QuotedData
BY MARTEN & CO

INVESTOR

Temple Bar

Investment companies | Annual overview | 22 October 2024

Historic opportunity

Over the past three years, the Temple Bar Investment Trust (TMPL) has delivered a share price total return of 40%, comfortably outperforming both its benchmark index and the wider UK equity income peer group.

Impressively, the company is also well ahead of high-flying US indices over this period, highlighting the attractions of investing in the UK, despite the economic challenges experienced over the last few years. These returns provide further vindication of the managers' strategy of investing in companies which trade at deep discounts to their intrinsic value. We believe there has arguably never been a better time to capitalise on these opportunities.

Despite the recent returns, the TMPL portfolio remains attractively priced at around 8x 2024 earnings, around a 35% discount to the UK market and less than a third of current US multiples. There remains significant upside as economic conditions become more favourable and sentiment in the UK continues to improve.

Sector	UK equity income
Ticker	TMPL LN
Base currency	GBP
Price	269.5p
NAV	293.0p
Premium/(discount)	(8.0%)
Yield	3.6%

More than 50% of the UK's listed companies have bought back their own shares, the highest percentage of any market in the world.

UK equity income and capital growth

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

UK markets have quietly delivered a total return of over 30% in the last three years.

Expectations GDP have more than doubled since the beginning of the year.

NB: Marten & Co was paid to produce this note on Temple Bar Investment Trust Plc and it is for information purposes only. It is not intended to encourage the reader to deal in the security or securities mentioned in this report. Please read the important information at the back of this note. QuotedData is a trading name of Marten & Co Limited which is authorised and regulated by the Financial Conduct Authority. Marten & Co is not permitted to provide investment advice to individual investors categorised as Retail Clients under the rules of the Financial Conduct Authority.

Quoted Data
BY MARTEN & CO

Contents

Fund profile	**4**
As the US peaks, it is time to look again at the UK	**4**
Takeovers elevated	6
Buybacks accelerating	6
More favourable UK macroeconomic environment	7
Targeted approach	9
Asset allocation	**9**
Gearing	10
Top 10 holdings	10
Recent additions	12
Performance	**13**
Interim results	14
Peer group	**14**
Dividend	**16**
Premium/(discount)	**17**
Buyback policy	18
Fees and costs	**18**
Capital structure	**18**
Management team	**18**
Board	**19**
Previous publications	**20**

Domicile	England & Wales
Inception date	24 June 1926
Manager	Redwheel
Market cap	£770.03m
Shares outstanding (exc. treasury shares)	286.4m
Daily vol. (1-yr. avg.)	0.556m
Net gearing	6.7%

