

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: 0.48% (30.06.19)
Includes a management fee of 0.35%.
Excludes borrowing and portfolio transaction costs.

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

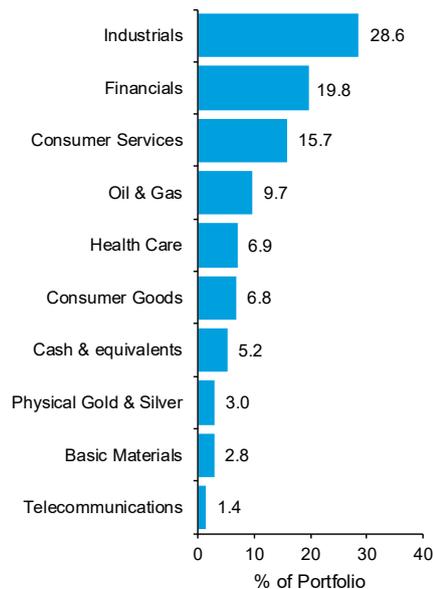
To provide growth in income and capital to achieve a long-term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)¹

Capita Plc	8.1
GlaxoSmithKline Plc	6.9
Travis Perkins Plc	6.4
Royal Dutch Shell Plc	5.2
BP Plc	4.6
Grafton Group Plc	4.2
Barclays Plc	3.7
Tesco Plc	3.5
Royal Bank of Scotland Group Plc	3.5
SIG Plc	3.4
Total	49.5

¹% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	1016.8
Share price (p)	1370.0
NAV (p) (ex income, debt at mkt)	1373.8
Premium/(Discount), Ex income (%)	-0.3
NAV (p) (cum income, debt at mkt)	1403.9
Premium/(Discount), Cum income (%)	-2.4
Historic net yield (%)	3.9

Dividend History

Type	Amount (p)	XD date	Pay date
3 rd interim	11.00	05-Dec-19	30-Dec-19
2 nd interim	11.00	12-Sep-19	30-Sep-19
1 st interim	11.00	06-Jun-19	28-Jun-19
Final	20.47	07-Mar-19	29-Mar-19

Performance (Total Return)

Cumulative Returns (%)

	Share Price	NAV	FTSE All-Share
1 month	4.3	3.4	2.2
3 months	17.5	11.9	3.8
1 year	19.6	16.2	11.0
3 years	31.7	26.9	24.0
5 years	34.8	38.8	37.0
10 years	167.9	154.8	120.4

Rolling 12 Month Returns (%)

	Share Price	NAV	FTSE All-Share
30.11.18-			
30.11.19	19.6	16.2	11.0
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

Performance, Price and Yield information is sourced from Morningstar as at 30.11.2019

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 thought for the month

My oldest son, eager to save a few quid while working during his placement year, recently stumbled across a food delivery app. It lets you skip queues by ordering online, pick up meals for others, or piggy-back on your colleagues' orders if you are too busy to collect lunch.

I find this all a bit odd. In 31 years in the City, I can think of only a few times when I was so busy that I needed to ask a colleague to pick something up for me, and I have rarely queued for very long. Don't get me wrong. I am perfectly happy to pick up my colleagues' lunches. But I'm not convinced my schedule and appetite overlap with many others on any particular day, nor that there are many days when they are so busy that they can't get out of the office. This app seems to be solving a problem that doesn't really exist.

But it gets better (or worse). As is the current fashion, the company behind the app is keen to acquire customers through heavy advertising and by offering special deals, loyalty points and sign-on incentives. Nice for the customer, but seriously expensive for the company—particularly as its generosity in no way locks people in as frequent purchasers. What's more, my son tells me that he has spotted employees sponsored by the app assisting in outlets offering special deals (lunch for a pound etc.).

I have no knowledge of this company's financials, but it looks to me that it may be tough for the company to be particularly profitable, especially as this seems an industry with few barriers to entry.

More broadly, a business model of generating revenues and worrying about profits later has become the new normal, with the 'unicorns' (start-ups valued in excess of US\$1 billion) leading the way.

Given that this is a very different world from that in which value investors typically reside, it is interesting to consider the details behind these unicorns. The book 'Disrupted' tells the story of a middle-aged tech journalist (the author, Dan Lyons) losing his job at Newsweek and finding himself at Silicon Valley tech start-up HubSpot. Lyons describes a dysfunctional, sexist, jargon-heavy and loss-making business, which the reader is encouraged to believe will end badly. The book was published in 2016. Today, the company remains loss-making despite having a market capitalisation of US\$6.6 billion.

On a much bigger scale, 'Super Pumped' by Mike Isaac takes the reader through the history of Uber. As with Lyons, Isaac tells of corporate dysfunction, lack of financial controls and sexism, and throws in some corporate espionage. Uber has proved an

outstanding success for its early venture capital backers. But despite huge international growth and apparent scale, the company still makes losses in the billions of dollars. A market capitalisation of close to US\$50 billion suggests many investors remain believers.

One person who clearly is not a believer is Vincent Deluard of INTL FCStone, a financial services company. He lives in the Bay Area in San Francisco and has a ringside seat on the unicorn market. Deluard predicts a massive unravelling of the models that created the unicorns: venture capital companies throwing money at start-ups and then valuing these loss-making companies using assumptions of (eventual) profits way into the future discounted at very low interest rates.

Of the unicorns that have made it to market, Vincent highlights that they operate in the best of conditions, paying very little in the way of interest, taxes or wages (given the emphasis on equity-based compensation). What happens if these perfect conditions deteriorate? What if share prices fall and employees start asking to be paid in what Vincent calls "real money"? Do shareholders appreciate the dilution effect that equity compensation is having on their holdings?

It is also worth asking whether this is a contained issue. Perhaps sky-high valuations are limited to a discrete part of the market and could correct without any knock-on effects. Alternatively, perhaps the valuations of unicorns are just an extreme example of pricing oddities in the broader equity market, and the effects of an unwind could be wider.

My son has just texted to say he's popping out for another discounted lunch, courtesy of the app (and its financial backers). I am encouraging him to enjoy it while it lasts.

"If I invest in the app, do I get a steak in the business?"



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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