

## 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:** 0.51% (31.12.16)  
Includes a management fee of 0.35%

### Board of Directors:

John Reeve (Chairman)  
Arthur Copple  
Richard Jewson  
Nicholas Lyons  
June de Moller  
Lesley Sherratt  
David Webster

**Auditors:** Ernst & Young LLP

**Investment Manager:**  
Investec Fund Managers Ltd

**Registrars:** Equiniti Ltd

**Secretary:**  
Investec Asset Management Ltd

**Stockbrokers:** JPMorgan Cazenove

**Depositary & Custodian:** HSBC Bank Plc

## Trust Objective

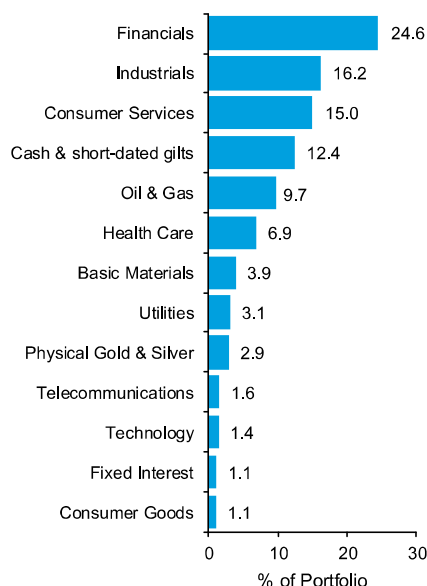
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

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

HSBC Holdings Plc	7.5
GlaxoSmithKline Plc	6.9
Grafton Group Plc	5.6
Royal Dutch Shell Plc	5.2
BP Plc	4.5
Barclays Plc	4.4
SIG Plc	4.1
Royal Bank of Scotland Plc	3.1
WM Morrison Supermarkets Plc	2.8
Lloyds Banking Group Plc	2.8
<b>Total</b>	<b>46.9</b>

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

## Sector Analysis



## Financial Data

Total Assets (£m)	986.3
Share price (p)	1302.0
NAV (p) (ex income, debt at mkt)	1333.7
Premium/(Discount), Ex income (%)	-2.4
NAV (p) (cum income, debt at mkt)	1356.1
Premium/(Discount), Cum income (%)	-4.0
Historic net yield (%)	3.1

## Dividend History

Type	Amount (p)	XD date	Pay date
1 <sup>st</sup> interim	8.33	08-Jun-17	30-Jun-17
Final	16.18	09-Mar-17	31-Mar-17
3 <sup>rd</sup> interim	8.09	08-Dec-16	30-Dec-16
2 <sup>nd</sup> interim	8.09	08-Sep-16	30-Sep-16

## Performance

### Share Price % change<sup>2</sup>

	Trust	FTSE All-Share
1 month	3.2	3.9
3 months	1.6	4.1
1 year	23.4	20.0
3 years	4.0	12.6
5 years	53.0	48.8

<sup>2</sup>Capital return only

### NAV total return % change<sup>3</sup>

	Trust	FTSE All-Share
1 month	4.2	4.4
3 months	4.8	5.3
1 year	23.9	24.5
3 years	21.1	25.4
5 years	88.8	77.6

<sup>3</sup>Total return

Performance, Price and Yield information is sourced from Morningstar as at 31.05.17.

**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

#### Bits and Pieces

Having met a number of clients in the last few weeks it is interesting to observe that views are fairly consensual – significant bearishness on bonds (so significant as to encourage a contrarian to be long bonds??), nervousness about equities (although fully invested due to lack of many better opportunities) and wholesale bullishness for 'uncorrelated' assets particularly those which are infrastructure related.

This bullishness is reflected in significant demand for shares playing to this theme. For example, HICL Infrastructure recently raised £268 million (m), in excess of the £205m they were seeking, a reflection of how 'materially oversubscribed' it was. This was in addition to the £260m raised in March, an issue which was 'very significantly oversubscribed' and the £113m raised in September 2016 which was also 'materially oversubscribed'.

HICL's popularity is not unique. John Laing Infrastructure Fund raised £120m in March ('oversubscribed'), BBGI raised £59m in March ('significantly oversubscribed') and International Public Partnership raised £330m (£70m of subscriptions) late last year.

Consequently, the PPP/Infrastructure Sector within the Investment Companies market has a market capitalisation of over £9 billion (bn). All the shares trade significantly above net asset value (NAV). Not to be outdone, each of the six largest investment companies offering exposure to renewables (wind, solar etc) has raised money since last summer and that subsector now has a market capitalisation of almost £4bn. Once again all the shares stand at premiums to NAV.

The dividend yields of the 10 companies mentioned range from 4% to over 6% and with many revenues claimed to be government backed and index-linked, the attractions are obvious. I have no insight whatsoever to offer on these industries, but, the history of popular, highly rated, 'alternative' investment companies is not propitious. It will be interesting to see if this record can be broken.

