

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% (31.12.15)
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

Depository & Custodian: HSBC Bank Plc

Trust Objective

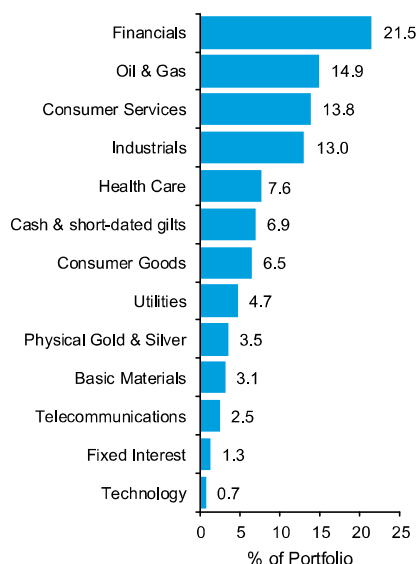
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)¹

Royal Dutch Shell Plc Class B	7.6
GlaxoSmithKline Plc	7.6
BP Plc	7.2
HSBC Holdings Plc	7.1
British American Tobacco Plc	3.8
Lloyds Banking Group Plc	3.4
Grafton Group Plc	3.3
WM Morrison Supermarkets Plc	2.6
Marks and Spencer Group Plc	2.5
SIG Plc	2.5
Total	47.6

¹% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	840.3
Share price (p)	1027.0
NAV (p) (ex income, debt at mkt)	1109.0
Premium/(Discount), Ex income (%)	-7.4
NAV (p) (cum income, debt at mkt)	1125.9
Premium/(Discount), Cum income (%)	-8.8
Historic net yield (%)	3.9

Dividend History

Type	Amount (p)	XD date	Pay date
1 st 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
2nd interim	7.93	10-Sep-15	30-Sep-15

Performance

Share Price % change

	Trust	FTSE All-Share ²
1 month	-2.7	2.5
3 months	1.9	3.5
1 year	-11.5	-1.5
3 years	-10.1	6.9
5 years	9.6	13.5

²Capital return only

NAV total return % change

	Trust	FTSE All-Share ³
1 month	0.3	2.8
3 months	3.0	4.7
1 year	-2.4	2.2
3 years	11.8	18.6
5 years	48.0	35.5

³Total return

Performance, Price and Yield information is sourced from Morningstar as at 30.06.16.

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

Having in previous months highlighted a desire for a market shakeout, I will in future be more careful for what I wish for. I was merely hoping for a rerating of stocks to provide us with some interesting opportunities at cheap prices. Instead, 'Brexit' introduces the risk the UK economic backdrop deteriorates significantly more over the next few years than the market had assumed prior, which has led to significant weakness in some shares. While we always assess companies on their prospects of profitability through the entire economic cycle (implicitly allowing for recession as well as booms), we appreciate the market is a lot more sensitive to short-term news, and, in particular, profit downgrades. Theoretically, seeing analysts hurriedly cutting their forecasts on swathes of stocks, and consequent share price falls, should have excited us. However, we must accept that while share prices in several sectors have significantly fallen, this does to a certain extent reflect fears of a tougher long-term future while the economy works through the consequences of Brexit.

While Brexit has clearly created very significant uncertainties, there are some areas the market has priced in as a foregone conclusion and beyond dispute. Its most obvious conclusion is that interest rates will now remain low for a very long time as the Bank of England relaxes monetary conditions for as long as it considers necessary. The gilt market has reacted by pushing yields significantly lower across all maturities. This is an understandable move for gilts with very short maturity dates, but it is questionable whether investors should be so confident that the outcome of the referendum has serious ramifications at the long end (i.e. 50 years).

To highlight how misleading 'obvious' first-look conclusions can be, it is interesting to look back at the introduction of quantitative easing (QE) during the global financial crisis. Once again, this was a time of great uncertainty, but, despite this, there was a strong consensus that QE would ultimately prove inflationary, and so long gilt yields increased. This conclusion was totally incorrect (on an eight-year view); instead of rising, gilt yields have fallen to all-time lows. One can easily imagine reasons why gilt yields might move higher. With the budget and current account deficits still significantly sizeable, a funding crisis could easily occur. Meanwhile, weak sterling clearly increases import prices, and, if the UK becomes a less hospitable place for foreign labour, wage rises could become an issue too. Rumours of the death of inflation may well prove to have been exaggerated.

If gilt yields were to rise, the knock-on effects could be significant. They would presumably take all other bond yields with them as well as any other assets whose prices seem to be benchmarked off bonds (the much-loved 'bond proxies'). Of course, there are always good arguments in both directions, and bond bulls might suggest we are in a period of long-term deflation and/or that the financial authorities will continue to pursue financial oppression and thus keep bond yields low. But the flatness of the bond yield curve suggests the market believes this financial oppression will never have the desired reflationary effect. And, if that is the case,

the outlook for economic growth and corporate profitability is surely worse than what is currently baked into share prices.

Typically, markets can only worry about one thing at a time – and Brexit has clearly been that 'thing' in the past few weeks. Perhaps, bear markets occur when investors worry about a number of factors simultaneously and consequently discover there are few, or no, hiding places. It is worth reviewing what else there is that could worry investors over the next year or so. In no particular order – and certainly not a complete list – we have: a very expensive US equity market, extraordinarily low bond yields worldwide, central banks finding their actions having increasingly little reflationary impact, significant political uncertainty in the US, a global debt mountain looking as high as ever, a Chinese economy with far lower economic growth than expected a few years ago and still being at least partly sustained by unnecessary government-funded infrastructure projects, populist politics gaining traction around the world and Europe under significant pressure both economically and politically. What would be the stocks to own in a market that decided to worry about some (or all) of these? For value investors, that answer is straightforward: the cheapest and most beaten-up stocks plus, a little bit of cash.

Populism and its consequences

Investors have reacted to the Brexit vote by selling sterling and domestically-focused stocks, while rerating stocks with high levels of international earnings. This is all very rational and understandable. However, markets do not seem to have reacted to the wave of populism and anti-establishment fervour behind the vote. Will this breed similar behaviour around Europe and in the US? Will the man in the street be happy to accept further austerity as UK and many European governments continue to reign in their budget deficits? Will corporates playing fast and easy with tax regimes and wage rates remaining low as a percentage of GDP be allowed to continue? Has the long-term trend of globalisation found its match? Is QE for the people becoming ever more likely?

All of this, together with our concerns highlighted above, suggests that the multi-decade period of equities being valued at historically expensive levels may be coming to an end. If so, the most expensive and in-favour equities could be the most vulnerable to vicious re-ratings. This paints a pretty bleak picture for investors. However, it should be remembered they have benefitted from both an extraordinary bull market in bonds lasting over three decades and from equities being rerated.

But opportunities remain. As governments and central banks begin to realise that continually lower interest rates have been unsuccessful in generating reflation, then the introduction of more new-fangled policies becomes more likely. If only to protect against the unintended consequences of these policies, investors may well be tempted to add precious metals to their portfolios as an insurance policy. Meanwhile, those parts of the equity market already priced for very negative outcomes may paradoxically offer the best protection to investors eager to position their portfolios for a very different future.

The yield information has been calculated as at 30.06.16. All other information is from Investec Asset Management at 30.06.16.

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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