Temple Bar Investment Trust PLC

HALF YEAR REPORT FOR THE
SIX MONTHS ENDED 30 JUNE 2017

Temple Bar Investment Trust PLC

Temple Bar Investment Trust PLC's ('the Company') investment objective is 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.

Benchmark
Performance is measured against the FTSE All-Share Index.

Total assets less current liabilities
£983,156,000

Total equity
£894,310,000

Market capitalisation
£826,547,375

Capital structure

Ordinary shares	66,872,765 shares
5.5% Debenture Stock 2021	£38,000,000
9.875% Debenture Stock 2017	£25,000,000
4.05% Private Placement Loan 2028	£50,000,000

Voting structure
Ordinary shares 100%

Winding-up date
None

Manager's fee
0.35% per annum based on the value of the investments (including cash) of the Company, payable quarterly in arrears. There is no performance fee.

Ongoing charges
0.51%

ISA status
The Company's shares qualify to be held in an ISA.

Principal risks and uncertainties
The Board believes that the principal risks and uncertainties faced by the Company continue to be as set out in the Strategic Report section of the Annual Report for the year ended 31 December 2016.

Association of Investment Companies (AIC):
Member

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or othearwise transferred all of your ordinary shares in Temple Bar Investment Trust PLC, please forward this document as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is being affected for delivery to the purchaser or transferee.

SUMMARY OF RESULTS

	6 months to 30 June 2017 £'000	6 months to 30 June 2016 £'000	Year to 31 December 2016 £'000	% change since year end
Net assets	894,310	767,534	879,940	1.6
Ordinary shares				
Net asset value per share with debt at book value	1,337.33p	1,147.75p	1,315.84p	1.6
Net asset value per share with debt at market value	1,322.18p	1,125.91p	1,298.01p	1.9
Market price per share	1,236.00p	1,027.00p	1,223.00p	1.1
Discount with debt at book value	7.6%	10.5%	7.1%	
Discount with debt at market value	6.5%	8.8%	5.8%	
REVENUE for the half year ended 30 June	2017	2016	2016	
Revenue return per ordinary share	24.71p	25.01p	43.74p	
Dividends per ordinary share	16.66p	16.18p	40.45p	
CAPITAL for the half year ended 30 June	2017 £'000	2016 £'000	2016 £'000	
Capital return attributable to ordinary shareholders	14,228	11,056	121,751	
Capital return attributable per ordinary share	21.28p	16.53p	182.06p	
TOTAL RETURNS for the half year ended 30 June 2017				%
Return on gross assets				3.53
Return on share price				3.04
FTSE All-Share Index				5.50

HALF YEARLY REPORT

Performance

During the six month period to 30 June 2017 Temple Bar generated a total return on gross assets of 3.53%, underperforming the benchmark FTSE All-Share Index total return of 5.50%.

The portfolio benefitted from its holdings in builder's merchant Grafton which performed well on the back of earnings upgrades driven by excellent operational performance in Ireland, and SIG which, following the appointment of new management, bounced back strongly. Notable holdings that detracted from performance were Signet Jewelers, hindered by weakness in malls across the US and concerns regarding its loan book, Barclays which announced results weaker than expected, and Tesco whose bid for food wholesaler Booker worried investors that a reasonably straightforward recovery story had been made unnecessarily complex.

Market background

In recent years, the success of different styles of equity investing has become a slave to bond yields with, in general, Value investors, including Temple Bar, finding progress hard when bond yields have been low and falling. We would therefore expect any significant increase in yields to reverse this trend swiftly should it occur; many investors are poorly placed for such a reversal.

The language of central bankers modified in late June with hints of a reversal of Quantitative Easing (QE – the printing of money to purchase bonds) and the requirement for higher interest rates as advanced economies return to more normal conditions.

In briefings, the central bankers have raised a number of issues: 1] significant increases in asset values may have created false prices and driven mis-allocation of capital; 2] the effects such increases have had on wealth inequality; 3] the unknown long-term inflationary effects of loose monetary policy; 4] unemployment is falling, possibly to a level which would stimulate inflation; 5] interest rates need to be higher ahead of the next recession.

Markets shrugged off this change in tone, believing either the central bankers were all talk or that any weakness in markets following implementation of this strategy would quickly force its cessation (or even reversal).

