Temple Bar quarterly newsletter

Issue 16
April 2025

Dear investor,

Welcome to the latest issue of Temple Bar's quarterly newsletter.

Given the recent volatility in global equity markets, our latest feature article provides the current thoughts of co-portfolio manager Ian Lance on what's unfolded since Liberation Day, and the potential implications for investors. At times like these, there can be more questions than answers, and there is a risk that some elements of it may already be out-of-date by the time this newsletter reaches you. Some of Ian's insights, however, are less time sensitive, such as the value of "sticking to one's knitting" through periods of market turbulence.

We also provide a link to a recently recorded video in which chairman Richard Wyatt discusses progress since Redwheel was appointed to manage the trust's portfolio in 2020. Meanwhile, the trust released its results for 2024 in March, and we include links to an update video from Ian Lance, and a presentation from Nick Purves at an AJ Bell Spotlight event in February.

We remain open to your feedback on all matters relating to the trust. Please feel free to email us at TempleBar@Redwheel.com or by any of the other means of contacting us that are detailed on our website.

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TEMPLE BAR
Investment Trust Plc

Reflections on current market volatility

At the current time, every market moving event seems to start with a pronouncement from US President, Donald Trump. His desire to bring an end to the war in Ukraine and the associated cessation of US military aid, is likely to re-write the European defence architecture, with European countries having to make significant increases to their defence spending.

In Germany, the incoming government of Friedrich Merz responded by announcing a relaxation of the country's so called 'debt brake', thereby freeing up significant resources for increased defence and infrastructure spending. The total stimulus to the European economy could be in the order of €800 billion and is therefore significant[1]. European bond yields rose in response to the prospect of higher borrowing, although European stock markets also initially greeted this development positively.

Self-inflicted economic harm

So called Liberation Day has come and gone, with Trump announcing swingeing tariffs on imported goods, ranging initially between 10% and 50%. The overall level of tariffs on goods imported into the US is set to rise to its highest level since the Smoot-Hawley Tariff act of 1930[2]. This is likely to have profound consequences for both the American and global economy and we could therefore be witnessing the greatest act of self-inflicted economic harm in recent times. In the first week of April, stock markets reacted extremely badly to this news, being led down by those companies that are likely to be most exposed to the resulting fall out, such as auto manufacturers and banks.

Since the initial Liberation Day announcements, the situation has continued to evolve rapidly and unpredictably. America's tariff stance has become significantly more nuanced at a country and product level. Certain consumer goods, such as smartphones and laptops, have been granted temporary exemptions. Meanwhile, there has been a partial pause on the introduction of wider tariffs, particularly for countries that have shown a willingness to engage in negotiations. By contrast, the US has taken a particularly tough stance towards China, with proposed tariffs on some imports rising as high as 145%. This has been met with a firm response from Beijing, including retaliatory measures. Markets have rallied from their lows, but sentiment remains fragile, and the outlook is highly sensitive to further political developments.

