

## 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:** 0.51% (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

**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

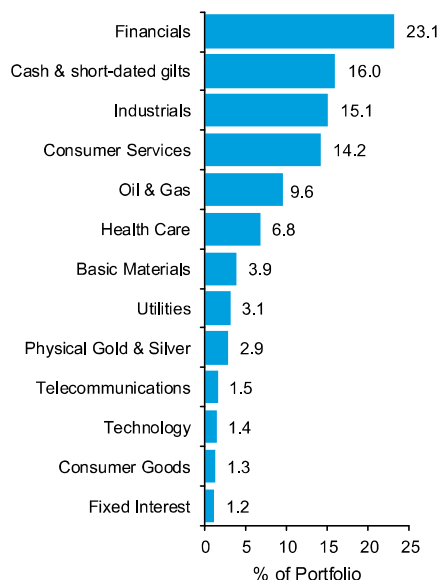
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

## Top Ten Equity Holdings (%)<sup>1</sup>

HSBC Holdings Plc	8.1
GlaxoSmithKline Plc	6.8
Grafton Group Plc	5.2
Royal Dutch Shell Plc	5.1
Barclays Plc	4.6
BP Plc	4.4
SIG Plc	3.8
Royal Bank of Scotland Plc	3.0
WM Morrison Supermarkets Plc	2.8
Citigroup Inc	2.5
<b>Total</b>	<b>46.3</b>

<sup>1</sup>% of total assets, including cash

## Sector Analysis



## Financial Data

Total Assets (£m)	965.1
Share price (p)	1236.0
NAV (p) (ex income, debt at mkt)	1305.8
Premium/(Discount), Ex income (%)	-5.3
NAV (p) (cum income, debt at mkt)	1322.2
Premium/(Discount), Cum income (%)	-6.5
Historic net yield (%)	3.3

## Dividend History

Type	Amount (p)	XD date	Pay date
1 <sup>st</sup> interim	8.33	08-Jun-17	30-Jun-17
Final	16.18	09-Mar-17	31-Mar-17
3 <sup>rd</sup> interim	8.09	08-Dec-16	30-Dec-16
2 <sup>nd</sup> interim	8.09	08-Sep-16	30-Sep-16

## Performance

### Share Price % change<sup>2</sup>

	Trust	FTSE All-Share
1 month	-5.1	-2.8
3 months	0.5	0.3
1 year	20.4	13.8
3 years	-0.6	11.2
5 years	37.2	38.4

<sup>2</sup>Capital return only

### NAV total return % change<sup>3</sup>

	Trust	FTSE All-Share
1 month	-1.9	-2.5
3 months	1.7	1.4
1 year	21.2	18.1
3 years	20.3	23.9
5 years	77.5	65.2

<sup>3</sup>Total return

Performance, Price and Yield information is sourced from Morningstar as at 30.06.17.

**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.

## Manager's Commentary

### Thought for the month

One of their current rebuttals to value investors from those investors not in the value church (and boy, there do seem to be a lot of them these days) is that our stocks are cheap for a reason. With the clearest value opportunities currently found in energy, banks and consumer-related stocks, it is true that there are some structural issues that value investors need to wrestle with. Although we would argue that some of these concerns are way over-cooked, some terribly clever chaps at Sanford Bernstein highlight that the dislike of value is now so great that it is apparent within many sectors.

The chart below illustrates this nicely and compares the cheapest stocks on price-to-book with the most expensive stocks across sectors. Their number crunching suggests that the cheap stocks look as cheap relative to the expensive stocks as they have done for 25 years and that value opportunities are becoming far more diverse.

**Figure 1: Relationship of cheap stocks versus expensive stocks (on price to book) on an industry neutral basis**

### Europe



Source: Sanford Bernstein

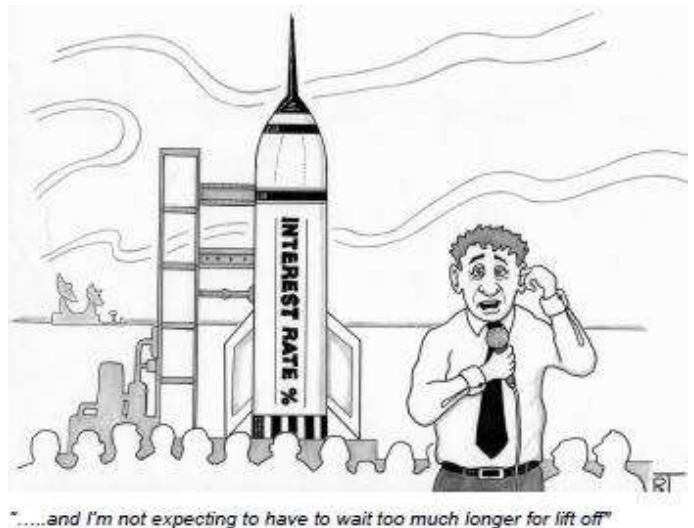
We appear to have arrived at crunch time. The language of central bankers clearly modified at the end of June. They have clearly decided that enough is enough and that the time has come to start raising interest rates and discussing reversal of quantitative easing (whilst not shocking the market too much). They have a tariff of justifications for this ranging from the strength of the global economic upswing and the risks to inflation of the low levels of unemployment to a desire to reverse QE before the unknown risks of the initial strategy become apparent and to have interest rates at a decent level ahead of the next recession.

The market shrugged off this 'forward guidance' (remember that?) – either believing that the central bankers were all mouth and no trousers or that at the first signs of market weakness they would lose their nerve.

The market reaction could be too sanguine. Recent political results, the mood of the electorate and the language of central bankers suggests that whether the politicians like it or not we are transitioning from monetary policy to fiscal policy. Having previously had one huge buyer of government bonds (the central bank) the market could be looking at two big sellers (the government, to fund increased spending and the central bank reversing QE). With real yields standing at historically low levels this is a significant risk for bond prices and those assets most correlated to them.

What if the central banks fail to carry through this normalisation strategy? In this scenario the market could conclude that the new normal is low interest rates and QE forever; not necessarily an issue until the next recession, market crisis or if the unknown risks of QE become apparent. But a very unhealthy position to be in.

Our conclusion is that we are entering a new era. What has worked so well in a period of declining bond yields is likely to work badly as bond yields increase. Low risk becomes high risk and high risk morphs to low risk. There may be a few false starts to this process, but we prefer to be positioned early for this rather than battle with the masses to restructure a portfolio once momentum meaningfully changes direction.



The yield information has been calculated as at 30.06.17. All other information is from Investec Asset Management at 30.06.17.

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](mailto:enquiries@investecmail.com). Alternatively, visit the Temple Bar website: [www.templebarinvestments.co.uk](http://www.templebarinvestments.co.uk).

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