Temple Bar Investment Trust PLC

Monthly update **31 March 2016**

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

Depositary & Custodian: HSBC Bank Plc

Trust Objective

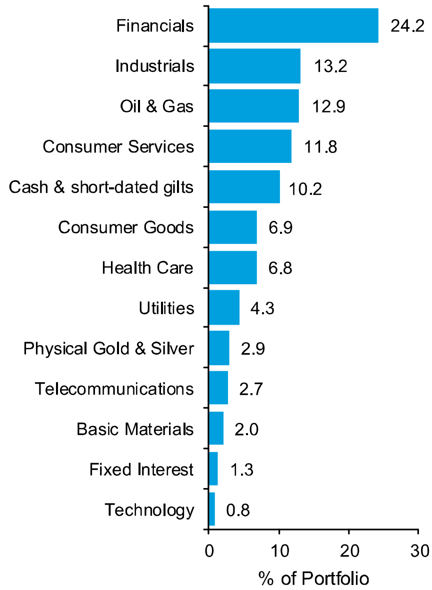
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)[1]

GlaxoSmithKline Plc	6.8
HSBC Holdings Plc	6.7
Royal Dutch Shell Plc Class B	6.4
BP Plc	6.4
Grafton Group Plc	4.6
Lloyds Banking Group Plc	4.4
British American Tobacco Plc	4.1
Royal Bank of Scotland Group Plc	3.2
Direct Line Insurance Group Plc	3.0
WM Morrison Supermarkets Plc	2.8
Total	48.4

[1]% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	825.2
Share price (p)	1008.0
NAV (p) (ex income, debt at mkt)	1088.0
Premium/(Discount), Ex income (%)	-7.4
NAV (p) (cum income, debt at mkt)	1101.3
Premium/(Discount), Cum income (%)	-8.5
Historic net yield (%)	3.9

Dividend History

Type	Amount (p)	XD date	Pay date
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
1st interim	7.93	11-Jun-15	30-Jun-15

Performance

Share Price % change

	Trust	FTSE All-Share[2]
1 month	1.5	1.5
3 months	-4.2	-1.4
1 year	-13.4	-7.3
3 years	-8.8	0.4
5 years	13.8	10.7

[2]Capital return only

NAV total return % change

	Trust	FTSE All-Share[3]
1 month	2.2	1.9
3 months	0.3	-0.4
1 year	-5.4	-3.9
3 years	10.8	11.4
5 years	46.8	31.9

[3]Total return

Performance, Price and Yield information is sourced from Morningstar as at 31.03.16.

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.

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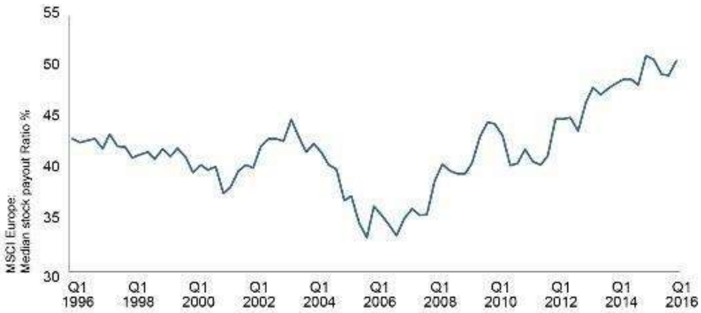
Manager's Commentary

Hot on the heels of our last monthly commentary covering dividend cuts, came an excellent update from Morgan Stanley analysing the performance of stocks post a dividend cut. It is well worth summarising their analysis. Across the universe of European stocks which Morgan Stanley conducted their analysis, they found a payout ratio close to its high over almost a 20 year period.

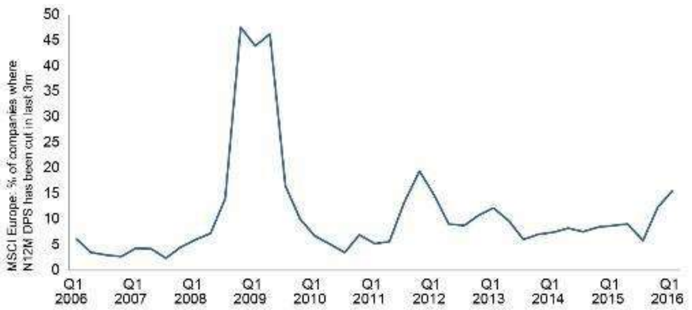
Figure 1: Payout ratio for median stock in Europe looks high from a historical perspective



Source: All charts within this document are sourced by MSCI, Datastream, Morgan Stanley Research.