Click for our most recent update note

Click for an updated TMPL factsheet

Click for TMPL's peer group analysis

Analysts

Andrew Courtney
ac@quoteddata.com

James Carthew
jc@quoteddata.com

Click to provide feedback to TMPL

Click if you are interested in meeting TMPL's managers

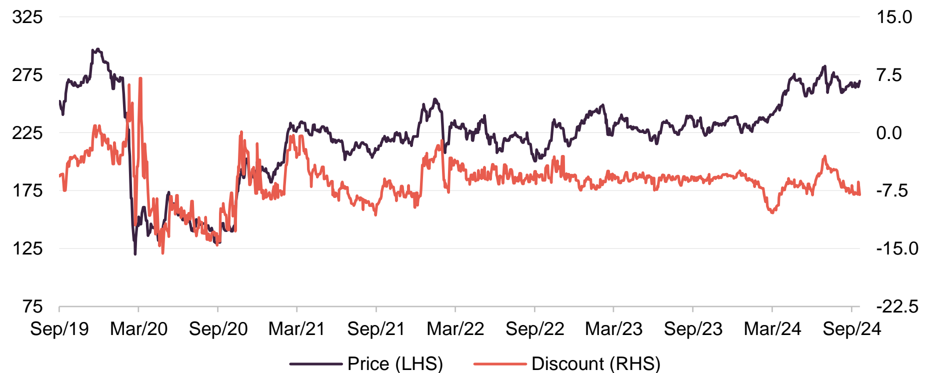
Click for links to trading platforms

At a glance

Share price and discount

Over the last 12 months, TMPL's shares have moved to trade between a discount to NAV of 10.4% and 3.0%, averaging 6.4%. As of publishing, the company was trading on a discount to NAV of 8.0%. The discount has remained range-bound for much of the past 12 months. Whilst a return to a share price premium to NAV would obviously be preferable, TMPL trades on one of the narrowest discounts in the sector, reflecting the quality of the trust's returns in recent years.

Time period 30 September 2019 to 21 October 2024

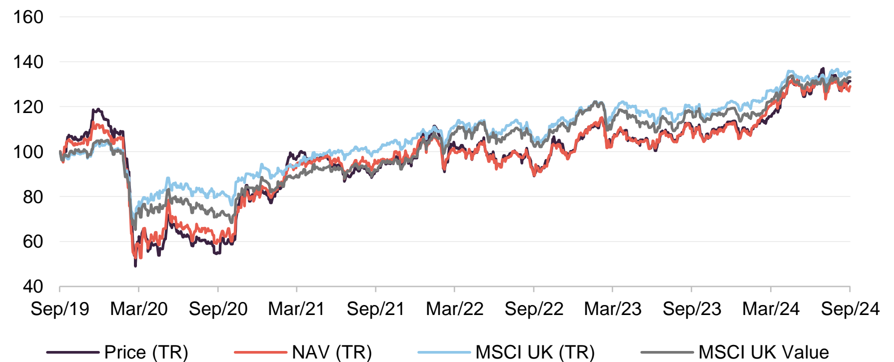


Source: Morningstar, Marten & Co

Performance over five years

The performance of the TMPL portfolio under Redwheel continues to impress. Since taking over the management of the fund in November 2020, the managers have delivered a NAV total return of 118%, comfortably ahead of both its peer group and broader market averages.

Time period 30 September 2019 to 30 September 2024



Source: Morningstar, Marten & Co

12 months ended	Share price total return (%)	NAV total return (%)	MSCI UK total return (%)	MSCI UK Value total return (%)	MSCI World total return (%)
30/09/2020	(44.9)	(39.9)	(19.3)	(28.5)	(1.5)
30/09/2021	65.2	59.8	23.8	28.4	15.5
30/09/2022	(2.1)	(6.8)	4.8	11.5	(6.1)
30/09/2023	24.6	23.3	14.3	14.9	12.3
30/09/2024	17.6	17.0	12.2	12.1	12.4

Source: Morningstar, Marten & Co

Fund profile

You can access the trust's website at: templebarinvestments.co.uk

TMPL aims to provide growth in income and capital to achieve a long-term total return greater than its benchmark (the 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.

Co-managers Nick Purves and Ian Lance aim to rotate the portfolio into those companies which they believe are available at a significant discount to intrinsic value. This involves buying the shares of attractively valued, out-of-favour companies and holding them for the long term until their share prices more appropriately reflect their true value, or until even more attractive ideas present themselves.