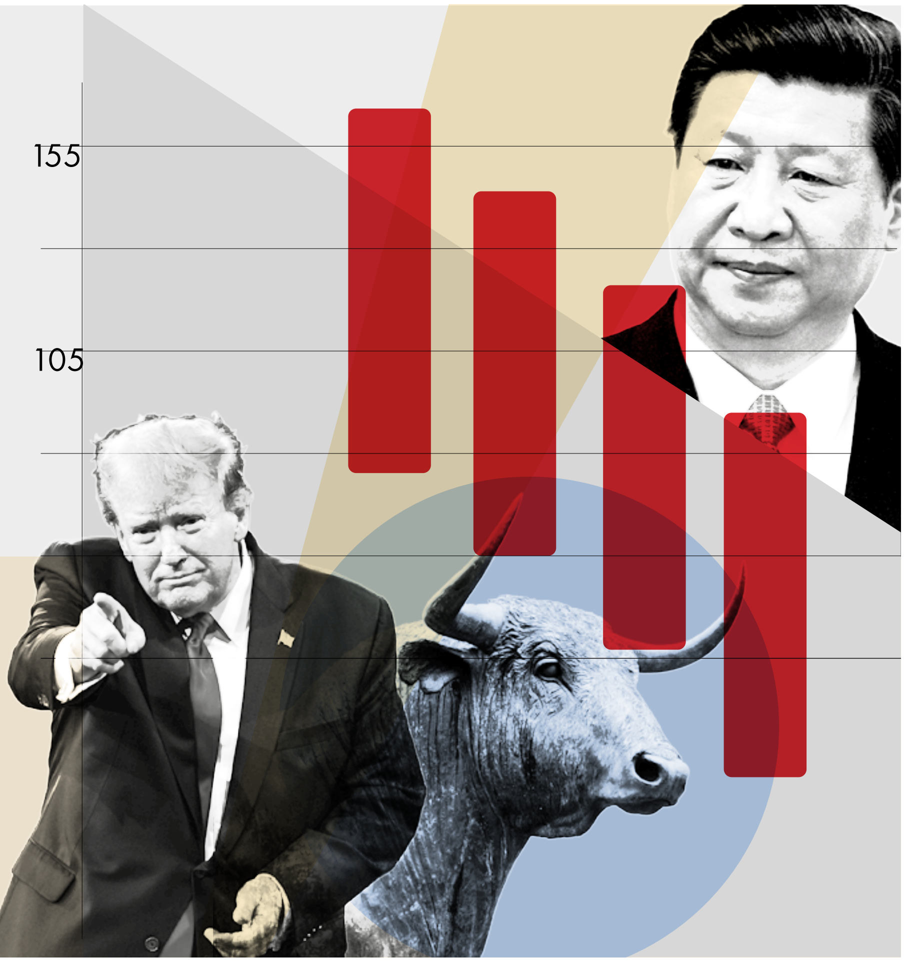
The President has invoked the International Emergency Economic Powers Act of 1977 as cover for the introduction of these tariffs. This act was originally established to allow a US president to act quickly in a war like situation and was clearly not designed to be gamed in the way that it is today. Whilst bypassing Congress in this way is certainly unconstitutional, some would argue that it is also illegal. It is maybe not an exaggeration to say therefore that the US faces a constitutional crisis, and it is possible, and maybe even probable, that Congress will step in to re-exert control in the coming weeks.

"It is especially true that at times like these that one needs to put emotion to one side, focus on the long term and stay true to one's investment philosophy."

Even if nothing changes and the currently proposed tariffs are adopted in full, the economic fallout may be so great that the Republican Congressmen could come under pressure from their constituents to rein in the President. Failing that and in the event of an economic slowdown, they would likely suffer terribly at the mid-term elections in eighteen months' time and possibly lose control of both houses of Congress. Confidence in the current administration was falling even before the tariff announcement – it is now tanking.

At the time of writing, it is impossible to know the extent to which these tariffs will ultimately be enforced or their durability once imposed. Even if we could, the degree to which they may negatively affect the global economy cannot be predicted. All we can say for sure is that the risk of a global recession has markedly increased in recent days. Meanwhile, it is worth noting that even prior to the tariff announcement, inflation measures were remaining some way above target, with the Federal Reserve's favourite inflation indicator showing a rise of just over 3.5% in the year to February[3]. US consumer confidence also recently fell to its lowest level since January 2021[4], raising the potential spectre of stagflation.

1 Source: Financial Times, March 2025
2 Source: Bloomberg, April 2025
3 Source: Federal Reserve Economic Data (FRED), 28 February 2025
4 Source: The Conference Board, 25 March 2025



"At the time of writing, it is impossible to know the extent to which these tariffs will ultimately be enforced or their durability once imposed. All we can say for sure is that the risk of a global recession has markedly increased in recent days."

Sticking to our knitting

When stock markets are as volatile as they have been so far in April, there is a natural human instinct to protect ourselves and perhaps run for cover until things 'calm down'. Each uncertain period brings its own challenges, but reacting to this instinct has historically typically resulted in lower returns than had you done nothing.

Volatility can be unsettling but is part and parcel of investing in equity markets and it is the reason why we believe the asset class delivers premium returns over time. Indeed, the savvy investor can use market volatility to his or her advantage. As Ben Graham said in his book The Intelligent Investor, "The investor who permits himself to be stampeded or unduly worried by unjustified market declines in his holdings is perversely transforming his basic advantage into a basic disadvantage."

