Temple Bar Investment Trust PLC

Monthly update **31 May 2019**

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

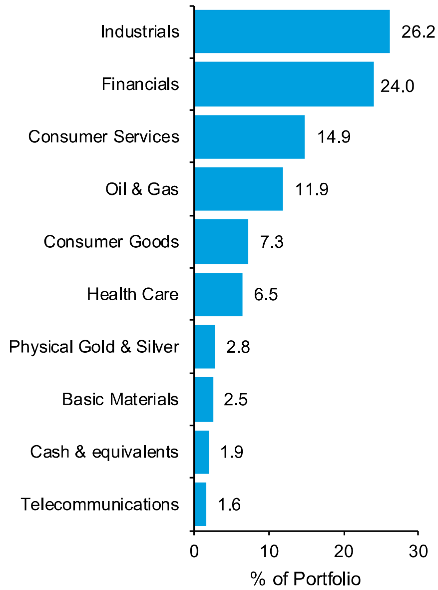
To provide growth in income and capital to achieve a long-term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)[1]

GlaxoSmithKline Plc	6.5
Royal Dutch Shell Plc	6.4
Capita Plc	5.8
Travis Perkins Plc	5.6
BP Plc	5.6
Grafton Group Plc	4.7
HSBC Holdings Plc	4.3
Lloyds Banking Group Plc	4.2
SIG Plc	3.8
Tesco Plc	3.8
Total	50.7

[1]% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	936.5
Share price (p)	1234.0
NAV (p) (ex income, debt at mkt)	1253.8
Premium/(Discount), Ex income (%)	-1.6
NAV (p) (cum income, debt at mkt)	1280.1
Premium/(Discount), Cum income (%)	-3.6
Historic net yield (%)	4.0

Dividend History

Type	Amount (p)	XD date	Pay date
1st interim	11.00	06-Jun-19	28-Jun-19
Final	20.47	07-Mar-19	29-Mar-19
3rd interim	8.75	06-Dec-18	27-Dec-18
2nd interim	8.75	06-Sep-18	28-Sep-18

Performance (Total Return)

Cumulative Returns (%)

	Share Price	NAV	FTSE All-Share
1 month	-7.6	-7.7	-3.0
3 months	-3.0	-3.6	2.3
1 year	-2.3	-4.7	-3.2
3 years	29.9	25.1	28.4
5 years	17.5	22.3	29.3
10 years	186.1	192.1	149.4

Rolling 12 Month Returns (%)

	Share Price	NAV	FTSE All-Share
31.05.18-31.05.19	-2.3	-4.7	-3.2
31.05.17-31.05.18	4.0	6.0	6.5
31.05.16-31.05.17	27.8	23.9	24.5
31.05.15-31.05.16	-9.6	-7.1	-6.3
31.05.14-31.05.15	0.1	5.2	7.5

Performance, Price and Yield information is sourced from Morningstar as at 31.05.2019

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

Currently, it is a challenge to open an equity strategy document from an investment bank without finding a discussion whether this is a great opportunity to buy Value stocks, or if Value is officially old school. Certainly, many splendid graphs suggest that Value has rarely, if ever, been this cheap relative to the market, growth and in fact anything else it might be compared with. However, the bottom of a page is not to be confused as the bottom of a graph.

Perhaps Value's best days really are behind it? Amongst the many recent Value obituaries are the following reasons for its demise:

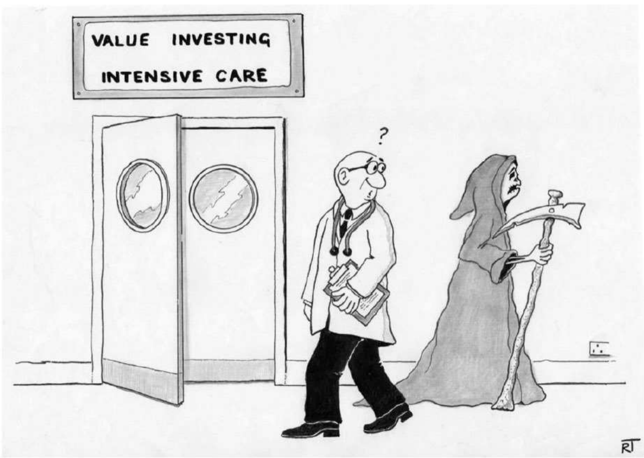
- Low bond yields favour growth stocks (their long-term profit streams can be discounted at a lower rate)
- An age of disruption will result in the slow death of many companies in the Value universe
- Lower trend economic growth has been (and will continue to be) a less than propitious backdrop for economically sensitive (Value) stocks
- Low interest rates have kept zombie companies alive and ensured over supply in many industries
- Low bond yields have worked against a full recovery in profitability for banks
- Growth companies are better quality than ever, given they have created very strong market positions built with intangible assets and creating high barriers to entry. This produces the magical combination of sustainable profitability and little ongoing capital expenditure. The winners will keep winning
- And perhaps reflecting many of the points above, value stocks have produced inferior earnings growth than previously and therefore do not justify a higher rating

Are these issues mainly structural or 'just' cyclical?

Several of the arguments above assume bond yields will be lower for (even) longer. That feels like a big assumption. Isn't there a chance that future generations will look back and ask what investors were thinking about in 2019 to justify over US$10 trillion dollars of negative yielding government debt? Does it really make sense to lend over-indebted government money for as long as 10 years and be happy receiving less back? Is inflation so clearly dead and buried? Can financial authorities really be trusted to keep laser focused on it with an increasingly populist electorate demanding higher government expenditure? Does high government debt really not matter? Does modern monetary theory make sound economic sense or will it prove more successful in spreadsheet land than real life? Past performance is not a reliable indicator of future results, losses may be made. Yes, a number of companies are struggling under the threat of disruption, but surely that has always been the case even when Value outperformed? And aren't many of the disrupting companies ultimately likely to find themselves disrupted?

Are the new asset-light growth companies really more dominant and less vulnerable to competition than in previous cycles? How many of these untouchable companies are there? And, whisper it quietly, but their asset intensity seems to be increasing and if that doesn't reduce their returns, perhaps regulators will begin to take an interest? But what if we simply accept that Value investing IS dead. That being a superficially cheap stock is simply not enough. Well, I would argue that has often/always been the case. The academics have detailed previously that the mean value stock performs much better than the median value stock. Historically, this suggested one of two paths – buy all the Value stocks (and reap the value premium) or carefully select a small group of those cheap stocks with characteristics which make them most likely to recover. Perhaps in this brave new world, the second route is the preferred one for Value investors. Perhaps it always was.

In our funds (Global and UK), we typically hold only around 40 stocks. In other words, we avoid several stocks falling into our universe. Many of the companies we analyse do appear to have troubled futures and we think the market is right to price them to reflect that (a lot of growth companies also have troubled futures, but that's for another day). But in any dustbin, amongst the rubbish are a few items mistakenly thrown away and that is what we search for. These companies will hopefully engineer a profit recovery – thus providing us with returns from both a re-rating and higher profitability. I.e. they can evolve from value stocks into growth stocks. Perhaps this is a slightly harder 'trick' than simply relying on a bunch of value stocks re-rating, but it does suggest that it is dangerous to call stumps on all value portfolios.



"Another False alarm"

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.

Contact us

Post
Company Secretary
Investec Asset Management Limited
Woolgate Exchange
25 Basinghall street
London
EC2V 5HA

Investor Services
Phone: 020 7597 1800
Fax: 020 7597 1818
Email: enquiries@investecmail.com

Broker Support
Phone: 020 7597 1800
Fax: 020 7597 1919
Email: enquiries@investecmail.com