

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

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 August 2002

Registrars: Equiniti Ltd

Secretary:

Investec Asset Management Ltd

Depositary & Custodian: HSBC Bank Plc

The Company's gearing and discount management policies can be found at <https://www.templebarinvestments.co.uk/investment-approach/investment-policies/>

Trust Objective

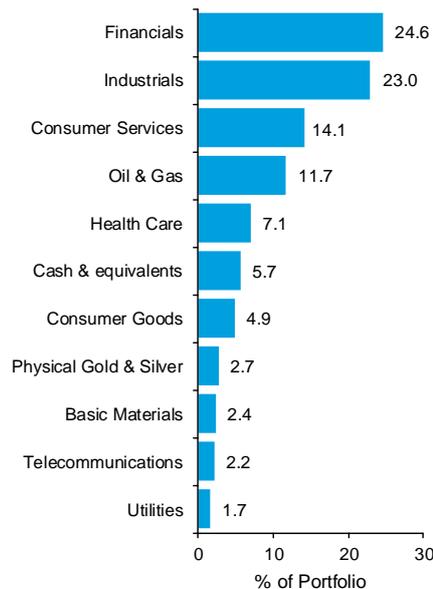
To provide growth in income and capital to achieve a long-term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)¹

GlaxoSmithKline Plc	7.1
Royal Dutch Shell Plc	6.3
BP Plc	5.4
Capita Plc	5.1
Travis Perkins Plc	5.1
HSBC Holdings Plc	4.5
Lloyds Banking Group Plc	4.1
Grafton Group Plc	3.9
Barclays Plc	3.9
Royal Bank of Scotland Plc	3.7
Total	49.1

¹% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	916.7
Share price (p)	1194.0
NAV (p) (ex income, debt at mkt)	1226.6
Premium/(Discount), Ex income (%)	-2.7
NAV (p) (cum income, debt at mkt)	1257.4
Premium/(Discount), Cum income (%)	-5.0
Historic net yield (%)	3.7

Dividend History

Type	Amount (p)	XD date	Pay date
3 rd interim	8.75	06-Dec-18	27-Dec-18
2 nd interim	8.75	06-Sep-18	28-Sep-18
1 st interim	8.75	07-Jun-18	29-Jun-18
Final	17.48	08-Mar-18	29-Mar-18

Performance (Total Return)

Cumulative Returns (%)

	Share Price	NAV	FTSE All-Share
1 month	-1.2	-3.6	-1.6
3 months	-5.5	-7.3	-6.1
1 year	-3.0	-3.6	-1.5
3 years	24.5	22.7	22.6
5 years	15.1	21.9	29.2
10 years	231.9	218.0	156.7

Rolling 12 Month Returns (%)

	Share Price	NAV	FTSE All-Share
30.11.17-			
30.11.18	-3.0	-3.6	-1.5
30.11.16-			
30.11.17	13.5	13.4	13.4
30.11.15-			
30.11.16	13.0	12.3	9.8
30.11.14-			
30.11.15	-9.4	-2.7	0.6
30.11.13-			
30.11.14	2.1	2.0	4.7

Performance, Price and Yield information is sourced from Morningstar as at 30.11.2018

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.

Manager's Commentary

Thought for the month

Kate Swann's departure as chief executive of airport franchise operator SSP was announced in November and brings the curtain down on another successful reign for her, following her previous excellent efforts at WH Smith. In both roles she perfected the art (or probably science) of profit maximisation per square foot of sales space by continually adapting the products on sale, but probably more importantly testing the limits of what customers would pay for products. Chicken Tikka Baguette at Upper Crust? That will be £5.79 and would you like a drink with that madam?

Ms Swann is obviously not the only chief executive to have used this strategy. Like most strategies it tends to work until it doesn't and among our universe of out-of-favour stocks we often find companies which have pushed pricing too far and provided competitors with an opportunity to undercut them or a regulator the chance to sink their teeth into them. As an investor it is difficult to identify these pockets of supernormal profitability. Company management does its best to understate its importance on the way up (best not to make it too obvious to customers). On the way down it tries to convince investors that some of these supernormal profits can be sustained.

While it might make more long-term sense for these companies to re-base their prices, management is often reluctant because of the short-term effect on profits (and bonuses). They may also be afraid of the risk that such action could remove the aura of 'high quality' that can surround businesses that are able to raise prices and maintain them. Warren Buffet doesn't hold back on his views of the importance of pricing power, suggesting that "If you've got the power to raise prices without losing business to a competitor, you've got a very good business. And if you have to have a prayer session before raising the price by 10 percent, then you've got a terrible business". What management team wants to be responsible for shifting investor perceptions of their business from 'good' to 'terrible', in the eyes of one of the world's most successful investors? Finally, perhaps management simply doesn't know what the impact of cutting their prices will be. We're not the only ones to raise the art/science debate, with the chief executive of Travis Perkins commenting this month, for example, that "price is, for me, an art, not a science". Again, what chief executive wants to risk creating a monster, even with the intentions of crafting a masterpiece?

Which areas would we point to within our opportunity set of companies still in denial over their long-term pricing power? General insurers appear to have attracted the attention of regulators for treating their most loyal customers the most poorly. These are perhaps some of the businesses most exposed to the

theme of increasing price transparency provided by price comparison websites and the like (price opacity can be a goldmine for profitability if your customers don't know what the alternatives are, or even in some cases what price they're paying for the products). While less obviously at risk from this kind of structural threat, pub companies have pushed drinks prices to incredible premiums over supermarket prices, with the notable exception of JD Wetherspoon which, despite relentless pressure from investors to increase its prices, has stubbornly refused to close the gap to its peers. Yet it has been rewarded with some of the highest sales growth and share price appreciation in the sector. Meanwhile, there are plenty of other companies and industries which, while not yet in our opportunity set, appear to carry the risk of their price premium unwinding, to the unpleasant surprise of investors. For example, how long can cinema ticket prices continue to be pushed up – or even maintained – in an era where content is increasingly being streamed into people's homes, with such content increasingly owned – and even produced – by the Netflix's and Amazons of the world? (And maybe the most lucrative pricing trick pulled by the cinema operators actually comes from the margins they make on food and drink sales, but let's save that discussion for another time).

On the flip side, the prize for investors is to find those companies with latent pricing power but whose shares are priced with low expectations. As it happens, we would have placed JD Wetherspoon into this category a few years ago, when we held the firm's shares. But following strong recent performance we are no longer shareholders in the business – with that latent pricing power still untapped! Perhaps it's not just investors, but executives, too, that seek out opportunities to turnaround a company that hasn't maximised its pricing power, and maybe this ranks near the top of Ms Swann's list when she's planning her career moves? It will be interesting to see her next destination. In the meantime maybe we can all enjoy some slightly cheaper baguettes ...



"I had it all ... big house, fast car, foreign holidays ... and then I started buying lunch every day from Upper Crust!"

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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