

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	63,831,873	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%* (31.12.13)
*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 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

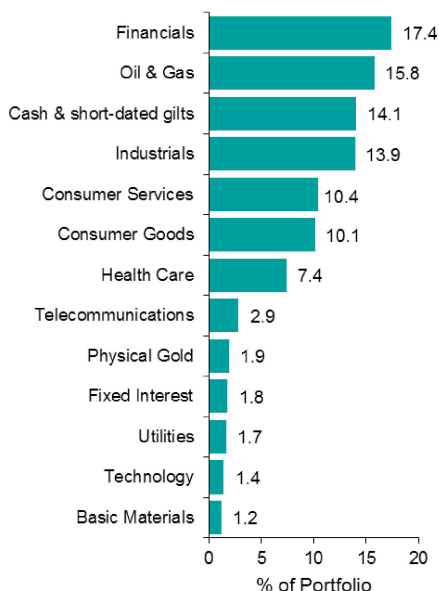
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%) ¹

HSBC Holdings Plc	8.7
Royal Dutch Shell Plc Class B	8.6
GlaxoSmithKline Plc	7.4
BP Plc	5.7
Grafton Group Plc	3.8
British American Tobacco Plc	3.5
Unilever Plc	2.9
Signet Jewelers Limited	2.9
BT Group Plc	2.8
QinetiQ Group Plc	2.6
Total	48.9

¹ % of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	879.5
Share price (p)	1252.00
NAV (p) (ex income, debt at market value)	1216.47
Premium/(Discount), ex income (%)	2.9
NAV (p) (cum income, debt at market value)	1237.34
Premium/(Discount), cum income (%)	1.18
Historic net yield (%)	3.02

Dividend History

Type	Amount (p)	XD date	Pay date
Interim	15.10	11.09.13	30.09.13
Final	22.65	12.03.14	31.03.14

Performance

Share Price % change

	Trust	FTSE All-Share ²
1 month	1.6	1.0
3 months	-2.2	-0.3
1 year	8.0	5.2
3 years	32.5	17.1
5 years	101.6	62.3

² Capital return only

NAV total return % change

	Trust	FTSE All-Share ³
1 month	0.8	1.4
3 months	0.1	0.9
1 year	9.2	8.9
3 years	47.9	30.3
5 years	139.1	92.8

³ Total return

Performance, Price and Yield information is sourced from Thomson Datastream as at 31.05.14.

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.

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

Thinking outside the box

Although all investors will make numerous mistakes during their careers, it is likely that many of their mistakes will be due, not to a lack of information, but to incorrect interpretation of information. We are all more than happy to prematurely dispense with facts and data that disagree or challenge our conventional wisdom, rather than try and deal with any ambiguities. We are all, to a greater or lesser extent, in a mental rut from which we find it particularly hard to escape.

Richards J Heuer worked for the CIA for nearly 45 years and shared many of his thoughts and learnings from his role by authoring *Psychology of Intelligence Analysis*. Perhaps he expected his readership to be quite narrow, but it is clear that what he learnt in his specialist field can be adapted to many other analytical roles. One area which Heuer explores is how to keep an open mind. He begins with a puzzle. Without lifting pencil from paper, draw no more than four straight lines that will cross all nine dots in the figure below.



Heuer uses this exercise (which I failed, miserably) to illustrate the dangers of imposing unnecessary constraints on the way we think. Perhaps we are instructed to follow a procedure in a certain way, follow a template or simply do something in a way we always have. However, we need to remember there may well be a superior alternative. So how can we make our minds more open? Heuer has a number of suggestions and he lists these suggestions under a variety of categories.

i) Questioning assumptions: Heuer suggests active employment of a devil's advocate to offset the dreaded confirmation bias. He also suggests the use of sensitivity analysis to help understand if certain assumptions are key to an overall conclusion, and to avoid 'mirror-imaging', where it is assumed other parties will reach the same supposedly rational conclusion that the analyst has reached.

ii) Seeing different perspectives: This covers areas such as psychologist Daniel Kahneman's 'pre-mortem' thinking, where you imagine you are told a company's profits have fallen by 50%. What caused it? And 'crystal balling' – perhaps imagining that the most intelligent investor in the world is taking an opposing view to you. What is going through their mind?

iii) Recognising when to change your mind: Heuer quotes a study of successful senior managers who were analysed after being surprised by a new fact. These managers embraced the surprise and delved into it, rather than disregarding or explaining it away.

iv) Stimulating creative thinking: It is not necessarily sufficient to simply look at facts; these must be interpreted. 'Knowledge is knowing a tomato is a fruit. Wisdom is not putting it in a fruit salad'. Heuer recommends deferring judgment as long as possible, so as to keep the creative juices flowing, to focus on quantity rather than quality (more unconventional ideas are harder to reach initially) and cross-fertilisation of ideas. (Clearly, the latter two ideas bring to mind dreadful terms like 'brainstorming' and 'off-sites'. Please forgive me).

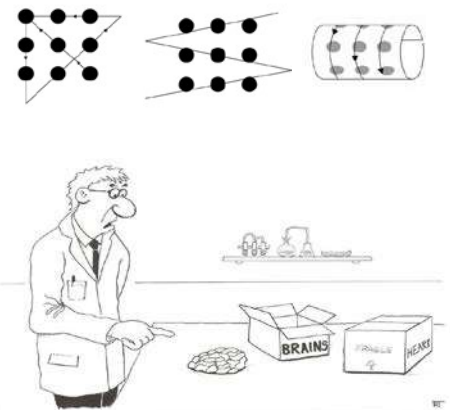
v) Organisational environment: Heuer quotes a study conducted by Frank Andrews, *Social and Psychological Factors Which Influence the Creative Process*. Andrews concluded that the following conditions were conducive to better idea generation (among scientists):

- a) The scientist was responsible for the idea generation and methods of analysis
- b) Was given control over decision making in the analytical process
- c) Was comfortable in their role
- d) Had a superior who 'stayed out of the way'
- e) The team involved in the project was relatively small
- f) The scientist was simultaneously involved in other activities (benefiting from time away from the task)

Andrews felt that none of these was particularly significant on their own, but as an overall package, they created much more favourable conditions for idea generation. There are clear parallels in many industries, ranging from investment management, to pharmaceutical research.

Heuer's conclusion is clear: "A questioning attitude is a prerequisite to a successful search for new ideas. Any analyst who is confident that he or she already knows the answer, and that this answer has not changed recently, is unlikely to produce innovative or imaginative work. Another prerequisite to creativity is sufficient strength of character to suggest new ideas to others, possibly at the expense of being rejected or even ridiculed on occasion". One gets the impression that Heuer would get a masochistic pleasure from being a contrarian investor.

Some of the solutions to the problem are shown below:



The yield information has been calculated as at 31.05.14. All other information is from Investec Asset Management at 31.05.14.

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, June 2014.