Temple Bar Investment Trust PLC

Monthly update **30 November 2017**

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
2.99% Private Placement Loan 2047 £25m

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
Richard Wyatt

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

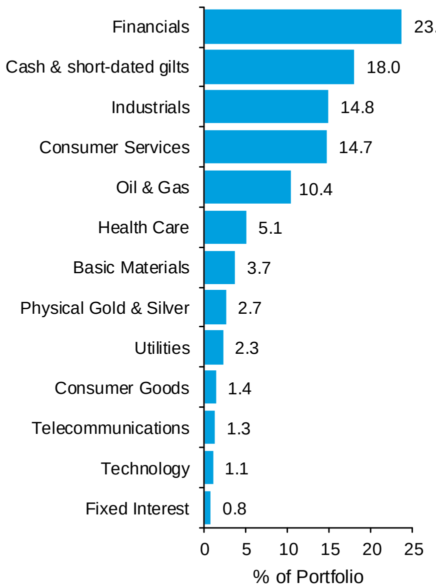
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)[1]

HSBC Holdings Plc	7.0
Royal Dutch Shell Plc	5.7
GlaxoSmithKline Plc	5.1
BP Plc	4.7
Barclays Plc	4.2
Grafton Group Plc	3.9
SIG Plc	3.4
Royal Bank of Scotland Plc	3.2
Travis Perkins Plc	2.7
Citigroup Inc	2.6
Total	42.5

[1]% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	992.4
Share price (p)	1273.0
NAV (p) (ex income, debt at mkt)	1321.0
Premium/(Discount), Ex income (%)	-3.6
NAV (p) (cum income, debt at mkt)	1346.9
Premium/(Discount), Cum income (%)	-5.5
Historic net yield (%)	3.2

Dividend History

Type	Amount (p)	XD date	Pay date
3rd interim	8.33	07-Dec-17	29-Dec-17
2nd interim	8.33	07-Sep-17	29-Sep-17
1st interim	8.33	08-Jun-17	30-Jun-17
Final	16.18	09-Mar-17	31-Mar-17

Performance

Share Price % change[2]

	Trust	FTSE All-Share
1 month	-3.5	-2.0
3 months	-1.5	-1.0
1 year	9.8	9.2
3 years	4.5	12.3
5 years	28.1	31.6

[2]Capital return only

NAV total return % change[3]

	Trust	FTSE All-Share
1 month	-2.2	-1.7
3 months	-0.7	-0.2
1 year	13.4	13.4
3 years	23.9	25.2
5 years	63.8	57.1

[3]Total return

Performance, Price and Yield information is sourced from Morningstar as at 30.11.17.

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.

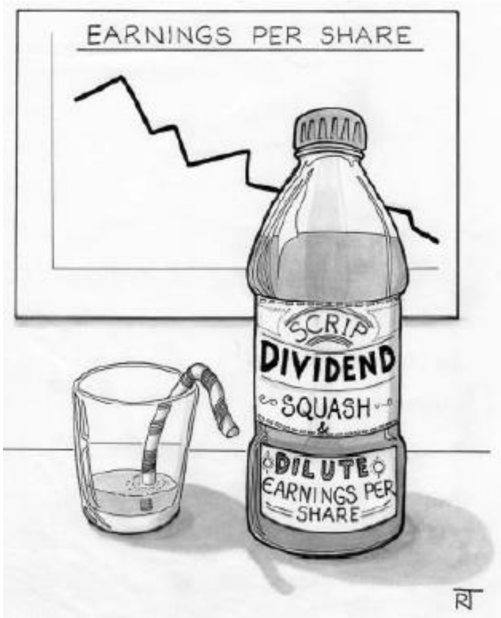
The effect of borrowings to finance the Trust's investments is to magnify the volatility of its price and potential capital gains and losses. We recommend that you seek independent financial advice to ensure this Trust is suitable for your investment needs.

Monthly update **30 November 2017**

Manager's Commentary

Thought for the month

In a release at the end of November that would not typically start hearts racing, Royal Dutch Shell announced that it was cancelling the option for shareholders to take a scrip dividend in preference to cash. With scrips, the shares are newly issued and consequently the issuer raises money in the process with the exercise acting as a mini rights issue. While there are some fluffy justifications made by companies which run scrip dividend programmes (e.g. the investor accepting the scrip offer purchases shares without incurring transaction costs) the clear message is that the company needs the cash, but is unwilling to cut the dividend.



Scrips also inform us that a company does not guard its shares preciously – in stark contrast to Warren Buffett who, "… would rather prepare for a colonoscopy than issue Berkshire shares" – and therefore marks them down in terms of their capital allocation skills. Over a long period, the share issuance resulting from scrips can be reasonably significant. For example, when Aviva removed the scrip alternative in 2013, management informed the market that the scrip had created earnings dilution of 16% over the previous eight years. An expensive price to pay for a company trying to pretend to investors that a high dividend was affordable.

As often happens there are some perverse incentives at work here. The company's advisors probably fear that if they suggest a dividend cut, the share price of their client will fall (and thus they adopt a strategy of advising the delay of any bad news). Similarly, company management often feels its reputation will be adversely affected by a cut and a board may feel it is implying that the outlook for the company has deteriorated.

We would much prefer more honesty and less delusional behaviour. In the last month, we have been hit by a profits warning from Centrica, a company which is clearly struggling in a number of areas and whose balance sheet is less than copper-bottomed. The company conducted a surprise share placing less than 18 months ago, but despite that continues to shore up its dividend with a scrip. The investment decision was mine so clearly I am at fault, but in this instance, I have not been aided by a management team which apparently refuses to face up to its cashflow difficulties.