Temple Bar Investment Trust PLC – Monthly update 31st July 2013

Trust Facts

Launch date: 1926

Wind-up date: None

Year end:
31st December

Dividends paid:
March & September

AGM:
March

Benchmark:
FTSE All-Share

ISA status:
May be held in an ISA

Capital Structure:

Share class	No. in issue	Sedol
Ordinary	61,616,818	0882532

Debt:
5.5% Debenture Stock 2021 £38m
9.875% Debenture Stock 2017 £25m

Charges:
Management fee: 0.35% per annum based on the value of the investments of the Company.
Ongoing charges: 0.47% (June 2013)

Board of Directors:
John Reeve (Chairman)
Arthur Copple
Richard Jewson
June de Moller
Martin Riley
David Webster

Auditors: Ernst & Young LLP

Investment Manager:
Investec Asset Management Ltd

Registrars: Equiniti Ltd

Savings Scheme Administrator:
Equiniti Financial Services Ltd

Secretary:
Investec Asset Management Ltd

Stockbrokers:
JPMorgan Cazenove

Bankers & Custodian: HSBC Bank Plc

Solicitors: Eversheds

Trust Objective

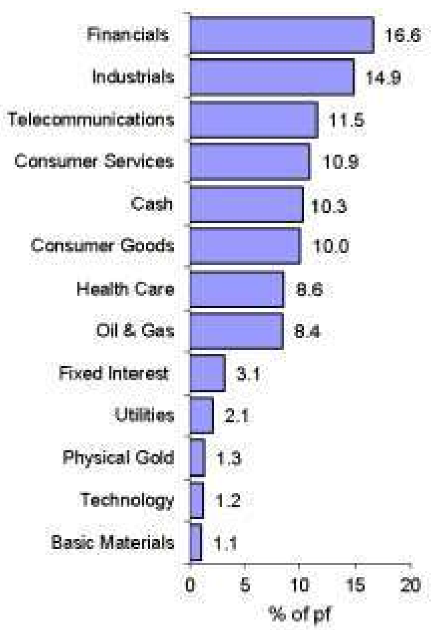
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top ten equity holdings (%) *

GlaxoSmithKline PLC	7.8
HSBC Holdings PLC	7.3
Vodafone Group PLC	6.7
Signet Jewelers Ltd.	6.6
Royal Dutch Shell PLC (CL B)	6.4
Grafton Group PLC	5.3
BT Group PLC	4.7
Unilever PLC	3.1
SIG PLC	3.0
Avon Products Inc.	2.7
	53.6

* % of total assets, including cash

Sector Analysis



Financial data

Total Assets (£m)	801.43
Share price (p)	1220.00
NAV (p) (ex income, debt at mkt)	1170.39
Premium/(Discount) (%)	4.2
Historic net yield (%)	3.04

Performance

Share Price % change

	TBIT	All-Share *
1 month	6.8	6.7
3 months	7.7	3.5
1 year	32.0	19.9
3 years	56.8	29.3
5 years	99.3	27.7

* Capital return only

NAV total return % change

	TBIT	All-Share *
1 month	6.4	6.8
3 months	5.1	4.4
1 year	36.1	24.3
3 years	71.0	43.4
5 years	129.1	53.1

* Total return

Source: Thomson Datastream, Investec

Dividend History

Type	Amount (p)	Ex date	Pay date
Interim	15.10	11-Sep-13	30-Sep-13
Final	22.00	13-Mar-13	28-Mar-13

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Manager's Commentary

We often provide clients with examples of our detailed analysis of potential investments. In all likelihood most of these reports are probably never read - and I certainly don't blame the clients for finding something more exciting to do with their time. However, from a marketing perspective, not reading it hopefully does little to affect the clients' impression that we undertake a serious amount of due diligence – the 'thud' factor as the document lands on the desk is possibly sufficient.

As stock-pickers we believe the quality and quantity of our analysis is a vital component of our competitive advantage. However, when we study the historic drivers of long-term share price performance, we can usually highlight just one or two factors – many other factors considered of prime importance at the time of analysis proved transitory, irrelevant or simply incorrect.

For example, looking back at analyst notes written on the tobacco sector in the mid 90s, there is some extraordinarily detailed analysis of class actions as well as identification of future global tobacco consumption trends on a country by country basis. However, with hindsight an investor would have been fine focusing on just two factors: valuations and the potential for cigarette price inflation.

So must we write lengthy all-encompassing documents on each company we analyse or is it possible to hunt for the two or three share price drivers and somehow limit the time consuming stuff? When should we terminate analysis and reach a conclusion? After all, there is always something else to read on a subject. We can be certain that Warren Buffett does significantly less work than us on each stock or company he purchases, but this has not precluded him from generating exceptional long-term returns.

I would suggest the must do's for us are:

i) Do we get it? Do we really understand the company, its products, balance sheet and cashflow sufficiently to make an informed investment decision. How badly could what we don't know hurt us?

ii) Low valuations – is the stock cheap relative to normalised profits? Is there a decent margin of safety in case the future is rather tougher than we expect?

iii) Check for smelliness – do the accounting profits flow down to cash? How big are the liabilities beyond the obvious? Is the Chief Executive a snake oil salesman and his Finance Director a mathematical magician?

iv) What factors will really swing profitability one way or the other (and just as importantly, are there factors currently swinging the price that are reasonably irrelevant in terms of the long term future?).

That may leave a number of unanswered or partially unanswered questions, but we must often ask ourselves, 'Even if we knew the answer, would it change our view'. It is essential to avoid analysis paralysis.

Buffett provided an insight into which factor dominates his thinking when he spoke before the Financial Crisis Inquiry Commission in 2011:

"The single most important decision in evaluating a business is pricing power. 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 per cent, then you've got a terrible business." So Buffett is virtually a one-trick pony, but clearly it is one great trick.

I'm not sure our clients would appreciate extreme brevity in our arguments, but possibly a little less thud may be no bad thing for all of us.

"When I said I wanted an abbreviated report.........."