Temple Bar Investment Trust PLC

Monthly update **31 May 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

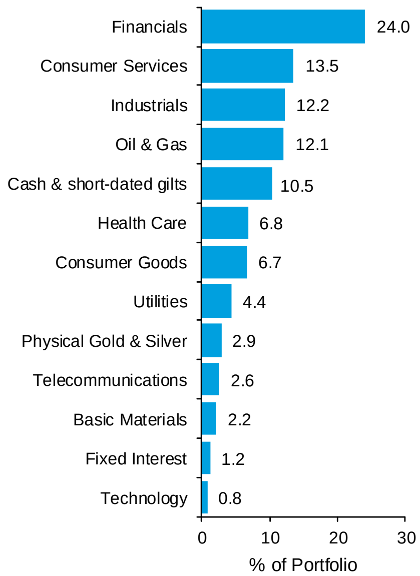
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the 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	6.1
BP Plc	6.0
Lloyds Banking Group Plc	4.5
British American Tobacco Plc	4.2
Grafton Group Plc	4.2
Royal Bank of Scotland Group Plc	3.4
WM Morrison Supermarkets Plc	2.8
BT Group Plc	2.4
Total	47.1

[1]% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	838.9
Share price (p)	1055.0
NAV (p) (ex income, debt at mkt)	1107.8
Premium/(Discount), Ex income (%)	-4.8
NAV (p) (cum income, debt at mkt)	1130.9
Premium/(Discount), Cum income (%)	-6.7
Historic net yield (%)	3.8

Dividend History

Type	Amount (p)	XD date	Pay date
1st interim	8.09	09-Jun-16	30-Jun-16
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

Performance

Share Price % change

	Trust	FTSE All-Share[2]
1 month	-0.1	0.2
3 months	6.2	2.5
1 year	-13.0	-9.7
3 years	-9.0	-1.3
5 years	11.6	9.9

[2]Capital return only

NAV total return % change

	Trust	FTSE All-Share[3]
1 month	-0.3	0.7
3 months	5.0	3.8
1 year	-7.1	-6.3
3 years	8.1	9.6
5 years	45.8	31.2

[3]Total return

Performance, Price and Yield information is sourced from Morningstar as at 31.05.16.

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.

Manager's Commentary

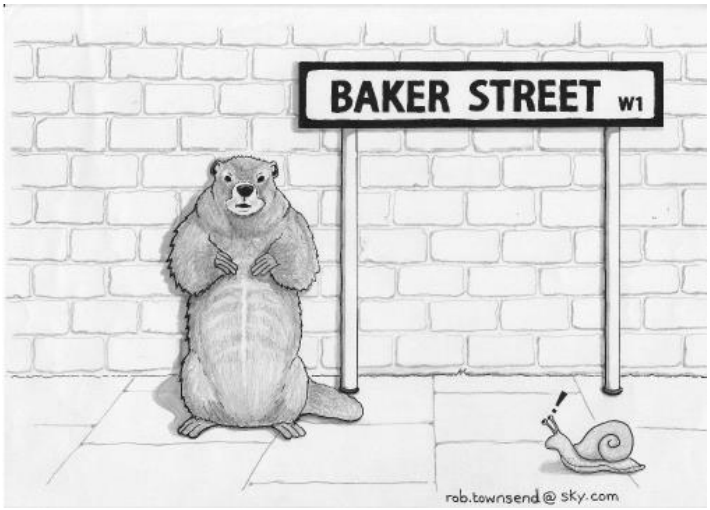
I am unable to base this statement on any evidence whatsoever, but my guess is that the 'bored-o-meter' is currently flashing at extreme levels for the average UK equity investor. To anyone other than the Growthinistas ('Is Unilever still only on a price-to-earnings ratio of 22? When is it going to get fully re-rated'?) or the full-fat value investors ('copper miner Kazakhmys is still 92% off its all-time high'. Unbelievable opportunity!'), most stocks appear to be hovering around that fuzzy area labelled 'fair value'. Most investors appear to be waiting for something to happen.

Fortunately, the dull times have been slightly roused recently by a Marks and Spencer (M&S) restructuring announcement. Obviously those of us of a certain age have been here (many times) before and are simply experiencing 'Groundhog Day', Baker Street style, but beggars cannot be choosers. The script is well known. New management articulate the problems they have discovered and explain how they intend to deal with them. Sadly, they seem to be many of the issues that previous M&S chief executives had spotted and tried to solve. However, as investment bank Morgan Stanley recently highlighted, the solutions have not always been the same – sometimes focusing on growth, others on consolidation. But whichever route has been taken has typically returned shareholders to the same place. The shares currently stand at 355p, a price at which they could have been purchased in 1993.

Steve Rowe, the new chief executive, has been in the hot seat for just two months, but is an M&S lifer. From 2012 he was Executive Director of Food before becoming Executive Director of General Merchandise in 2015. On the plus side he fully understands the culture and challenges within M&S; on the minus side it must be harder to for an insider to fully push through significant change. Rowe's debut results announcement as chief executive had been eagerly awaited, but when it came it disappointed investors. The shares had drifted to their high for the year before the announcement, but since then have fallen back to lows not seen since early 2013. So what did Mr Rowe say that was so disappointing? Probably not a lot that those analysts who spend their time following the company's fortunes were not expecting. Food is as good as ever despite a highly competitive market, but clothing continues to lose market share with younger shoppers more attracted to newer cheaper brands. Mr Rowe's solutions – lower prices, higher quality, more availability, better service – all sounded perfectly sensible (perhaps a low bar over which to jump considering lower quality, poorer availability etc. would presumably have been the strategy of a lunatic), but together with a reduction in profit expectations received a big thumbs down. Some analysts had been hoping for more exciting changes such as a dramatic announcement on the store estate or decisions to change the international strategy; Mr Rowe has promised to update on these issues in the autumn. His advisors have clearly not told him that four months is the equivalent to three lifetimes for your average investor, who therefore decided to continue shooting while retaining the right to ask questions later.

Time will tell whether Mr Rowe can push profits back from their depressed levels of about £500 million closer to the 20-year ceiling of £1 billion. The results, strategy update and profits warning did however rather overshadow an announcement made by the company two weeks earlier. In that, it was announced that the M&S Operating Committee had been halved in size to 10 members, with 5 directors consequently leaving the business. As these directors had responsibilities for international, store environment, kidswear, home, the Middle East and digital, these were significant changes. This smacks of a new boss who is happy to make big decisions and comfortable to move his close colleagues (and mates?) on if he feels they are not right for the job.

When companies are doing poorly and their shares are weak it is easy to point out all their weaknesses. Yes, I have popped into Primark and been astonished by their low prices, no, my M&S pants do not last as long as they used to and no, I don't want to start dressing like my dad just yet. However, M&S must be doing something right in the clothing business. Market share remains around 10% and in some areas is significantly higher. If they can correct the issues that the new management has highlighted, the shares could prove to be as tasty as their Viennese biscuits.



The yield information has been calculated as at 31.05.16. All other information is from Investec Asset Management at 31.05.16.

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.