#### Long-term investing – not as easy as it looks

Investors often complain about short-termism, the implication being that if we could act in the long-term, the job of a fund manager would be much easier. SuperInvestor Insight recently highlighted a Morningstar article from January 2008 in which an analyst named five stocks to own for a decade. He focused on two necessary qualities, a 'wide or narrow moat that should remain intact – if not widen – through 2018. Second, transient negative news has driven their share prices into negative territory.' The analyst picked McGraw-Hill, Cemex, Amgen, Western Union and Legg Mason ...and with six months to go is apparently level with the S&P 500 with two big winners and three big losers. Obviously this one random anecdote proves absolutely nothing, but I assume the author would be surprised and/or disappointed to find he did not outperform. Most of us would

argue that very short-term investing is equivalent to a trip to the casino. Is very long-term investing any better?

#### Dividends – too much of a good thing?

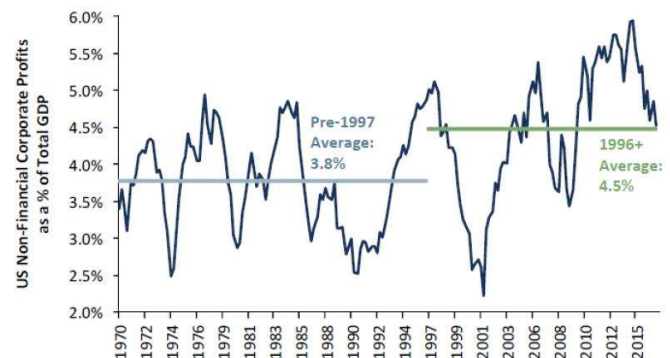
Boards typically like to increase dividends. If a company is doing well it is a clear sign of optimism for the future and if a company is struggling it can be used as, well, a clear sign of optimism for the future. In a world where advisors are no doubt informing boards that high yields are particularly attractive to investors, it is interesting to see pay-outs increasing. Of course, it is typical to applaud such behaviour, but it does make one wonder if dividends are being given significant priority over capital expenditure at the cost of longer-term growth in profits and also whether in general dividends will be particularly sensitive to a reversal in earnings.

#### Capitulation – a positive sign for value investors?

Jeremy Grantham, a founder of investment house GMO Woolley and a doyen of both value investing and mean reversion, recently appeared to throw in the towel in his quarterly report. The letter, as always, is a good read although Mr Grantham, having analysed the arguments for and against profit margins in the US mean-reverting concludes, "What I am interested in here is... a more or less permanent move back to, or at least close to, the pre-1997 trends of profitability, interest rates and pricing. And for that it seems likely we will have a longer wait than any value manager would like (including me)."

Mr Grantham's arguments are interesting and he is a dangerous fellow to bet against. However, one of his charts caught my eye and made me wonder if he could have just as easily used it to argue that profit margins are already falling and could quite easily return to a multi-decade average.

Exhibit 4: US Profits Jump



As of 12/31/16  
Source: NIPA (BEA), GMO

The yield information has been calculated as at 31.05.17. All other information is from Investec Asset Management at 31.05.17.

Telephone calls may be recorded for training and quality assurance purposes.

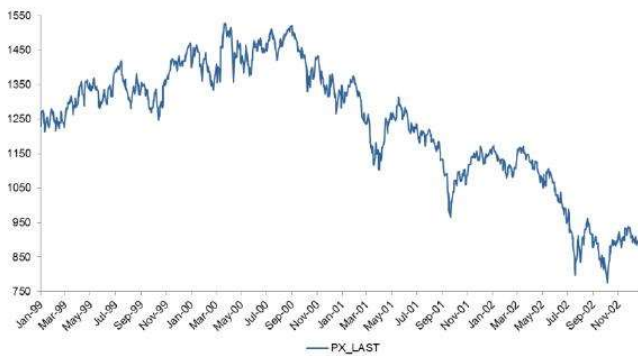
For further details, call the Investor Services Department on 020 7597 1800, or send an email to enquiries@investecmail.com. Alternatively, visit the Temple Bar website: www.templebarinvestments.co.uk.

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**US equities – too early to panic?**

Meanwhile, a recent strategy document by an investment bank provided a balanced view on whether the US market might be expensive and about to fall. One point made to allay the bear's concerns was that valuation metrics are typically terrible short-term indicators of bear markets. The author highlighted that if today's market was the equivalent of January 1999 rather than March 2000 then bears would miss out on the market 'blow-off' that typically coincides with the peak. That is true, but those investors who did sell in January 1999, or earlier, still performed far better than those who didn't sell in December 1999. Historically, it has proved more profitable to avoid expensive markets rather than try to fine-tune peaks.

**S&P 500 index: 1999-2002**



Source: Bloomberg, Investec Asset Management, June 2017



*"I wish my council read the same paper as you!"*

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For further details, call the Investor Services Department on 020 7597 1800, or send an email to [enquiries@investecmail.com](mailto:enquiries@investecmail.com). Alternatively, visit the Temple Bar website: [www.templebarinvestments.co.uk](http://www.templebarinvestments.co.uk).

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