Bank of Scotland Plc	3.9
Grafton Group Plc	3.9
<b>Total</b>	<b>50.0</b>

<sup>1</sup>% of total assets, including cash

## Sector Analysis



## Financial Data

Total Assets (£m)	952.3
Share price (p)	1208.0
NAV (p) (ex income, debt at mkt)	1279.8
Premium/(Discount), Ex income (%)	-5.6
NAV (p) (cum income, debt at mkt)	1304.8
Premium/(Discount), Cum income (%)	-7.4
Historic net yield (%)	3.6

## Dividend History

Type	Amount (p)	XD date	Pay date
2 <sup>nd</sup> interim	8.75	06-Sep-18	28-Sep-18
1 <sup>st</sup> interim	8.75	07-Jun-18	29-Jun-18
Final	17.48	08-Mar-18	29-Mar-18
3 <sup>rd</sup> interim	8.33	07-Dec-17	29-Dec-17

## Performance (Total Return)

### Cumulative Returns (%)

	Share Price	NAV	FTSE All-Share
1 month	-4.6	-4.1	-5.2
3 months	-7.0	-6.5	-7.2
1 year	-5.2	-2.2	-1.5
3 years	24.3	27.1	25.4
5 years	17.6	27.7	30.5
10 years	217.1	230.3	156.7

### Rolling 12 Month Returns (%)

	Share Price	NAV	FTSE All-Share
31.10.17-			
31.10.18	-5.2	-2.2	-1.5
31.10.16-			
31.10.17	21.6	14.1	13.4
31.10.15-			
31.10.16	7.9	13.8	12.2
31.10.14-			
31.10.15	-5.9	0.4	3.0
31.10.13-			
31.10.14	0.6	0.1	1.0

Performance, Price and Yield information is sourced from Morningstar as at 31.10.2018

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.

## Manager's Commentary

### Thought for the month

The long-awaited market wobble finally came in October. Readers can pick their catalyst of choice. I'm going to settle for more eager sellers than buyers (see below), but there is no end of factors which are clearly exercising investors' minds currently: rising US bond yields, central bank behaviour, geo-political issues, trade wars, the bursting of the credit bubble in China, high equity valuations and Italy's future in the EU.

Investors building mixed asset portfolios are clearly challenged. Equities have in general performed well, but many have reached uncomfortable valuations particularly as earnings momentum seems to be waning, cash remains unattractive and bonds (of all flavours) continue to offer more risk than reward. Alternative assets meanwhile may simply just offer investors an alternative way to lose money. We stick with the principle that what has gone up most in these markets is most vulnerable to sell-offs and what is most unloved may offer the best form of protection. So hold cash, avoid bonds of any duration, avoid the most in favour equity styles and markets, hold the out-of-favour equity styles and markets, look for babies which have been thrown out with the bathwater and spice with some portfolio protection.

It is that time of the year when investment bank strategists are tasked to generate some pithy commentary on the year ahead. The sleeves are rolled up, the pencil sharpened and before you know it the clichés are flowing. Talk of uncertain times and volatile markets (probably generated by some short-covering and delta hedging) is tempered by promises that, post some profit-taking we are entering a stockpickers' market and that although there are some concerns we remain cautiously optimistic.

At least, the authors of these documents know (I hope) they are writing some pretty vacuous stuff and simply showing their reluctance to tie their colours to their mast. What winds me up more is language which you get the impression the author really believes has added meaningful insight or is being used to conceal some moderate news. So welcome to the *Hall of Shame of Meaningless Drivel*.

Top of the list are acquisitions which are highlighted as 'immediately earnings enhancing'. This simply needs profits of the acquired business to be higher than the interest the acquirer was earning on their cash at the bank plus the cost of any debt used. Not the highest of bars in a very low interest rate environment. Clearly advisors know this, but they are also aware that their client has just paid top dollar for the acquisition.

To square this rather uncomfortable circle, the typical trick is to add 'and is expected to exceed its weighted average cost of capital within three years'. Not usually two (they paid too much to make that credible) and hardly ever four (that would generate investor revolts). Three it is. As it is unfair to pluck out random examples of this language, let's just highlight the two most recent: Restaurant Group's proposed acquisition of Wagamama and WH Smith's acquisition of InMotion, both announced in the last few days of October.

Often a management team under pressure will announce a restructuring plan with detailed cost savings. This can sound attractive and analysts might be encouraged to include such numbers in their spreadsheets, but experience tells us that it is impossible to audit such claims given re-jigging of operational divisions plus allocation of 'normal cost inflation' elsewhere in the p&l.

It's not just company management who can say so much whilst saying nothing at all. One of my favourite meaningless phrases is the claim that there is 'cash on the sidelines'. This suggests that there is significant underlying demand for an asset which will force its price up. Whilst of some intuitive appeal, for every buyer there must be a seller and therefore the cash can never really leave the sideline unless there is new supply of an asset such as an IPO. Of course, the usual reason a price of an asset rises is because the buyers are more eager than the sellers, but obviously no one would wish to be caught saying something as hollow as that!

So, we've found a stock that is attractively priced and are tempted to buy it. What are analysts saying? Some might suggest that the stock has a few challenges holding it back and therefore it would be best to 'buy when there's a bit more visibility'. Fine advice theoretically, but of course, often one must pay a lot more to know a little more. Similarly, investors are often recommended to hold a risky stock whilst 'keeping an eye' on potential problem areas a,b and c. Once again, one can see the reasoning, but sadly if either a, b or c occur, then the share price will immediately react, making the investment decision no easier.

Macro strategists are no better, constantly informing us of potential dangers 12-18 months away (but never 18-24 months) or warning us that the second half of the year will be a tougher environment in which to make money (as the first half will prove just so easy).

The war on meaningless drivel continues. We will maintain our efforts to tell it as it is.

**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.**



*"Which one of you calculated the margin of safety?!"*

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