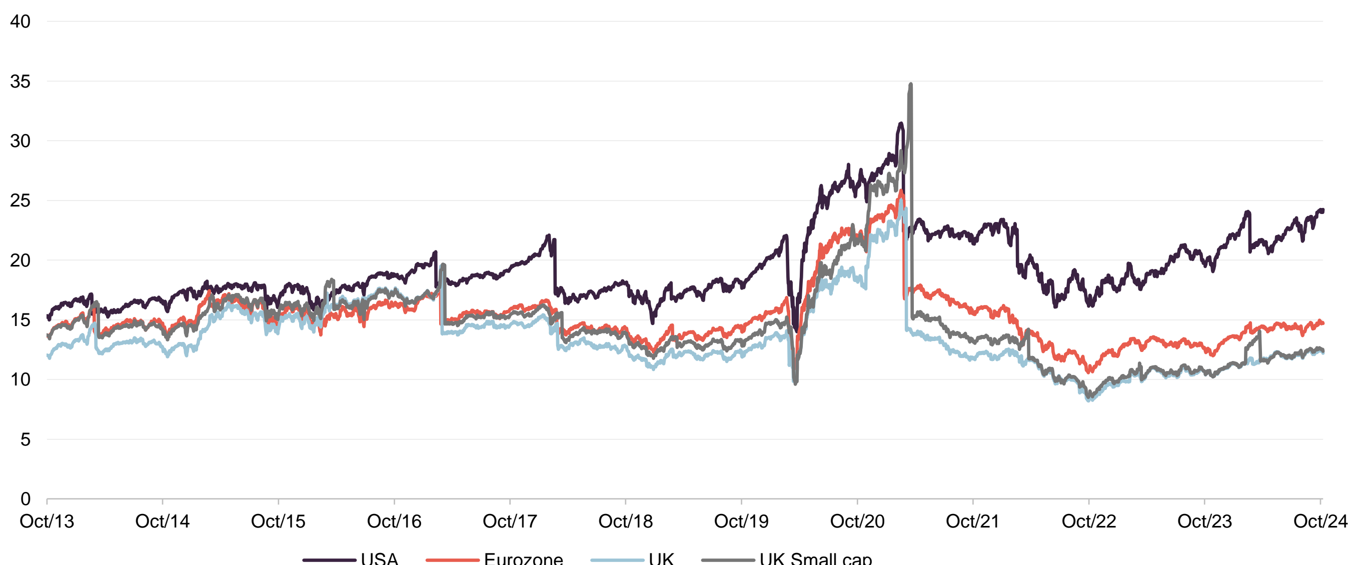
Redwheel became manager of TMPL on 1 November 2020

Redwheel took on responsibility for the portfolio with effect from 1 November 2020, with Nick and Ian named as co-managers. They have over 50 years' experience between them and have worked together for more than 15 years. The two co-manage over £4bn of assets across a number of income funds. As of 1 July 2023, TMPL's AIFM transferred from Link Fund Solutions to Frostrow Capital.

As the US peaks, it is time to look again at the UK

For decades now, asset allocators have been trimming UK exposure while adding to US positions. Many large UK institutional investors are now underweighting their home market. This shift was easy to justify while US markets were offering superior returns. However, now the elastic may have stretched too far, with UK stocks trading on a significant discount to US peers.

Figure 1: World markets: 12m forward PE ratios



Source: Bloomberg

> The UK market has kept pace with the US but still trades at a substantial valuation discount to it

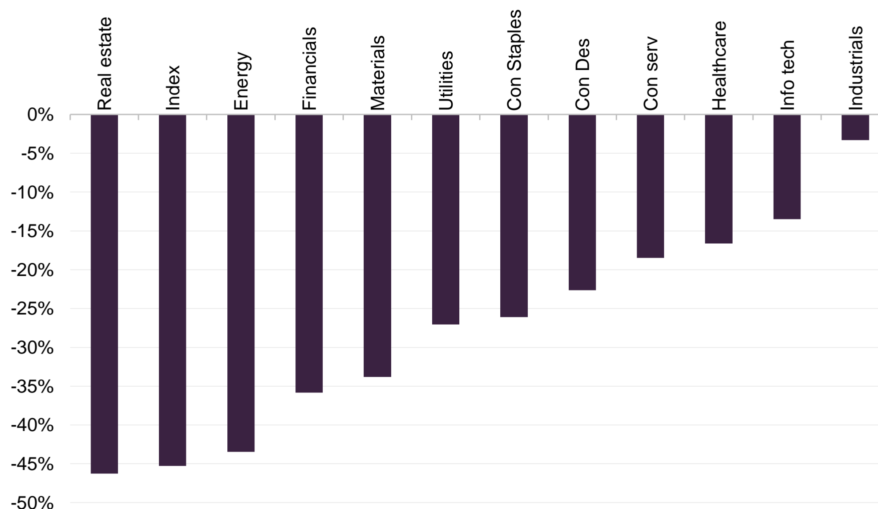
For all the hyperbole directed towards the US, it can be easy to overlook that markets in the UK have quietly delivered a total return of over 30% in the last three years, matching the returns of their much larger neighbour. The double-digit annualised rate is an impressive feat, particularly when you consider the divergent growth rates of both economies and the outsized gains from artificial intelligence (AI)-related stocks which have driven the US to fresh all-time highs in 2024.

