

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

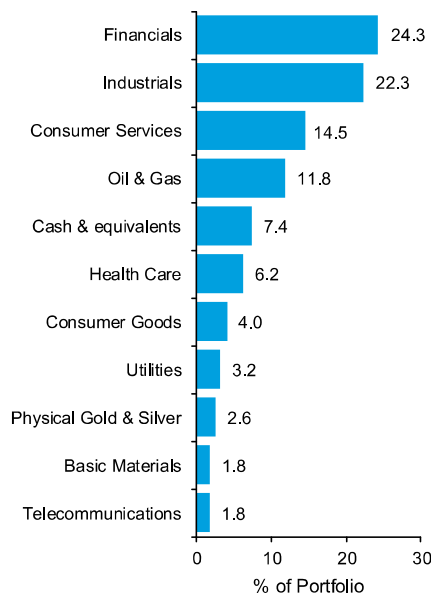
To provide growth in income and capital to achieve a long-term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)¹

Capita Plc	7.3
Royal Dutch Shell Plc	6.3
GlaxoSmithKline Plc	6.2
HSBC Holdings Plc	6.1
BP Plc	5.4
Lloyds Banking Group Plc	4.2
Barclays Plc	4.2
Royal Bank of Scotland Plc	4.0
Grafton Group Plc	3.8
Tesco Plc	3.1
Total	50.6

¹% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	1024.3
Share price (p)	1308.0
NAV (p) (ex income, debt at mkt)	1385.2
Premium/(Discount), Ex income (%)	-5.6
NAV (p) (cum income, debt at mkt)	1404.8
Premium/(Discount), Cum income (%)	-6.9
Historic net yield (%)	3.3

Dividend History

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

Performance (Total Return)

Cumulative Returns (%)

	Share Price	NAV	FTSE All-Share
1 month	-1.1	-0.2	1.3
3 months	1.0	3.7	3.9
1 year	6.3	7.5	9.2
3 years	24.6	29.0	30.2
5 years	27.9	39.6	44.9
10 years	216.7	214.1	121.9

Rolling 12 Month Returns (%)

	Share Price	NAV	FTSE All-Share
31.07.17-			
31.07.18	6.3	7.5	9.2
31.07.16-			
31.07.17	19.2	18.9	14.9
31.07.15-			
31.07.16	-1.7	1.0	3.8
31.07.14-			
31.07.15	-0.2	4.1	5.4
31.07.13-			
31.07.14	2.8	4.0	5.6

Performance, Price and Yield information is sourced from Morningstar as at 31.07.2018

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

Some questions come up quite frequently when meeting clients. Below we summarise our thoughts on those subjects which seem most contentious.

Isn't Marks & Spencer in structural decline? How can it compete in food against larger competitors and in clothing against more nimble competitors? Have you been in its stores? Have you tried purchasing something on their website?

Yes, we agree the shopping experience at M&S is far from perfect. But without wishing to sound glib, that is the opportunity. We accept that the high street is under pressure and that M&S has plenty of high quality competition in both food and clothing. However, we believe a lot of the company's current difficulties are as much self-inflicted, as they are a consequence of external issues. The new chairman, who describes the company as having a 'burning platform', has, together with the chief executive, highlighted a variety of challenges. These include excessive costs, poor IT, sub-optimal customer service, a sub-standard website, weak distribution infrastructure, a lack of innovation in food, an excessive number of clothing brands, too many stores and an insufficiently attractive choice of low priced items. Some of these issues have already been improved whilst others will take longer. Clearly a turnaround will not be straightforward, but much of its success appears to be in the hands of the management. The market believes a recovery is unlikely and expects profits to remain flat over the next three years. The shares are, given that scepticism, cheaply valued and, like much of the portfolio, could appreciate significantly if a recovery is engineered.

The government has started selling off its large holding in RBS. Won't that keep a lid on the share price?

The market is well aware of the overhang and this should be discounted in the RBS price. It is interesting to note how well Lloyds Banking Group performed while the government was selling off its substantial holding. With further large sales probably only possible when RBS returns to the dividend list, it is important to think about future buyers as well as future sellers.

You have held Travis Perkins for a few years in the expectation of a recovery in the UK repair, maintenance and improvement markets (RMI). Its share price underperformance suggests it has missed it or it hasn't happened. Is it time to give up?

Travis Perkins' operational and share price performances have been disappointing. The RMI market has not recovered as we had hoped, probably due to the continued low level of housing

transactions (which typically drives home improvements). It is possible that housing transactions are simply consolidating at a lower level – in which case perhaps homeowners will do more work on their existing houses. Travis has also found competition hotting up from new entrants in its traditional markets and management may have been late to react, but now seems to have got the message. Its DIY business Wickes has been even more disappointing, once again affected by a slow market and heavy competition. The 'good' news is that the shares are now so lowly valued that no RMI recovery is really required. On consensus earnings for 2018 the shares are on a P/E ratio of 11 and an EV/EBIT (our favourite ratio) of 9. This looks very cheap for a well invested market leader and could prove very cheap when the RMI market does pick up.

How attractive is your opportunity set of unloved stocks?

The UK market now seems to be particularly bifurcated. Loved stocks are trading at very high valuations, while unloved stocks are struggling to attract buyers at almost any price. And any stock which disappoint tends to be sold down mercilessly. Consequently, this has increased the number of stocks in our opportunity set and provided us with several stocks to look at. For example, we are currently considering Micro Focus, Playtech, Provident Financial, Saga and PZ Cussons – stocks which we've either never held or not held for many years. At the same time continued underperformance in specific names such as M&S, SIG and Travis Perkins has provided us with opportunities to increase our positions.

Are you positioned for a hard Brexit or a soft Brexit?

The conventional wisdom is that those stocks stuffed with overseas earnings and/or defensives are best placed for a Hard Brexit. However, the beauty of stock markets is that they are discounting mechanisms. So, my question back (and equally hard to answer!) is 'how much of a hard Brexit is already discounted in share prices'. My answer would be 'quite a lot' – surveys tell us that UK equities are out of favour and, within that, those stocks most exposed to the cyclical parts of the UK economy are particularly out of favour. It seems that the market is certain a hard Brexit would be bad for sterling, but there must be a chance that the worst of the depreciation has already happened. And perhaps a hard Brexit won't be as bad as people think. Another way of looking at all this is to try and relieve ourselves from the emotions of Brexit and substitute 'a recession' for 'Brexit'. We are trying to find those stocks which look cheap on a through-the-cycle basis i.e. not for next year but for an average year. And a cycle typically includes a recession. And the good news is on through-the-cycle numbers several stocks are getting cheaper.

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Could it get worse for a portfolio seen to be vulnerable to a hard Brexit even if a lot is already discounted?

Yes, the market is a voting machine in the short term, as Ben Graham said. If sentiment weighs against the stocks seen as most vulnerable to a hard Brexit, they will see further share price falls. However, if on our through-the-cycle earnings calculations this makes them even cheaper, we will get an opportunity to add more to the portfolio. Obviously, we should be careful what we wish for, but we like it when investors act irrationally. This sometimes means we have to take some pain first, but it does allow us to add long-term value to the portfolio.

Do you draw your own cartoons?

No. That's left to a professional.



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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