In our view, it is especially true that at times like these that one needs to put emotion to one side, focus on the long term and stay true to one's investment philosophy. Our approach is and has always been to think long term and buy what we believe to be fundamentally sound businesses at a significant discount to their true economic worth, on the basis that, eventually, this economic worth will be reflected in a higher share price.

There are no guarantees of course, but in our experience, this approach has stood the test of time and, in our investing careers, has so far proved its worth through a technology bust, a global financial crisis, a Eurozone debt crisis and a global pandemic. Indeed, one of the reasons that investors in Temple Bar have enjoyed such strong returns since we began managing the trust in October 2020 is that we were able to take advantage of the market panic in the early days of the pandemic to buy some very lowly valued businesses which subsequently recovered strongly to the benefit of shareholders[5].

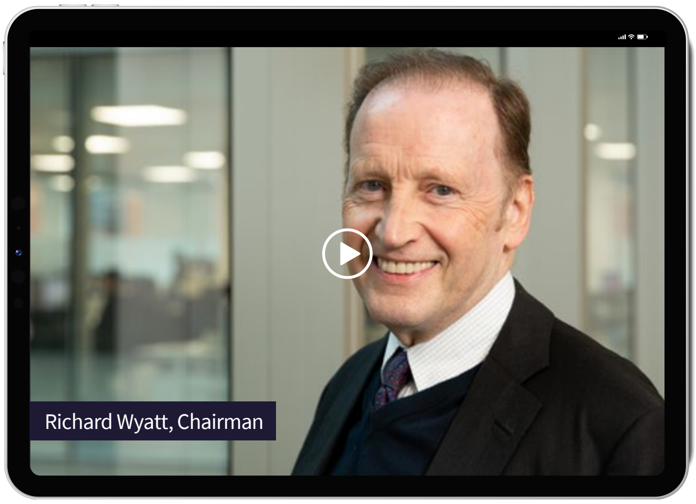
Even though the short term is extremely uncertain, and things may well get worse before they get better, we are optimistic that this approach will remain an effective counterbalance to uncertainty, which should ultimately prove rewarding to those with the discipline to stay the course.

[5] In the period from 31 October 2020 to 31 March 2025, Temple Bar Investment Trust is +149.9% in NAV total return terms, compared to +89.2% for the Morningstar IT UK Equity Income sector average (source: AIC / Morningstar). Past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. No investment strategy or risk management technique can guarantee returns or eliminate risks in any market environment.

An update from the Chairman

As we approach the fifth anniversary of Redwheel's appointment as investment managers to the Temple Bar portfolio, chairman Richard Wyatt examines Nick and Ian's progress to date, along with recent developments in the UK equity market and their implications for the Temple Bar dividend. You can watch the film by using the link below.

templebarinvestments.co.uk/media/insights/update-chairman/



Annual results

Temple Bar's annual report for 2024 was published on 21 March. Shareholders for whom we hold correspondence details should already have been notified of this, but you can download a copy from the important documents section of our website at the link below. Alternatively, you may request a copy by emailing us at TempleBar@Redwheel.com.

templebarinvestments.co.uk/corporate-information/annual-and-interim-reports/

The enduring appeal of value

In an update video released in February, Ian Lance reflects on the enduring appeal of the value investment style, with insights into the reasons why financials, retailers and airlines currently present compelling value and how takeovers and buybacks are driving returns. You can watch the video on the Temple Bar website by following the link below.

