

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

Depository & Custodian: HSBC Bank Plc

Trust Objective

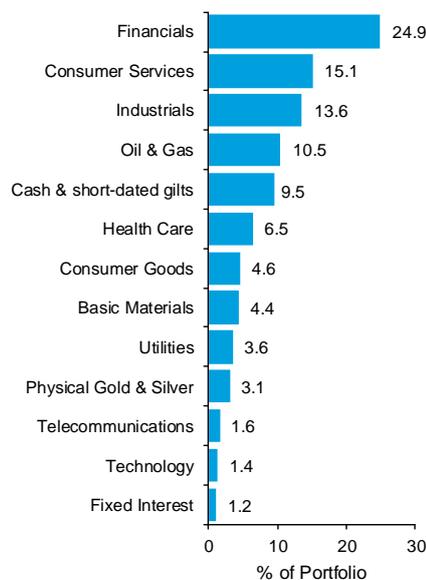
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)¹

HSBC Holdings Plc	7.8
GlaxoSmithKline Plc	6.5
Royal Dutch Shell Plc	5.7
BP Plc	4.8
Grafton Group Plc	4.4
Barclays Plc	3.8
Lloyds Banking Group Plc	3.7
WM Morrison Supermarkets Plc	2.9
SIG Plc	2.8
Royal Bank of Scotland Plc	2.8
Total	45.2

¹% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	945.7
Share price (p)	1220.0
NAV (p) (ex income, debt at mkt)	1271.5
Premium/(Discount), Ex income (%)	-4.0
NAV (p) (cum income, debt at mkt)	1290.9
Premium/(Discount), Cum income (%)	-5.5
Historic net yield (%)	3.3

Dividend History

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

Performance

Share Price % change²

	Trust	FTSE All-Share
1 month	-0.2	-0.4
3 months	8.8	2.4
1 year	21.4	15.7
3 years	0.3	10.3
5 years	37.9	31.6

²Capital return only

NAV total return % change³

	Trust	FTSE All-Share
1 month	-0.6	-0.3
3 months	4.4	3.0
1 year	24.2	20.1
3 years	19.1	22.6
5 years	77.7	57.0

³Total return

Performance, Price and Yield information is sourced from Morningstar as at 31.01.17.

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

We recently met with the management of one of our poorest investments. The company is now what can perhaps euphemistically call a 'recovery' stock and poor trading has necessitated a change in strategy. The management explained, as they tend to in these situations that the nettle had now been grasped, changes were afoot, lessons learnt and consequently they were cautiously optimistic for the future.

The clichés were flying across the table, but one point that interested us was whether the management were following the optimal path to execute a turnaround. We enquired if they would behave any differently if the company was not listed on the stock market. The answer, whilst not surprising, was however a touch depressing. They admitted that under different ownership they would very likely act with greater urgency. Their argument, although not verbalised, was that such dramatic change would result either in short-term performance so bad as to jeopardise their jobs or to attract the unwanted attention of predators eager to secure the company at a low price.

It is possible to have some sympathy with the management's view except that they appear to have reached their decision on execution speed without consulting shareholders. It seems that management has justified to themselves that the risk of a slow painful death is preferable to the risk of a particularly ugly, say, six months of extreme restructuring. Given shareholders usually invested in such deep value plays typically have strong stomachs, management in this type of situation could be rather more alert to their desires.

But not all management teams react in this way when their business reaches a tipping point. Sports Direct has experienced a dreadful year. Much has been made of the unacceptable working conditions in the company's main warehouse and of the company's corporate governance in general, whilst trading in the company's stores has deteriorated quite significantly and the company's major brand suppliers such as Nike and Adidas have demanded that the Sports Direct stores should be smarter if they are to supply the company with their most popular products. Mike Ashley, the company's founder, majority owner and chief executive has responded with almost manic enthusiasm. He has accepted that much needs to be done and has responded by launching a freehold property buying frenzy, committing to refurbishing the stores and withdrawing from the pile it high, sell it cheap policy that has previously served the company well. Ashley, is quite happy to admit that he has no idea if this strategy will prove successful, but feels he has no choice and that speed is of the essence.

Perhaps it is however telling that Sports Direct is very much Ashley's baby (something for which he is often criticised). As owner of about half of the company he has plenty of skin in the game and therefore is doing, we must assume, what is necessary to protect (and grow?) his investment. Whilst shareholders may be concerned that he openly questions the new strategy, there can be little doubt that he is totally committed to it.

The yield information has been calculated as at 31.01.17. All other information is from Investec Asset Management at 31.01.17.

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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In *Shoe Dog*, Phil Knight, the founder of Nike, details the story of the company's success. Parts of the book are so ridiculous (the company seems close to bankruptcy more than once) it is hard to believe it is a true tale. Bill Gates summed the story up perfectly, 'Shoe Dog...is a refreshingly honest reminder of what the path to success really looks like. It's a messy, perilous, and chaotic journey riddled with mistakes, endless struggles, and sacrifice.' Shareholders must appreciate that smooth journeys are not always preferable and that sometimes companies need to undergo significant change, whatever the short-term consequences.



"I suggest we accelerate the pace of change gentlemen".