And perhaps not surprisingly, dividend cuts have therefore picked up appreciably over the past few months.

Figure 2: % of companies where normalised 12-month dividend per share estimates have been cut in the last three months is at a recent high and close to 2011 levels



So how have stocks which have cut their dividends performed subsequently. On Morgan Stanley's numbers, the answer is 'rather well' with a nicely positive hit ratio (i.e. the percentage of stocks outperforming post the cut well in excess of 50% over 6, 12 and 24 months) and strong median outperformance.

Figure 3: Median stock display outperformance post dividend cut announcement

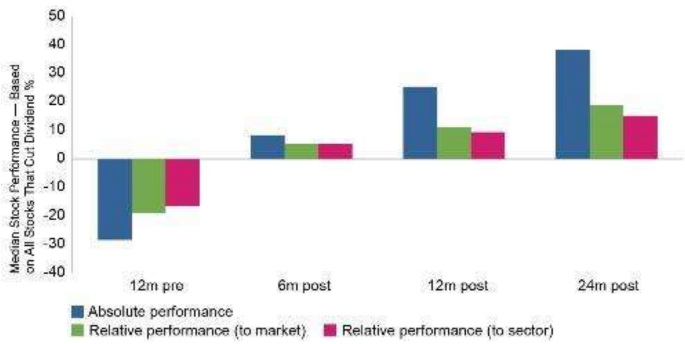
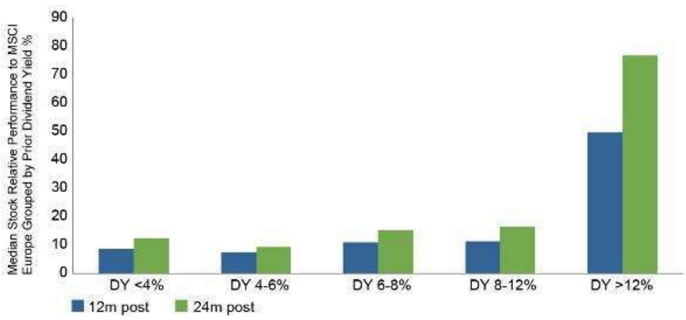


Figure 4: Median stock performance and hit ratio for all stocks in the database

PERFORMANCE (%)	12M PRE	6M POST	12M POST	24M POST
Abs Perf	-29%	8%	25%	38%
Rel Perf (to market)	-19%	5%	11%	19%
Rel Perf (to sector)	-17%	5%	9%	15%
HIT RATIO (%)	**12M PRE**	**6M POST**	**12M POST**	**24M POST**
Abs Perf	27%	65%	74%	74%
Rel Perf (to market)	26%	60%	65%	66%
Rel Perf (to sector)	33%	60%	63%	62%

Interestingly, stocks with particularly high yields prior to the cuts performed best post the announcement.

Figure 5: Stocks with a preceding yield greater than 12% outperformed most strongly post cut



The yield information has been calculated as at 31.03.16. All other information is from Investec Asset Management at 31.03.16.

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.

Figure 6: Median stock relative performance and ratio hit – grouped by prior dividend yield

	12M PRE	24M POST
RELATIVE PERFORMANCE (%)		
DY < 4%	9%	13%
DY 4 - 6%	7%	9%
DY 6 - 8%	11%	15%
DY 8 - 12%	11%	16%
DY > 12%	50%	77%
HIT RATIO (%)	**12M PRE**	**24M POST**
DY < 4%	61%	64%
DY 4 - 6%	64%	57%
DY 6 - 8%	63%	61%
DY 8 - 12%	65%	67%
DY > 12%	83%	88%

And also those stocks which had provided investors with most pain prior to the cut bounced back most strongly.

