

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%* (30.06.15)
*Includes a management fee of 0.35%

Board of Directors:
John Reeve (Chairman)
Arthur Copple
Richard Jewson
June de Moller
Lesley Sherratt
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.

Financial Data

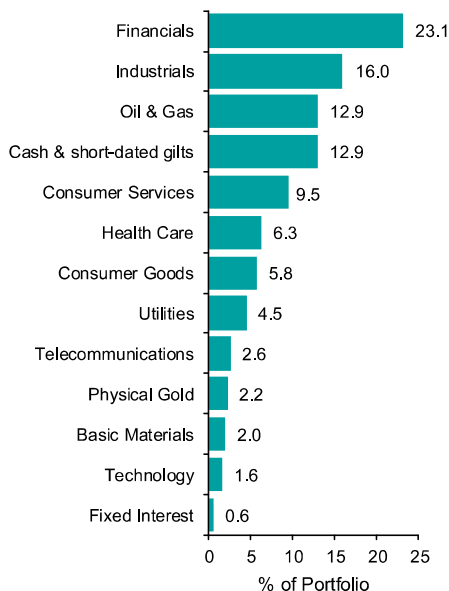
Total Assets (£m)	860.8
Share price (p)	1118.0
NAV (p) (ex income, debt at mkt)	1127.0
Premium/(Discount), Ex income (%)	(0.8)
NAV (p) (cum income, debt at mkt)	1149.3
Premium/(Discount), Cum income (%)	(2.7)
Historic net yield (%)	3.5

Top Ten Equity Holdings (%)¹

HSBC Holdings Plc	7.3
Royal Dutch Shell Plc	6.3
GlaxoSmithKline Plc	6.3
BP Plc	5.4
Grafton Group Plc	4.8
Royal Bank of Scotland Group Plc	4.0
Lloyds Banking Group Plc	3.7
British American Tobacco Plc	3.4
Direct Line Insurance Group Plc	2.8
BT Group Plc	2.6
Total	46.6

¹ % of total assets, including cash

Sector Analysis



Dividend History

Type	Amount (p)	XD date	Pay date
2nd interim*	7.93	10-Sep-15	30-Sep-15
1st interim	7.93	11-Jun-15	30-Jun-15
Final	23.33	12-Mar-15	31-Mar-15

*Please note that the Trust is now paying dividends on a quarterly basis.

Performance

Share Price % change

	Trust	FTSE All-Share ²
1 month	-4.2	-6.0
3 months	-7.8	-9.5
1 year	-10.8	-5.6
3 years	18.6	15.5
5 years	45.4	27.4

² Capital return only

NAV total return % change

	Trust	FTSE All-Share ³
1 month	-4.4	-5.3
3 months	-8.3	-8.6
1 year	-3.8	-2.3
3 years	38.4	28.1
5 years	79.8	51.4

³ Total return

Performance, Price and Yield information is sourced from Morningstar as at 31.08.15.

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

Last month I discussed how we often create a story around our successful decisions to convince ourselves of our analytical abilities (self-affirmation bias). One example of this is to remember only the final purchase of a distressed stock when discussing a war story.

I was reminded of this when leafing through a book I read some time ago. The author highlighted his successful acquisition in 2000 of Stewart Enterprises, a large player in the funeral services industry. After many years of successful debt-funded growth, the largest players in this industry found themselves overstretched and consequently the share prices tanked. The author explained that two funeral service companies, Stewart Enterprises and Service Corp continually popped up on his screen as the 'lowest price to earnings (P/E) stocks in the entire value line universe' and that 'seeing a business trade at under 3x earnings is a rarity'. Stewart Enterprises in particular had fallen from \$28 in mid-1998 to just \$2 two years later and the author explained that he believed this fall was overdone and purchased shares at under \$2 in the third and fourth quarters of 2000. Following better-than-expected restructuring news, the shares subsequently rebounded to \$4 by March of the next year and he sold.

The explanation reads well, but one thing stands out. If finding a P/E of 3x was so rare, wasn't a P/E of 4x or 5x in the preceding months almost as rare and therefore worthy of further investigation? The answer would almost certainly be in the affirmative.

So let's (very unfairly I acknowledge) rewrite history and assume that the author should actually have started looking at the shares eight weeks earlier when the shares were \$5 or \$6. Perhaps he simply wouldn't have purchased them until they hit \$2 (as his target price was apparently \$4 at the time of analysis). However, this suggests he targets a fair value of companies at P/E ratios of 6x which seems unlikely particularly given many of the positive characteristics he highlights of funeral service companies (pricing power, lack of change in the industry, steady stream of 'customers' etc.).

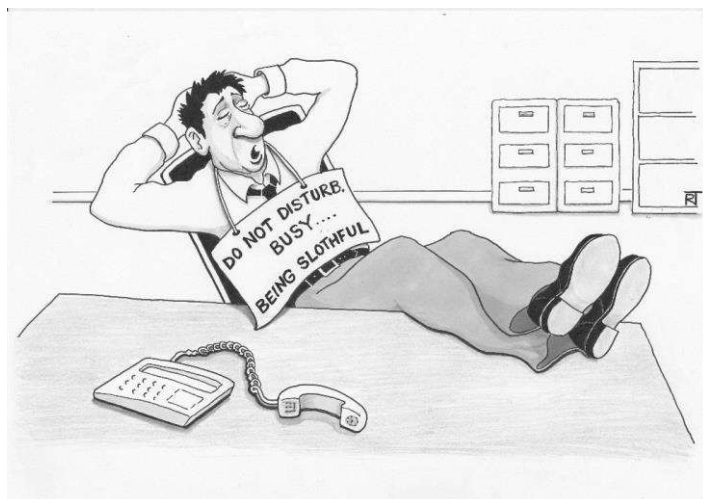
An alternative series of events may simply be that although he ran the screen every week, he didn't always pay attention to it, was busy with other things or simply on holiday and as a consequence by the time he had finished his work on Stewart the shares had fallen from \$3.50 at the end of June 2000 to below \$2 by August. And having paid just \$2, this provided him with an opportunity to set a target price of \$4 which consequently generated a comfortable margin of safety.

I have no problem with this new story. It seems more typical of how life really works and it resulted in handsome profits. It is however, not quite so smooth a read or impressive an investment process if the answer to the question, 'how did you buy this stock so incredibly cheaply?' is 'slothfulness'.

It would appear that slothfulness is a great asset. It may for example enable one to avoid the first purchase of a share and instead have, say, two larger bites lower down. To quote comedian Steven Wright, 'while the early bird catches the worm, the second mouse gets the cheese'.

So what could help fine-tune this approach? Many ideas just sound downright stupid while others probably push the boundaries of professionalism – buy six months/x% below your target buy price, look at investment screens x months after they have been generated, be extraordinarily conservative in setting a buy price, take on insufficient analysts to maintain up-to-date waterfront coverage of one's universe, take longer holidays, work fewer hours and so on.

Of course, one anecdote about the virtues of delay proves nothing. However, our backtests have illustrated well that delaying contrarian purchases can be a useful way of adding value. Despite the lack of glamour or professionalism surrounding the topic, it is very plausible that behaviours on the spectrum of procrastination to slothfulness could add value to some investment processes.



The yield information has been calculated as at 31.08.15. All other information is from Investec Asset Management at 31.08.15.

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. Alternatively, visit the Temple Bar website: www.templebarinvestments.co.uk.

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