

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

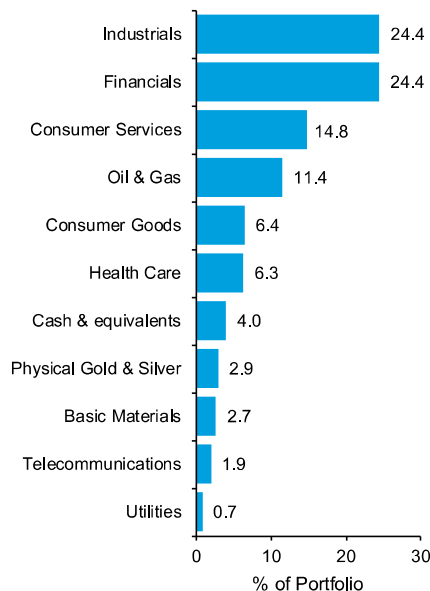
To provide growth in income and capital to achieve a long-term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)¹

GlaxoSmithKline Plc	6.3
Royal Dutch Shell Plc	6.1
Capita Plc	5.7
Travis Perkins Plc	5.5
BP Plc	5.3
HSBC Holdings Plc	4.3
Lloyds Banking Group Plc	4.2
Royal Bank of Scotland Plc	4.0
Grafton Group Plc	4.0
Tesco Plc	3.8
Total	49.1

¹% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	942.8
Share price (p)	1250.0
NAV (p) (ex income, debt at mkt)	1262.3
Premium/(Discount), Ex income (%)	-1.0
NAV (p) (cum income, debt at mkt)	1285.7
Premium/(Discount), Cum income (%)	-2.8
Historic net yield (%)	3.5

Dividend History

Type	Amount (p)	XD date	Pay date
Final	20.47	07-Mar-19	29-Mar-19
3 rd interim	8.75	06-Dec-18	27-Dec-18
2 nd interim	8.75	06-Sep-18	28-Sep-18
1 st interim	8.75	07-Jun-18	29-Jun-18

Performance (Total Return)

Cumulative Returns (%)

	Share Price	NAV	FTSE All-Share
1 month	9.1	8.0	4.2
3 months	4.3	-0.7	-1.4
1 year	-0.3	-2.3	-3.8
3 years	38.2	31.9	28.5
5 years	22.8	26.5	31.2
10 years	212.8	232.3	163.7

Rolling 12 Month Returns (%)

	Share Price	NAV	FTSE All-Share
31.01.18-			
31.01.19	-0.3	-2.3	-3.8
31.01.17-			
31.01.18	9.9	8.7	11.3
31.01.16-			
31.01.17	26.1	24.2	20.1
31.01.15-			
31.01.16	-10.7	-6.7	-4.6
31.01.14-			
31.01.15	-0.5	2.8	7.1

Performance, Price and Yield information is sourced from Morningstar as at 31.01.2019

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.

Manager's Commentary

Thought for the month

In 1991, Derek Terrington, an investment analyst at UBS Phillips and Drew issued a research note on the Mirror Group Newspapers flotation. Rather inconveniently, his employers were bankers to the company and consequently reluctant to issue any research which might endanger their relationship with Mirror Group's chief executive Robert Maxwell who had a less-than-pristine financial history. Terrington worked around this by entitling his note "Can't Recommend a Purchase", leaving his clients to – correctly – draw their own conclusions on the merits of the deal by piecing together the initial letters of his title.

Many analysts amuse themselves by creating titles for their publications using song titles or plays on words (although I would be happy to wager that 'Cheap but no short-term catalysts. Hold', is pretty close to the all-time favourite). The opportunity for a cheap laugh is clearly just too great to turn down. A Credit Suisse analyst recently headed his note on floor covering company Mohawk, 'Playing to Its Floorte. Carpe(t) Diem'.

One title that my systems claim has never been used (but I find very hard to believe) is 'The next Next'. Given most analysts publish bullish notes, their forecasts tend to generate ever-increasing profit numbers over the forecast horizon with the retained profits boosting the company's balance sheet. With that profile it is tempting to assume the company will use some of its excess cash to buy back stock and (typically) enhance earnings – as Next has done for many years.

Perhaps analysts are reluctant to forecast the next Next because it has happened so rarely in recent times. Admittedly, the most bullish profit numbers generated by analysts have generally failed to materialise. But with most company's dividends covered by profits, one would have imagined that surplus profits would have been generated. So what happened to these excess profits? In some cases, they have been returned to shareholders as special dividends or used to pay down debt, but I fear in several cases they have been used to cover exceptional costs, finance the continued growth of the company, develop a new organic growth option or make acquisitions.

None of these on their own are necessarily bad choices, it is just telling how few boards are willing to accept that the best use of this excess cash is to return it to shareholders. After all, history informs us that many (most?) acquisitions do not end well and that excessive capital expenditure often simply creates oversupply. Perhaps boards view the return of capital as admitting failure, or maybe they think it reduces the chances of big bonus pay-outs. It is very possible that company management simply gets bored and needs a new toy to play with or rates itself so

highly that it becomes convinced that it is only other companies that make poorly considered acquisitions.

This thrill of action was highlighted by French philosopher Blaise Pascal over a hundred years ago, "All of humanity's problems stem from man's inability to sit quietly in a room alone". And once a chief executive has identified a deal he wants to make, he is unlikely to find many advisors suggesting inaction. As Buffett says, "Only in fairy tales are emperors told that they are naked".

One advantage we believe contrarian investors usually have when finding a potential investment opportunity is that the company has already made some bad decisions (and been punished for them) – over expansion, excessive diversification and so on. The subsequent recovery plan typically involves new management selling 'non-core' businesses and focusing on the core, while improving the company's balance sheet and buying back shares – actions you might expect from the next Next. A reality check is often simultaneously provided to investors highlighting the many challenges the company has. Contrast this with a company full of animal spirits, investing heavily, making acquisitions and providing commentary which is typically very bullish and devoid of potential concerns. The out-of-favour company often has a low rating while the in-favour one is priced for success – something which should improve the odds for the contrarian. The next Next is quite possibly out there, but perhaps in a different place from where most investors are looking?



"Yes Gladys...first he sold the shares, now he wants to buy them back! On his salary you'd think he'd be able to make up his mind!"

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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