

## 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% (31.12.19)  
Includes a management fee of 0.35%.  
Excludes borrowing and portfolio transaction costs.

**Auditors:** BDO LLP

### Investment Manager:

Ninety One Fund Managers UK Limited

### Portfolio Managers:

Alessandro Dicorradò and Steve Woolley\*

**Value team portfolio management start date:**  
1 August 2002

**Registrars:** Equiniti Ltd

### Secretary:

Ninety One UK Limited

**Depository & Custodian:** HSBC Bank Plc

\*Managed by Alastair Mundy from August 2002 – April 2020

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

## Trust Objective

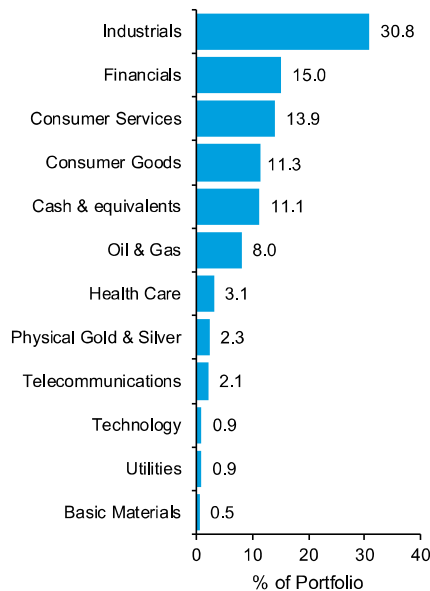
To provide growth in income and capital to achieve a long-term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

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

Travis Perkins Plc	4.8
IWG Plc	4.2
Grafton Group Plc	3.9
Royal Dutch Shell Plc	3.5
BP Plc	3.5
American Express Company	3.3
Rolls-Royce Holdings Plc	3.2
Bayer AG	3.1
easyJet Plc	3.0
Citigroup Inc	2.7
<b>Total</b>	<b>35.2</b>

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

## Sector Analysis



## Financial Data

Total Assets (£m)	676.2
Share price (p)	748.0
NAV (p) (ex income, debt at mkt)	841.3
Premium/(Discount), Ex income (%)	-11.1
NAV (p) (cum income, debt at mkt)	850.6
Premium/(Discount), Cum income (%)	-12.1
Historic net yield (%)	6.9

## Dividend History

Type	Amount (p)	XD date	Pay date
1 <sup>st</sup> interim	11.00	04-Jun-20	30-Jun-20
Final	18.39	12-Mar-20	31-Mar-20
3 <sup>rd</sup> interim	11.00	05-Dec-19	30-Dec-19
2 <sup>nd</sup> interim	11.00	12-Sep-19	30-Sep-19

## Performance (Total Return)

### Cumulative Returns (%)

	Share Price	NAV	FTSE All-Share
1 month	0.7	4.5	3.4
3 months	-36.0	-28.3	-7.8
1 year	-36.5	-30.4	-11.2
3 years	-35.4	-29.7	-8.4
5 years	-25.5	-19.1	6.9
10 years	40.7	55.3	80.2

### Rolling 12 Month Returns (%)

	Share Price	NAV	FTSE All-Share
31.05.19-			
31.05.20	-36.5	-30.4	-11.2
31.05.18-			
31.05.19	-2.3	-4.7	-3.2
31.05.17-			
31.05.18	4.0	6.0	6.5
31.05.16-			
31.05.17	27.8	23.9	24.5
31.05.15-			
31.05.16	-9.6	-7.1	-6.3

Performance, Price and Yield information is sourced from Morningstar as at 31.05.2020

**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.**

## Risks

### Borrowing/leverage risk

The Company can borrow additional money to invest, known as leverage. This increases the exposure of the Company to markets above and beyond its total net asset value. This can help to increase the rate of growth of the fund but also cause losses to be magnified.

### Charges to capital risk

A portion (60%) of the Company's expenses are charged to its capital account rather than to its income, which has the effect of increasing income (which may be taxable) whilst reducing its capital to an equivalent extent. This could constrain future capital and income growth.