While we would prefer to sideline banker/market noise, and focus on picking individual stocks from detailed bottom-up analysis, we cannot ignore the changing attitudes of central bankers. Their previous decisions have driven bond and equity markets to very high valuation levels, and investors should be alert to the likely consequences of a change of tack. We identify three scenarios.

Scenario 1: interest rates rise across the yield curve and QE is reversed, with no significant effect on economic growth. We believe this would depress asset markets. After all, if interest rates return to historical levels, equity ratings should also revert to long-term norms. However, it is unclear whether the monetary authorities have the nerve to watch bonds and equities fall without acting.

Scenario 2: rising interest rates slow economic growth, dampening inflation expectations. This would probably be good for government bonds and for asset classes with valuations most closely linked to bond yields. Precious metals might also benefit if markets worry that central banks would find difficulty in unwinding QE. This scenario implies a continuation of low interest rates, low inflation, sub-par economic growth and no significant increase in government spending. However, around the western world politicians have recently been left in no doubt of voters' resentment of the status quo. As this scenario appears to be unsustainable, we should prepare for scenario 3.

Scenario 3: if central banks fail to increase rates and reverse QE while inflation falls and/or there is an equity market crisis, markets may price in the risks of further QE or, more likely, increased government spending. Or governments may authorise the creation of helicopter money (ie money printed specifically to be used for increased government spending - a neat blend of monetary and fiscal policies). We assume this would be a very good outcome for precious metals, a bad outcome for bonds (as investors would suspect that governments are desperate to generate inflation) and a mixed outcome for equities. We believe equities most closely correlated to bonds would struggle, relative to those less sensitive to interest rates.

The portfolio, although not purposely constructed for this outcome, is best placed for scenario 3. We believe, broadly, that markets are approaching the end of an era. The long-term trend of globalisation has had very deflationary effects and, combined with extreme monetary policy, has driven bond yields down to very low levels. The current mood among electors and politicians suggests that the globalisation trend of the last few decades could give way to trade barriers, tariffs, protectionist policies and restricted movement of labour, plus greater use of fiscal policy. The consequence of scenario 3 is likely to be a more inflationary future and one, with government debt so high, which the authorities would welcome.

Portfolio Changes

Our new era views are reflected across the portfolio and in the activity of the last six months. We sold out completely from our tobacco holdings BAT and Imperial Brands, the last of our 'bond proxies'. Both companies have a number of attractive operational and financial characteristics but, we believe, they were more than adequately reflected in the share prices.

The weighting in the bank sector remains the portfolio's largest. We believe the market underestimates the changes banks have made to their operating models over the last decade. The high growth and weak and aggressively financed balance sheet approach has been replaced by one focused on low growth and a strong and conservatively financed balance sheet. Although investors typically regard regulatory interference with caution, we believe the regulators' actions since the Global Financial Crisis significantly reduce the downside risks for equity holders in banks. This downside resilience together with the low valuations of the banks continue to provide us with confidence that they remain undervalued.

We did, however, decide to sell our holding in Lloyds Banking Group. We believe the business has a number of challenges. It has a significant exposure to very profitable variable rate mortgages (vulnerable to both competition and regulation) and has grown quickly in personal and car loans at a time when the UK consumer is under increasing financial pressure. Although we are fairly sanguine about bank regulation overall, we believe Lloyds could be affected by further changes as its mortgage book is currently considered as very low risk. New regulation may demand more capital is held against this book and consequently reduce dividend expectations for the company.

The portfolio retains a significant weighting towards the UK consumer, mostly through holdings in banks, retailers, travel and leisure companies and builder's merchants. Many UK consumer focused companies are finding trading conditions tough and as Brexit is negotiated there is a clear risk of further deterioration. However, valuations and performance of these stocks reflect a lot of bad news particularly when compared with other areas of the market. We retain some dry powder as absolute valuations remain rather high for our taste. Within the consumer sector we increased our holding in US jewellery retailer Signet and clothing retailer Next although we did sell our holdings in Best Buy (it having recovered from some self-induced woes) and Sainsbury (our hypothesis of weakness in the discounter market did not play out as expected).

Dividend

A first quarterly dividend of 8.33p per share was paid on 30 June 2017 and the directors have declared a second interim dividend, also of 8.33p per share, an increase of 3%, to be paid on 29 September 2017 to those shareholders on the register of members as at 8 September 2017. The ex-dividend date for this payment is 7 September 2017.