What makes this comparison more interesting is the contrasting positions which both markets now find themselves.

As Figure 1 shows, the valuation gap between the UK and US has opened up dramatically. Of course, this is nothing new, with the UK market trading at a large discount both on a relative and absolute basis for many years (measured against its own history, and comparative global benchmarks). However, there are several reasons to suggest that we may have finally reached an inflection point.

The argument for the gap that is commonly put forward is that the UK's discount is just reflective of the very different weights of sectors within the UK index, relative to the US index – for example, the UK has much greater exposure to old world markets like energy and banking, while the US is heavily weighted towards technology. When we interviewed Ian Lance on the weekly show on 16 August 2024, he demonstrated that this is a flawed argument, using a chart that compares forward price/earnings multiples by sector for US and UK stocks. We have updated this in Figure 2.

Figure 2: UK vs US sectors 12m forward P/E relative



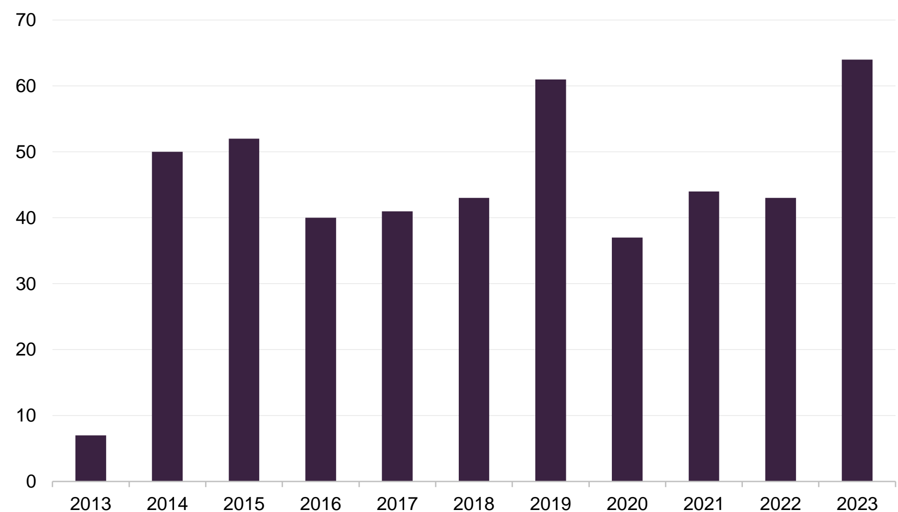
Source: Bloomberg

This shows that each of the major market sectors in the UK trades at a sizeable discount to the US. Whilst this is exaggerated in areas which do account for a considerable amount of the UK's market cap, such as energy and financials, sectors dominated by the US including info tech and healthcare still trade at a premium of between 10-20%. What makes this comparison more startling is that at the index level, these markets traded close to par as recently as 2015.

Takeovers elevated

One piece of evidence that suggests that the value in UK stocks is finally being recognised is the strength of corporate dealmaking, with takeovers of listed UK companies now comfortably ahead of their 2019 peak, and well above long-term averages, as highlighted in Figure 3.