Figure 7: Stocks that underperformed most before the dividend cut typically outperformed most post cut

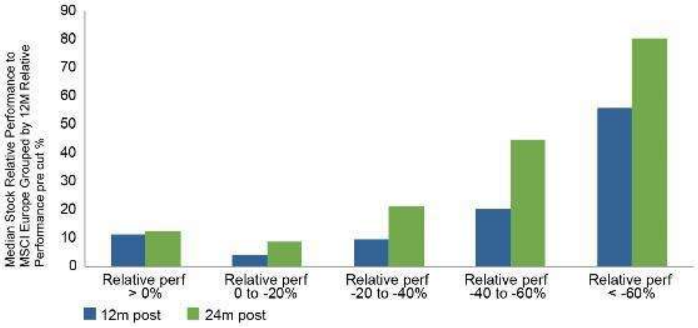


Figure 8: Median stock relative performance and hit ratio grouped by 12-month relative performance prior to cut

	12M PRE	24M POST
RELATIVE PERFORMANCE (%)		
Rel Perf > 0%	11%	13%
Rel Perf 0 to -20%	4%	9%
Rel Perf -20 to -40%	10%	21%
Rel Perf -40 to -60%	20%	45%
Rel Perf < -60%	56%	80%
HIT RATIO (%)	**12M PRE**	**24M POST**
Rel Perf > 0%	67%	62%
Rel Perf 0 to -20%	56%	61%
Rel Perf -20 to -40%	67%	70%
Rel Perf -40 to -60%	63%	64%
Rel Perf < -60%	74%	86%

And finally, those stocks with the biggest cuts providing the best subsequent outperformance.

Figure 9: Stocks that cut the most (>60%) outperformed the most post cut

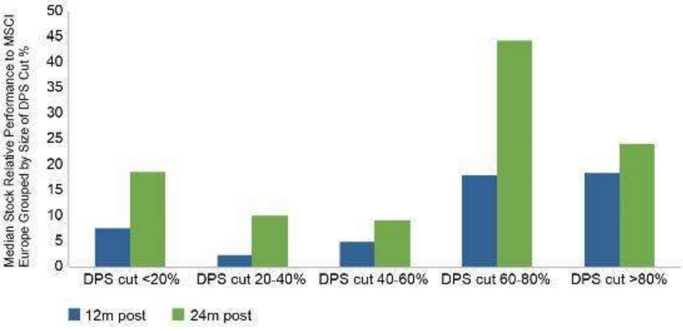


Figure 10: Median stock relative performance and hit ratio – grouped by size and dividend per share cut

	12M PRE	24M POST
RELATIVE PERFORMANCE (%)		
DPS cut <20%	7%	19%
DPS cut 20-40%	2%	10%
DPS cut 40-60%	5%	9%
DPS cut 60-80%	18%	44%
DPS cut >80%	18%	24%
HIT RATIO (%)	**12M PRE**	**24M POST**
DPS cut <20%	65%	71%
DPS cut 20-40%	56%	56%
DPS cut 40-60%	60%	61%
DPS cut 60-80%	73%	77%
DPS cut >80%	74%	74%

This is an update on a report Morgan Stanley published in 2008 and happily the conclusions have remained the same. If we take it as a robust relationship (and it would be interesting to see the analysis repeated over a much longer time period) then how can we rationalise it? Investors like to believe they are in control of their investments and that the management teams they are implicitly backing have good 'visibility' over their businesses. A company which disappoints investors with a plethora of profit warnings typically underperforms significantly. When it then cuts its dividend, it leaves many investors struggling to justify holding the shares and also eager to remove themselves from an embarrassing situation. A sale of the shares becomes an almost knee jerk reaction for many and the shares can easily become oversold. This is when an opportunity can arise. A company reporting falling earnings, a lower (sometimes substantially lower and perhaps even omitted entirely) dividend and a falling share price is unlikely to appear on too many investors' screens and thus can create interesting opportunities for investors happy to look in unpopular places for their buy ideas.

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"This year we're adopting the same principles to pay awards as to dividends Simpkins - so I'm expecting a substantial improvement in your performance following your salary cut."

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