Outlook

The changes underway in central bank attitudes and actions, after nearly a decade of ultra-accommodative policies, may well unsettle markets, leading to a re-appraisal of valuation criteria and enhanced volatility. In such an environment, where predictions become unreliable, strict adherence to our value investing approach becomes more important than ever. The general performance of the value investing style, compared with alternatives, hinges critically on an increase in interest rates towards more historical levels of normalcy.

By order of the Board

Investec Fund Managers Limited

24 July 2017

RESPONSIBILITY STATEMENT

The directors confirm to the best of their knowledge that:

- the condensed set of financial statements contained within the half-year report has been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Reports';
- the half-yearly financial report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- in accordance with Disclosure and Transparency Rule 4.2.8R there have been no related parties transactions during the six months to 30 June 2017 and therefore nothing to report on any material effect by such a transaction on the financial position or performance of the Company during that period.

The half-yearly financial report was approved by the Board on 24 July 2017 and the above responsibility statement was signed on its behalf by:

John Reeve

Chairman

PORTFOLIO OF INVESTMENTS
AS AT 30 JUNE 2017

Company	Industry	Place of Primary Listing	**Valuation £'000**	% of Portfolio
UK Treasury 1.00% 2017	Fixed Interest	UK	139,214	14.11%
HSBC Holdings	Financials	UK	81,451	8.25%
GlaxoSmithKline	Healthcare	UK	68,531	6.95%
Grafton Group	Industrials	UK	52,944	5.37%
Royal Dutch Shell	Oil & Gas	UK	51,884	5.26%
Barclays	Financials	UK	46,527	4.71%
BP	Oil & Gas	UK	44,560	4.52%
SIG	Industrials	UK	38,286	3.88%
Royal Bank of Scotland	Financials	UK	30,468	3.09%
WM Morrison Supermarkets	Consumer Services	UK	28,715	2.91%
Top Ten Investments			**582,580**	**59.05%**
CitiGroup	Financials	USA	24,838	2.52%
Marks & Spencer	Consumer Services	UK	22,400	2.27%
Tesco	Consumer Services	UK	21,808	2.21%
ETFS Physical Silver	Physical Gold and Silver	UK	20,257	2.05%
Travis Perkins	Industrials	UK	19,692	2.00%
Signet Jewelers	Consumer Services	USA	18,705	1.90%
Centrica	Utilities	UK	17,769	1.80%
CRH	Industrials	UK	17,491	1.77%
Global X Silver Miners ETF	Basic Materials	USA	17,383	1.76%
Direct Line Insurance	Financials	UK	16,586	1.68%
Top Twenty Investments			**779,509**	**79.01%**
Yara International	Basic Materials	Norway	16,026	1.62%
BT Group	Telecommunications	UK	15,550	1.58%
Easyjet	Consumer Services	UK	14,589	1.48%
Computacenter	Technology	UK	14,157	1.44%
Drax	Utilities	UK	13,531	1.37%
Go Ahead	Consumer Services	UK	12,032	1.22%
Aggreko	Industrials	UK	10,987	1.11%
Green REIT	Financials	Ireland	10,785	1.09%
Land Securities REIT	Financials	UK	9,495	0.96%
Gold Bullion Securities ETF	Physical Gold and Silver	UK	8,869	0.90%
Top Thirty Investments			**905,530**	**91.78%**

Company	Industry	Place of Primary Listing	**Valuation £'000**	% of Portfolio
Standard Chartered	Financials	UK	8,406	0.85%
Ladbrokes Coral	Consumer Services	UK	7,974	0.81%
Brown (N) Group	Consumer Services	UK	7,784	0.79%
Next	Consumer Services	UK	6,878	0.70%
International Personal Finance 5% 2021	Fixed Interest	UK	6,496	0.66%
Chemring	Industrials	UK	6,358	0.64%
Royal Mail	Industrials	UK	5,940	0.60%
Games Workshop	Consumer Goods	UK	5,814	0.60%
VanEck Vectors Gold Miners	Basic Materials	USA	4,999	0.51%
British Land REIT	Financials	UK	4,190	0.42%
Top Forty Investments			**970,369**	**98.36%**
Avon Products	Consumer Goods	USA	4,176	0.42%
Bovis Homes	Consumer Goods	UK	2,895	0.29%
Hammerson 6.875% 2020	Fixed Interest	UK	2,876	0.29%
Future	Consumer Services	UK	2,075	0.21%
Aviva 2020 5.9021% FRN Perpetual	Fixed Interest	UK	1,033	0.11%
RSA Insurance 6.701% 2017 Variable Perpetual	Fixed Interest	UK	1,008	0.10%
Hochschild Mining	Basic Materials	UK	988	0.10%
Lloyds Banking Group - preference shares	Financials	UK	930	0.09%
St Ives	Industrials	UK	333	0.03%
Johnston Press	Consumer Services	UK	8	0.00%
Total Valuation of Portfolio			**986,691**	**100.00%**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (unaudited)