Figure 3: Annual number of takeovers in the UK stock market



Source: Redwheel, Factset

Deal values for 2024 are quickly approaching the £100bn mark as buyers snap up British companies, with the bulk of this capital coming from overseas. The average premium paid is also up strongly, rising roughly 20% above pre-pandemic levels, which supports the long-held view of the TMPL managers that valuations in the UK have become completely detached from the fundamentals.

Buybacks accelerating

> More than 50% of the UK's listed companies have brought back their own shares, the highest percentage of any market in the world.

Positively, corporates also seem keen to take advantage of these conditions. While the valuation discount to US peers has been widening, on average, margins have continued to improve in the UK, with the increased profitability and cashflow allowing companies to significantly ramp up share buybacks. In their Q2 quarterly letter to investors, Ian and Nick noted that over the previous 12 months, more than 50% of the UK's listed companies had bought back their own shares, the highest percentage of any market in the world.

However, as Ian stressed recently, the utility of buybacks is much greater in the UK than the US, given that for the most part, UK companies are undervalued and therefore their shares are too cheap. Often, the same cannot be said in the US, where share buybacks can be an inefficient use of capital. Ian also highlighted the danger of financing repurchases with debt, as some US businesses are doing.

In June, Redwheel published some figures that demonstrated the power of buybacks and dividends to drive returns for investors, illustrating this with examples of stocks in TMPL's portfolio. We have reproduced this table in Figure 4.

Figure 4: Two-year shareholder returns

	2-year earnings per share yield (%)	2-year dividend paid/accrued (%)	Share buyback return 2- year (%)	2-year cash shareholder return (%)
Energy				
BP	41	9	20	29
Shell	33	8	30	28
Total	39	11	13	24
Consumer Durables				
Stellantis	65	15	4	19
Banks				
Barclays	33	8	12	20
NatWest	29	10	29	39
Insurance				
NN Group	31	14	12	26

Source: Redwheel

More favourable UK macroeconomic environment

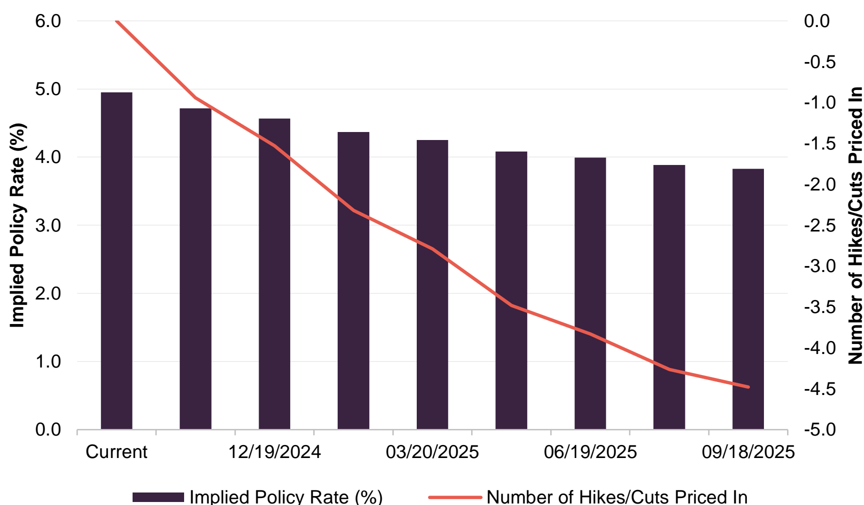
Expectations for gross domestic product (GDP) have more than doubled since the beginning of the year

With the UK having spent the bulk of the post-pandemic period battling a dangerous combination of low growth and high inflation, culminating in a brief period of stagflation at the end of 2023, economic prospects have finally begun to trend in the right direction. Expectations for gross domestic product (GDP) have more than doubled since the beginning of the year (albeit off a low base), thanks to a resilient labour market and strong consumer spending. In addition to the improving headline figures, we have begun to see solid momentum across a number of leading indicators which suggest a more durable recovery such as the buybacks and takeovers discussed above.