### Company share price risk

The Company's share price is determined by supply and demand for such shares in the market as well as the net asset value per share. The share price can therefore fluctuate and may represent a discount or premium to the net asset value per share. This can mean that the price of an ordinary share can fall when its net asset value rises, or vice versa.

### Interest rate

The value of fixed income investments (e.g. bonds) tends to decrease when interest rates and/or inflation rises.

### Equity investment

The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. bankruptcy), the owners of their equity rank last in terms of any financial payment from that company.

**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 commentary

Hot on the heels of last month's discussion on "Is value investing dead?" – to which the answer was a resounding 'no', for anyone that didn't read it! – in which we summarised the findings of a recent research paper written by AQR Capital Management, we're back again to highlight another report put out last month by representatives of AQR. This one investigates the relationship between the performance of value stocks and the level of interest rates.

The report's authors, Thomas Maloney and Tobias J. Moskowitz, ask: "Are rates to blame for value's torments?", which is certainly topical, as a frequent pushback we get is that value investing can't possibly 'work' in an environment of low interest rates, with the past decade or so of falling rates 'to blame' for value stocks' underperformance, and the current 'lower for longer' interest-rate outlook suggesting that value stocks can't possibly perform well from here. (Incidentally, we don't intend to repeatedly regurgitate the work of AQR's scholars in these reports, even if imitation is supposedly the sincerest form of flattery).

The report investigates the relationship between value and interest rates from a number of perspectives, such as the absolute level of interest rates, falling bond yields and a flattening yield curve, each of which has been used to 'explain' value's poor recent performance (and, allegedly, its unappealing prospects from today) by many – perhaps most – financial commentators. The authors perform this exercise using data going as far back as the 1950s, and from a number of angles, such as the sensitivity (technically, correlation coefficients and t-statistics) of value-factor performance to levels of, and movements in, interest-rate variables, the extent to which some of the worst periods of value performance can be explained by changes in some of these interest-rate variables, and sensitivities of the performance of specific valuation metrics (such as price to book or dividend yield) to these variables.

The report's conclusions are that the link between value and interest rates is 'ambiguous and complicated', with any evidence of a relationship between interest-rate variables and value's performance modest (at best) for some variables; or simply insignificant (and in some cases negative) for others. While sensitivities (correlation coefficients and t-statistics, just to remind you) have generally increased over the past decade or so (again, with some exceptions), this is far from enough to swing the overall conclusions based on the longer-term data set. Rather, we've simply observed two data series moving in a tighter relationship in the recent past than they had prior to this, where the recent increase in sensitivities may simply be spurious; correlation, after all, does not prove causation.

Even theoretical links between interest rates and value-vs-growth performance are revealed in the report to be much weaker than they initially appear, such as the claim that value stocks are shorter-duration assets (and hence benefit relative to growth stocks from higher rates) while growth stocks are longer-duration assets (and hence benefit from lower rates). This claim relies on an 'all else equal' assumption that is routinely violated, with

interest-rate changes merely a symptom of other economic movements which are likely to dominate this 'duration effect'.

As a final 'test' of some of their hypotheses, the authors extended their analysis to the most recent COVID-19 induced sell-off; i.e., the first quarter of 2020, when value stocks performed particularly poorly. Even here, the relationship between value's performance and interest-rate variables was somewhere between weak and non-existent, as the US yield curve actually steepened during this period, and with value's worst daily losses in the quarter tending to occur on days when yields went up and/or the yield curve steepened! There are several other relatively recent counterexamples to the value/interest-rate theory, for example in 2017 and 2018, when value stocks suffered in the US, even while US short-term interest rates rose; and the case of Japan, which exhibited by far the best performance of value during the sample period, despite also having the lowest interest rates.

We admit to being surprised by some of the conclusions of the report. Having had the message drilled into us for years by a near-unanimous consensus that value's performance and interest-rate levels are intertwined, we'd come to reluctantly accept that there must be truth in these claims. Not so, it seems! The report's authors conclude that "the interest rate regime offers little insight into value's prospects", which is also consistent with the way we construct our portfolios at Ninety One's value team, as we believe that the vast majority of our stocks can deliver attractive returns to our clients regardless of the interest-rate environment.

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## Contact us

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