		30 June 2017 (unaudited)			30 June 2016 (unaudited)			31 December 2016 (audited)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment income	4	18,985	–	18,985	18,969	–	18,969	34,069	–	34,069
Other operating income	4	4	–	4	4	–	4	5	–	5
Total income		18,989	–	18,989	18,973	–	18,973	34,074	–	34,074
Gains on investments										
Gains on investments held at fair value through profit or loss assets	3	–	17,767	17,767	–	14,550	14,550	–	128,792	128,792
		18,989	17,767	36,756	18,973	14,550	33,523	34,074	128,792	162,866
Expenses										
Management fees		(699)	(1,048)	(1,747)	(596)	(893)	(1,489)	(1,380)	(1,990)	(3,370)
Other expenses including dealing costs		(353)	(511)	(864)	(344)	(609)	(953)	(633)	(1,039)	(1,672)
Profit before finance costs and tax		17,937	16,208	34,145	18,033	13,048	31,081	32,061	125,763	157,824
Finance costs		(1,308)	(1,980)	(3,288)	(1,311)	(1,992)	(3,303)	(2,645)	(4,012)	(6,657)
Profit before tax		16,629	14,228	30,857	16,722	11,056	27,778	29,416	121,751	151,167
Tax		(108)	–	(108)	–	–	–	(163)	–	(163)
Profit for the period		**16,521**	**14,228**	**30,749**	16,722	11,056	27,778	29,253	121,751	151,004
Earnings per share (basic and diluted)		24.71p	21.28p	45.99p	25.01p	16.53p	41.54p	43.74p	182.06p	225.80p

A first interim dividend of 8.33 pence per share in respect of the quarter ended 31 March 2017 was paid on 30 June 2017.
A second interim dividend of 8.33 pence per share in respect of the quarter ended 30 June 2017 was declared on 24 July 2017 and is payable on 29 September 2017.
The total column of this statement represents the Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.
All items in the above statement derive from continuing operations.

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (unaudited)

	Ordinary share capital £'000	Share premium account £'000	Capital reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	16,719	96,040	735,178	32,003	879,940
Profit for the period	–	–	14,228	16,521	30,749
Unclaimed dividends	–	–	–	11	11
Dividends paid to equity shareholders	–	–	–	(16,390)	(16,390)
Balance at 30 June 2017	**16,719**	**96,040**	**749,406**	**32,145**	**894,310**

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (unaudited)

	Ordinary share capital £'000	Share premium account £'000	Capital reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2016	16,719	96,040	613,427	29,569	755,755
Profit for the period	–	–	11,056	16,722	27,778
Unclaimed dividends	–	–	–	24	24
Dividends paid to equity shareholders	–	–	–	(16,023)	(16,023)
Balance at 30 June 2016	**16,719**	**96,040**	**624,483**	**30,292**	**767,534**

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017 (unaudited)

	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Non-current assets			
Investments held at fair value through profit or loss*	986,691	868,130	973,353
Current assets			
Receivables	4,557	12,610	4,266
Cash and cash equivalents	18,108	6,303	17,340
	22,665	18,913	21,606
Total assets	1,009,356	887,043	994,959
Current liabilities			
Interest bearing borrowings	(25,000)	–	(25,000)
Payables	(1,200)	(5,713)	(1,169)
Total assets less current liabilities	983,156	881,330	968,790
Non-current liabilities			
Interest bearing borrowings	(88,846)	(113,796)	(88,850)
Net assets	894,310	767,534	879,940
Equity attributable to equity holders			
Ordinary share capital	16,719	16,719	16,719
Share premium	96,040	96,040	96,040
Capital reserves	749,406	624,483	735,178
Retained earnings	32,145	30,292	32,003
Total equity	894,310	767,534	879,940
Net asset value per share	1,337.33p	1,147.75p	1,315.84p

*Includes £139.2 million UK Treasury holding considered by the Board to be held in lieu of cash.