Easing cycle begins

Interest rate expectations in the UK should provide another catalyst. With inflation falling back to target, the Bank of England has now begun to ease monetary policy and, as Figure 5 shows, we are now expecting around five interest rate cuts over the next 12 months, for an implied rate around 3.6%, down from a peak of 5.25%. The first rate cut was announced on 1 August, with the Monetary Policy Committee voting to reduce the Bank's key rate by a quarter of a percentage point to 5%.

Figure 5: Implied UK overnight rate & number of cuts



Source: Bloomberg

The UK is certainly not alone on its monetary easing path, with the bulk of the world's leading economies also in the process of cutting interest rates, including the US. Whilst this has been viewed as a positive, it is important to consider the fundamentals which dictate these decisions and the impact they can have on financial markets. In the context of the UK, easier financial conditions should help support the growing labour market momentum, and already-healthy corporate profits, providing an additional catalyst to its deeply discounted equity markets.

In contrast to the UK, the US market looks vulnerable if growth slows

In contrast, apparent labour market weakness in the US encouraged the Federal Reserve to opt for a larger-than-normal 50-basis point cut (the equivalent of 0.5%). However, more recent employment figures have been better than expected, notwithstanding the impact of some extreme weather events in the US. For now, growth in the world's largest economy seems robust and inflation is tracking towards the target rate of 2%. However, US valuations are rich and any downturn that put pressure on corporate profits – which are already double the long-term trend – could spell bad news for an equity market which trades at one of its highest levels in history. As Andrew Lapthorne of Société Générale noted recently, "we have the contradiction of an expensive US equity market expecting both strong EPS growth over the coming years yet accompanied by significant interest rate cuts to stave off recession. Both cannot be right".

Stable politics

The growing sense of optimism surrounding the investment outlook in the UK is supported further by the strong mandate achieved by the new Labour government. This stands in contrast to the political landscape across Europe and the US, setting the foundations for a more stable policy backdrop. This is expected to help drive capital back to the UK, as might a new, more open, relationship with the EU.

Targeted approach

For Ian and Nick, this contrast between the two economies is clear given the divergence in valuations and the margin of safety this provides for UK investors, which, notably, has not come at the expense of performance.

As we have discussed in detail in our previous notes, one of the best predictors of future investment returns is starting valuation. Despite the strong performance over the past 18 months, these remain at or near historical extremes in the UK, highlighted by the current value of the TMPL portfolio, which is currently priced at around 8x earnings, roughly one third of the valuation of broader US equity market.

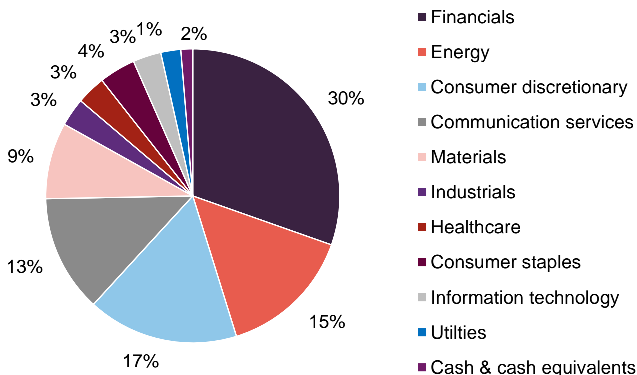
The challenges faced in recent years have also created a significant amount of dispersion across the market, providing a wealth of additional opportunities for active investors such as TMPL.

The TMPL portfolio is currently priced at around 8x earnings, roughly one third of the valuation of broader US equity market.

The managers have been able to capitalise on these conditions due to their ability to look through periods of sentiment-driven weakness to invest in established leaders, capable of delivering growth rates well ahead of the market over the long term. Looking ahead, we believe TMPL has only just scratched the surface of this opportunity as the economic recovery gathers steam and valuations return to their long-run averages.