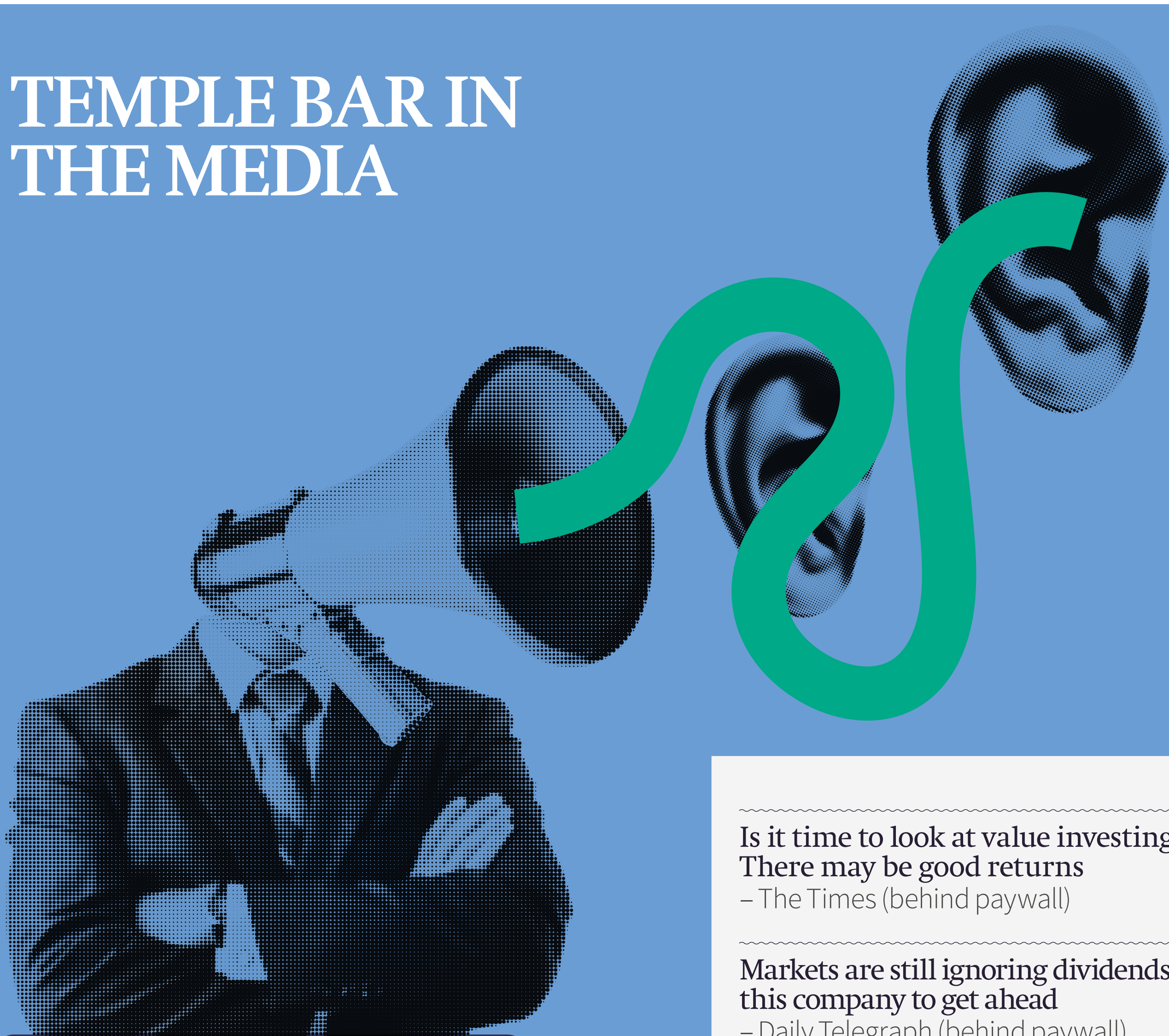
templebarinvestments.co.uk/media/insights/enduring-appeal-value/

AJ Bell Spotlight presentation

Also in February, co-portfolio manager Nick Purves presented at an AJ Bell Spotlight event, providing attendees with insights on the appeal of value investing in the UK in the current market environment. AJ Bell has kindly made a video of the presentation available online at the link below.

sharesmagazine.co.uk/video/temple-bar-investment-trust-tmpl-nick-purves-portfolio-manager

TEMPLE BAR IN THE MEDIA



Positive media coverage of the Trust continued in the first three months of 2025, with Ian and Nick contributing to a range of publications and podcasts, including The Times, The Daily Telegraph, The Daily Mail and MoneyWeek.

Is it time to look at value investing? There may be good returns
– The Times (behind paywall)

Markets are still ignoring dividends – buy this company to get ahead
– Daily Telegraph (behind paywall)

Slow-burning recovery stocks can lift your portfolio from the ashes
– This is Money

