Temple Bar Investment Trust PLC

Monthly update **31 January 2018**

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

The Company's gearing policy can be found at http://www.templebarinvestments.co.uk/information-financial-advisors/gearing-policy.aspx

Charges:
Ongoing charge: 0.49% (31.12.17)
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 January 2003

Registrars: Equiniti Ltd

Secretary:
Investec Asset Management Ltd

Depositary & Custodian: HSBC Bank Plc

Trust Objective

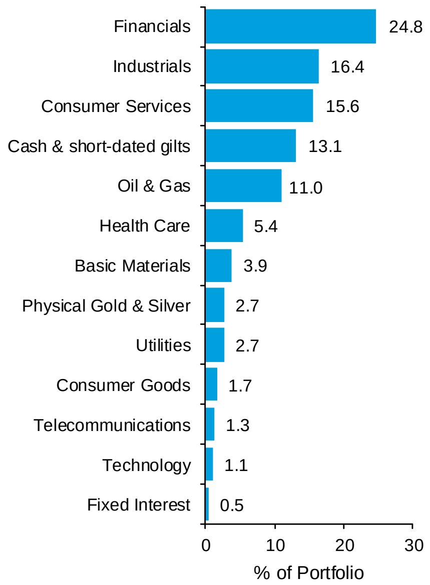
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)[1]

HSBC Holdings Plc	7.2
Royal Dutch Shell Plc	6.1
GlaxoSmithKline Plc	5.4
BP Plc	4.9
Barclays Plc	4.4
Grafton Group Plc	4.1
Royal Bank of Scotland Plc	3.4
Lloyds Banking Group Plc	3.4
SIG Plc	3.3
Tesco Plc	2.6
Total	44.8

[1]% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	996.6
Share price (p)	1298.0
NAV (p) (ex income, debt at mkt)	1342.0
Premium/(Discount), Ex income (%)	-3.3
NAV (p) (cum income, debt at mkt)	1360.0
Premium/(Discount), Cum income (%)	-4.6
Historic net yield (%)	3.2

The Company's discount management policy can be found at http://www.templebarinvestments.co.uk/information-financial-advisors/discount-management-policy.aspx

The Company's premium/discount history can be found at http://www.templebarinvestments.co.uk/performance-and-statistics/nav-performance.aspx

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 (Total Return)

Cumulative Returns (%)

	Share Price	NAV	FTSE All-Share
1 month	-1.2	-1.9	-1.9
3 months	-0.9	-0.6	1.0
1 year	9.9	8.7	11.3
3 years	23.8	25.9	27.4
5 years	43.5	52.8	50.3

Rolling 12 Month Returns (%)

	Share Price	NAV	FTSE All-Share
31.01.17-31.01.18	9.9	8.7	11.3
31.01.16-31.01.17	26.1	24.2	20.1
31.01.15-31.01.16	-10.7	-6.7	-4.6
31.01.14-31.01.15	-0.5	2.8	7.1
31.01.13-31.01.14	16.5	32.6	10.1

Performance, Price and Yield information is sourced from Morningstar as at 31.01.18

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.

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Manager's Commentary

Thought for the month

The most notable of the downward movers in the portfolio over the month was the collapse in Capita. The negative impact of Capita on performance has been especially keenly felt as we only initiated our position in the stock just before the profit warning and consequent share price plunge. This makes us look and feel foolish and a period of reflection has followed. How could we have got it so wrong, so quickly? What can we learn from this deeply unpleasant experience?

When we started buying shares, Capita had already fallen by c. 75% from its 2015 peak and was trading at a low multiple of our estimate of normalised profitability and offered significant (50%+) upside to our appraisal of fair value. In terms of sentiment, after a sustained period of operational and share price underperformance, there were few avowed buyers left in the market. Also, the new chief executive had already further softened-up expectations, by observing that the group had become too complex, was too thinly spread, was overly focused upon short-term targets and was underinvested. So, for us, the cheap valuation and adverse sentiment boxes were very much ticked and, given the same set of circumstances, we would do the same again.

Given the scale and suddenness of the share price fall, this may seem glib, but it is anything but. This has been a painful and ignominious experience for the team and one we have felt deeply. However, the worst thing we could do now would be to impulsively overreact, to extrapolate and thereby infer some deeper meaning from a single adverse data point. We have suffered nothing comparable in terms of size and abruptness of fall after buying a stock in nearly two decades and it would be easy to conclude that a big mistake must have big lessons.

Our investment process is based on the observation that investors recurrently, indeed habitually, overreact to bad news, with this overreaction often providing us with buying opportunities. What has just happened with Capita is, we believe, an exceptionally large overreaction, with the reasons for this readily apprehended. The market rarely responds well to the surprise scrapping of a dividend or an emergency capital raise, while the very recent collapse of (the superficially similar) Carillion has greatly heightened investors' fear and loathing of Capita. The magnitude of the overreaction can therefore be understood, but the fact of it still surprises.

While we always endeavour to learn something from our errors, it would be rash indeed if we were to similarly overreact and intemperately abandon a process that has served us pretty well over many years. Following the very large fall in the share price, we have subsequently added to the position in Capita, not because we are stubborn or unreflective, but because we believe that it is the right thing to do for our investors.

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.

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