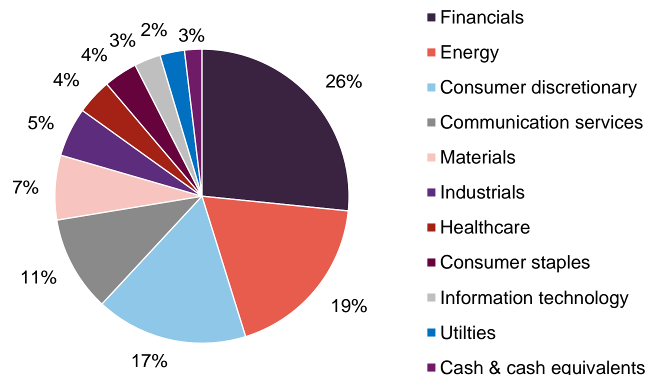
Asset allocation

Figure 6: TMPL sector distribution as at 30 September 2024



Source: Temple Bar Investment Trust

Figure 7: TMPL sector distribution as at 29 February 2024



Source: Temple Bar Investment Trust

Managers Ian and Nick have continued to be proactive over 2024. The major shift in sector allocations since our last note has been an increase in financials exposure, which has risen from 26% to 30% of the portfolio. The sector is up strongly this year, with banks such as Barclays and NatWest (two of the company's largest positions), benefitting from positive net interest rate margins and a benign loan loss cycle. The managers have also added additional exposure to the sector through Dutch bank ABN Amro, and leading UK insurer Direct Line Insurance.

The other major change in asset allocation is the fall in energy exposure, which dropped from 19% to 15%. The sector has been under pressure this year as slowing economic growth, particularly in major markets like China and Japan, has weighed on demand, contributing to spare capacity concerns across some of the key oil-producing countries.

Gearing

Gearing for the fund fell to 6.7% as of 30 September, down from 8% at the time of our last note in March 2024.

Top 10 holdings

Figure 8: Top 10 equity holdings as at 30 September 2024

Holding	Sector	% of portfolio 30/09/24	% of portfolio 29/02/24	Change (%)
Shell	Oil & gas	5.7	7.0	(1.3)
NatWest	Financials	5.7	5.6	0.1
Barclays	Financials	5.3	4.3	1.0
ITV	Communications	4.9	3.9	1.0
BP	Oil & gas	4.6	6.4	(1.8)
TotalEnergies	Oil & gas	4.5	5.2	(0.7)
Aviva	Financials	4.4	4.6	(0.2)
Anglo American	Oil & Gas	4.2	3.8	0.4
NN	Financials	4.1	4.3	(0.2)
Marks & Spencer	Consumer Staples	4.0	5.3	(1.3)
Total of top 10		47.4	50.4	(3.0)

Source: Temple Bar Investment Trust, Bloomberg

The TMPL managers favour a high-conviction approach, with the top 10 holdings accounting for almost 50% of the portfolio. Since our last note, there has been a small reshuffle, with Marks & Spencer and Anglo American moving into the top 10 in place of Stellantis and GSK, although both remain in the portfolio. Standard Chartered has also been a strong performer and now sits just outside the top 10.

Marks & Spencer

Figure 9: Marks & Spencer (GBp)

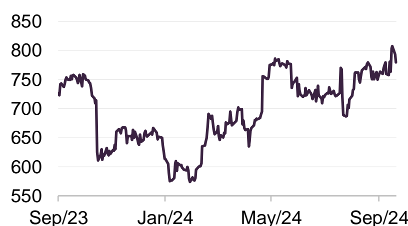
Source: Bloomberg

Marks & Spencer (MKS) provides an excellent example of the types of investments targeted by the TMPL managers. For long periods over the last decade, the company has lagged both its peer group and broader market benchmarks, struggling from the top down, with multiple management failures flowing through to years of falling sales and declining profits. This culminated in MKS suspending its dividend following the pandemic. Despite these challenges, the company's core business has always remained sound, and in recent years we have begun to see positive signs following a change of management in 2020, prompting the TMPL managers to establish a position. Since then, significant overhauls, including the closure of less-profitable stores, supply chain optimisation, and refreshed shopping options, have helped drive a resurgence in profitability and market share gains which has seen the stock become one of the best-performing UK large caps.