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (unaudited)

		30 June 2017 (unaudited) £'000		30 June 2016 (unaudited) £'000		31 December 2016 (audited) £'000
Cash flows from operating activities						
Profit before tax		30,857		27,778		151,167
Adjustments for:						
Gains on investments	(17,767)		(14,550)		(128,792)	
Finance costs	3,288		3,303		6,657	
Purchases of investments [1]	(180,266)		(168,101)		(335,164)	
Sales of investments [1]	184,694		170,145		346,228	
Dividend income	(18,306)		(18,373)		(32,841)	
Interest income	(683)		(600)		(1,233)	
Dividends received	16,525		16,452		32,078	
Interest received	701		917		1,683	
Decrease/(increase) in receivables	1,470		(8,284)		(1,231)	
Increase in payables	30		4,639		95	
Overseas withholding tax suffered	(108)		–		(163)	
		(10,422)		(14,452)		(112,683)
Net cash flows from operating activities		**20,435**		**13,326**		**38,484**
Cash flows from financing activities						
Unclaimed dividends		11		25		24
Interest paid on borrowings		(3,288)		(3,287)		(6,587)
Equity dividends paid		(16,390)		(16,023)		(26,843)
Net cash used in financing activities		**(19,667)**		**(19,285)**		**(33,406)**
Net increase/(decrease) in cash and cash equivalents		768		(5,959)		5,078
Cash and cash equivalents at the start of the period		17,340		12,262		12,262
Cash and cash equivalents at the end of the period		**18,108**		**6,303**		**17,340**

1 Purchases and sales of investments are considered to be operating activities of the Company, given its purpose, rather than investing activities.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Temple Bar Investment Trust PLC is a company incorporated in the United Kingdom under the Companies Acts 1908 to 1917.

Principal activity

The principal activity of Temple Bar Investment Trust PLC is that of an investment company within the meaning of Section 833 of the Companies Act 2006.

2 SIGNIFICANT ACCOUNTING POLICIES

The half yearly financial statements have been prepared on the basis of the accounting policies set out in the Company's annual report and financial statements for the year ended 31 December 2016 and have not been audited or reviewed by the Auditors pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. They have been prepared on the going concern basis as it is the Directors' opinion that the Company will continue in operational existence for the foreseeable future.

3 GAINS/(LOSSES) ON INVESTMENTS

	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Net gains realised on sale of investments	35,097	7,782	30,143
Movement in investment holding gains	(17,330)	6,768	98,649
Gains on investments	17,767	14,550	128,792

4 INCOME

	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Income from investments			
UK dividends	17,167	17,472	30,634
UK REITS	324	350	525
Overseas dividends	814	551	1,682
Income on fixed income securities	680	596	1,228
	18,985	18,969	34,069
Other operating income			
Deposit interest	4	4	5
Total income	18,989	18,973	34,074

5 DIVIDENDS

The final dividend relating to the year ended 31 December 2016 of 16.18 pence per ordinary share was paid during the six months ended 30 June 2017 and amounted to £10,820,000.

A first interim dividend relating to the year ending 31 December 2017 of 8.33 pence per share (amounting to £5,570,501) was paid during the six months ended 30 June 2017. A second interim dividend of 8.33 pence per ordinary share will be paid on 29 September 2017 to shareholders registered on 8 September 2017. In accordance with IFRS, this dividend has not been recognised in these financial statements. The ex-dividend date for this payment is 7 September 2017.

As at 30 June 2017 the Company has £32,145,000 (2016: £30,292,000) of revenue reserves and £627,808,000 (2016: £577,331,000) of realised capital reserves available for distribution.

6 COMPARATIVE FIGURES

The financial information contained in this half-year report does not constitute statutory accounts as defined in sections 434-436 of the Companies Act 2006. The financial information for the six months ended 30 June 2017 and 30 June 2016 has not been audited.

The information for the year ended 31 December 2016 does not constitute statutory accounts, but has been extracted from the latest published audited accounts, which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under section 498 (2) or (3) of the Companies Act 2006.

DIRECTORS AND ADMINISTRATION

Directors
J Reeve (Chairman)
A T Copple
R W Jewson
J F de Moller
N S L Lyons
L R Sherratt
D G C Webster

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