

Trust Facts

Launch date: 1926

Wind-up date: None

Year end:
31 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	66,682,128	0882532

Debt:
9.875% Debenture Stock 2017 £25m
5.50% Debenture Stock 2021 £38m
4.05% Private Placement Loan 2028 £50m

Charges:
Ongoing charge: 0.48%* (30.06.14)
*Includes a management fee of 0.35%

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

Auditors: Ernst & Young LLP

Investment Manager:
Investec Fund Managers Ltd

Registrars: Equiniti Ltd

Savings Scheme Administrator:
Equiniti Financial Services Ltd

Secretary:
Investec Asset Management Ltd

Stockbrokers: JPMorgan Cazenove

Depository & Custodian: HSBC Bank Plc

Trust Objective

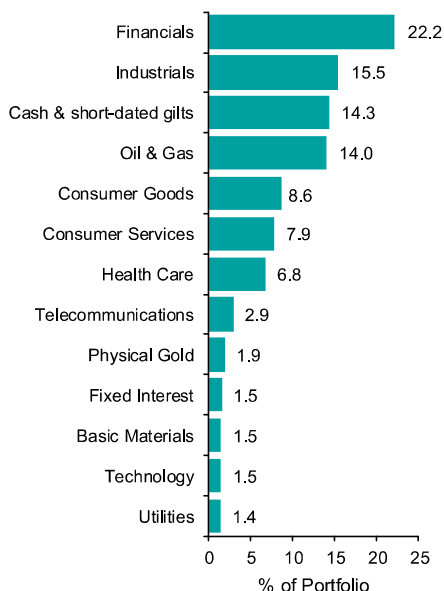
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%) ¹

HSBC Holdings Plc	8.7
Royal Dutch Shell Plc Class B	7.8
GlaxoSmithKline Plc	6.8
BP Plc	5.1
Grafton Group Plc	4.4
British American Tobacco Plc	3.6
BT Group Plc	2.8
Royal Bank of Scotland Group Plc	2.6
Direct Line Insurance Group Plc	2.4
QinetiQ Group Plc	2.4
	46.6

¹ % of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	894.7
Share price (p)	1218.0
NAV (p) (ex income, debt at mkt)	1179.0
Premium/(Discount), Ex income (%)	3.3
NAV (p) (cum income, debt at mkt)	1200.4
Premium/(Discount), Cum income (%)	1.5
Historic net yield (%)	3.1

Dividend History

Type	Amount (p)	XD date	Pay date
Final	22.65	12-Mar-14	31-Mar-14
Interim	15.55	10-Sep-14	30-Sep-14

Performance

Share Price % change

	Trust	FTSE All-Share ²
1 month	2.5	2.6
3 months	-2.8	-1.3
1 year	-1.0	1.3
3 years	40.6	26.7
5 years	64.8	35.7

² Capital return only

NAV total return % change

	Trust	FTSE All-Share ³
1 month	2.8	2.9
3 months	-1.1	-0.6
1 year	2.3	4.7
3 years	58.1	40.7
5 years	86.4	60.9

³ Total return

Performance, Price and Yield information is sourced from Thomson Datastream as at 30.11.14.

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

In recent months we have seen a number of sizeable profit downgrades from listed UK companies operating in a varied group of sectors and different geographic regions. Putting to one side the woes of all things oil related, the likes of De La Rue, Standard Chartered, Tate & Lyle, Premier Farnell, Serco, Balfour Beatty and the food retailers have been adversely affected by analysts' red ink.

When downgrades are as diverse as this, it is perhaps easy to wave them away as one-offs. But it is interesting to wonder if there is something else at work. Perhaps against a backdrop of lower-than-expected economic growth in the past few years, a number of companies have struggled to meet their long-term expectations. Initially, cost-cutting filled the gap, but ultimately there is a finite limit to what costs can be cut before eating in to the bone. Perhaps the lack of investment and the end of cost-cutting is forcing companies to reconsider their long-term earnings prospects?

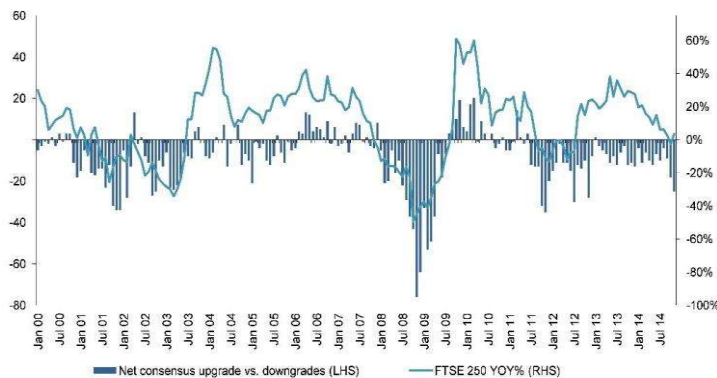
It is interesting in this regard to watch recent events at JD Wetherspoon. With their interim management statement in November the company announced that they had recently increased pay for hourly paid staff by 5%. The company has never been regarded as a poor payer (as perhaps evidenced by the average experience of their pub managers of over 10 years) and often highlights the bonuses it pays to pub staff (almost £24m of bonuses paid to its pub employees in the year to July 2014, compared to operating profit of £115.6m). And this was not the only cost increasing at the company. Spending on repairs in the pub estate (which is booked to the p&l) in the year to July 2014 increased to a record – in both absolute terms and as a percentage of sales while capital expenditure on the existing pub estate also reached record highs too.

So what's happening here? At a time when inflation is so low, why is the company being so generous to its staff? And with consumer spending still fairly muted why spend so much on the pub estate? JD Wetherspoon has always been run for the benefits of long-term shareholders and management has therefore often been comfortable bringing down short-term earnings expectations. The company is chaired by Tim Martin who founded the business in 1979 and John Hutson, the chief executive has been with the company since 1991. This approach contrasts with many of their competitors who are apparently more focused on maximising short-term corporate earnings and their own remuneration and who have had more varied careers.

Given Wetherspoon's competitors provide less information on their spending on their existing pub estate, it is difficult to draw precise comparisons, but it is not hard to imagine that Messrs Hutson and Martin have noticed underinvestment by their peers in both people and fixed assets and taken the opportunity to further widen the moat in their business. After all, it is not much fun being served by a poorly trained, unenthusiastic teenager offering expensive food and beer in a grotty looking pub with smelly toilets when there is a far better alternative just down the road. The downgrade cycle may well be picking up (see graph below), but as usual this will throw up both winners and losers.

Earnings Changes

We look at the net number of stocks since 2000 where forecasted forward earnings are upgraded by more than 5% versus stocks where forecasted forward earnings are downgraded by more than 5%.



Source: DataStream & Liberum Capital



"Would you believe me if I said I'd been working late researching Wetherspoons?"

The yield information has been calculated as at 30.11.14. All other information is from Investec Asset Management at 30.11.14.

Telephone calls may be recorded for training and quality assurance purposes.

For further details, call the Investor Services Department on 020 7597 1900, or send an email to enquiries@investecmail.com. Alternatively, visit the Temple Bar website: www.templebarinvestments.co.uk.

Issued by Investec Asset Management, who is authorised and regulated by the Financial Conduct Authority, December 2014.