I'm the fund manager…
– This is Money

Bargain Britain boasts both value and momentum – MoneyWeek

How to invest like the best: Benjamin Graham – Interactive Investor

John Baron Portfolios podcast interview
– Spotify

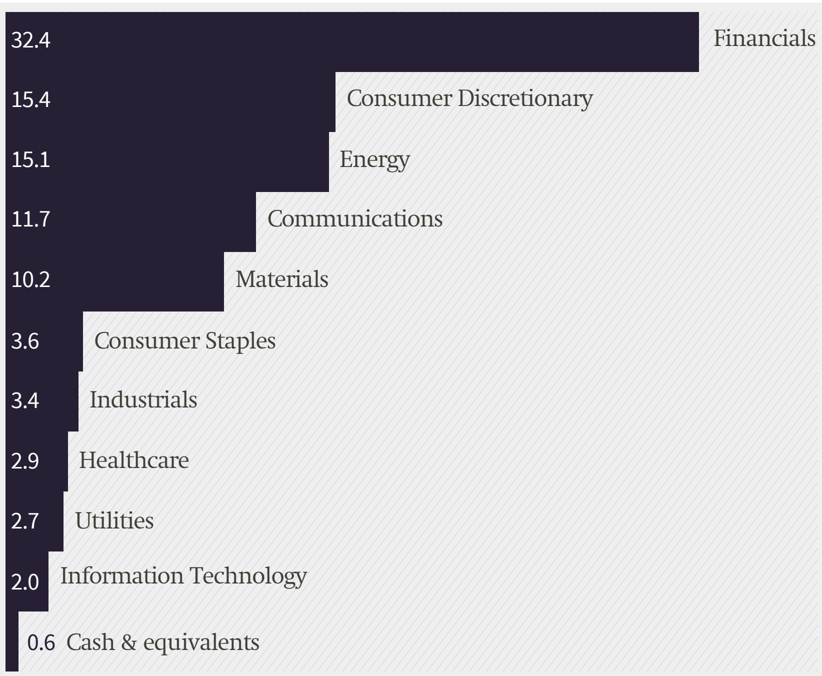
The equity trusts recommended by Winterflood for 2025 – Trustnet

The Temple Bar portfolio

Data as at 31 March 2025

Top 10 equity holdings	(%)
Shell	6.3
NatWest	6.1
Barclays	5.4
Standard Chartered	5.0
BP	4.9
Aviva	4.8
ITV	4.6
NN	4.5
TotalEnergies	3.8
Marks & Spencer	3.6
Total	49.0

Sector analysis (%)*



* Exposures expressed as a % of the gross assets (investments plus cash) of the Company.

Financial data

Gross Assets	£930.3m
Share price (p)	293.50
NAV (p) (cum income, debt at mkt)*	305.58
Premium/(Discount), Cum income (%)*	(4.0)
Historic net yield (%)	3.8
Net gearing (%)*	6.3

*Calculated with debt at fair value

Dividend history

Type	Amount (p)	XD date	Pay date
4th interim – 2024	3.00	06.03.25	02.04.25
3rd interim – 2024	3.00	21.11.24	30.12.24
2nd interim – 2024	2.75	22.08.24	27.09.24
1st interim – 2024	2.50	30.05.24	28.06.24

Performance (total return)

Past performance is not a guide to future performance. The value of investments and the income from them may fall as well as rise and is not guaranteed; an investor may receive back less than the original amount invested. This Trust may not be appropriate for investors who plan to withdraw their money within the short to medium term.

Cumulative returns (%)

	Share price	NAV	FTSE All-Share
1 month	-0.3	-1.4	-2.2
3 months	9.0	6.0	4.5
3 year	43.6	44.3	23.3
5 year	136.3	145.2	76.5
10 year	86.8	83.6	81.7
Since 30/10/2020	149.9	137.3	71.6

Rolling 12 month returns (%)

	Share price	NAV	FTSE All-Share
31.03.24 - 31.03.25	27.1	18.5	10.5
31.03.23 - 31.03.24	8.6	13.5	8.4
31.03.22 - 31.03.23	4.1	7.4	2.9
31.03.21 - 31.03.22	5.0	6.3	13.0
31.03.20 - 31.03.21	56.7	59.8	26.7

Performance, price and yield information is sourced from Frostrow Capital LLP.

Important information

Past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. Forecasts and estimates are based upon subjective assumptions about circumstances and events that may not yet have taken place and may never do so.

No investment strategy or risk management technique can guarantee returns or eliminate risks in any market environment. Nothing in this document should be construed as advice and is therefore not a recommendation to buy or sell shares. Information contained in this document should not be viewed as indicative of future results. The value of investments can go down as well as up.

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