Despite shares increasing by more than 82% in the past 12 months – and over 200% from the recent lows – the company remains attractively priced thanks to impressive financial execution and strong free cash flow growth, trading well below peer group averages on a forward P/E of just 13.7. This has also enabled MKS to reinstate its dividend for the first time since the pandemic. On top of ongoing market share gains, the company expects its new strategic developments, including IT overhauls, and store optimisation, to drive further margin improvements and management are confident there is still room for further growth as it ''plays a 20-year catch up game''.

Standard Chartered

Figure 10: Standard Chartered (GBp)



Source: Bloomberg

Another perennial underperformer viewed by the TMPL managers as a long-term recovery story is Standard Chartered (STAN). As noted, Ian and Nick have identified financials as a key area of focus, recognising the sector as one of the most attractively valued in the already cheap UK market. Whilst conscious that companies such as STAN can be sensitive to economic cycles – i.e. periods of expansion and contraction – at current prices, they believe investors are being handsomely rewarded for taking on this additional volatility.

The UK-listed, Asia-focused bank makes most of its profits in Singapore and Hong Kong. It has seen its shares fall steadily for most of the last decade due to a range of issues including regulatory scandals, failed restructuring, and prolonged weakness across some of its key markets. As a result, the company now trades at around half the value of its shareholder equity, an issue which has frustrated both investors and management, who believe the current share price is not a fair reflection of its prospects.

This view is also shared by the TMPL team, which regards the bank's enviable geographic footprint and healthy income growth as an increasingly attractive proposition. This is particularly applicable now, following solid progress on its latest structural overhaul, which includes stringent cost-cutting measures and divestments of some riskier assets, such as the sale of its aviation leasing business for $700m in 2023. STAN has also committed to return at least $5bn to shareholders over the next three years.

The structural overhauls and a still-heavily-discounted valuation have made the bank an attractive takeover target, with the company subject to speculation around a bid from the First Abu Dhabi Bank earlier this year.

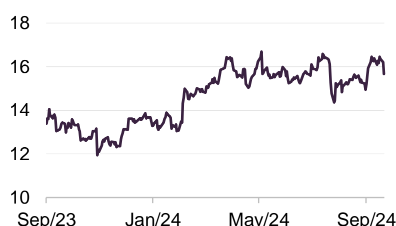
The bank's recent progress has led to a period of strong performance, with shares up 20% over the past 12 months. There appears to be plenty of room for this momentum to continue, given the company still trades at around half the peer group average, especially considering the bank's exposure to Asian markets, which remain one of the most promising areas of growth for global lenders.

Recent additions

In addition to the two new companies in the top 10, the managers have made new investments in ABN Amro and Direct Line insurance.

ABN Amro

Figure 11: ABN Amro (EUR)



Source: Bloomberg

Dutch bank ABN Amro (ABN) adds to the portfolio's financial sector exposure while coming under TMPL's 30% allowance for investments outside of the UK. The new position was funded by the sale of the trust's holding in Citigroup. While the manager notes that Citigroup had performed well, its valuation is no longer as appealing. Additionally, a significant portion of the company's profits comes from higher-risk operations such as its investment banking and unsecured lending in the US.

ABN is a strongly capitalised, conservatively run retail bank with more than half of its loans in the Dutch mortgage market. The Dutch government own a 40% minority stake in the company, having been nationalised following the 2008 global financial crisis; however, this is being steadily reduced.

The company trades on a price-to-book multiple of just 0.6x despite its strong capital return profile, having returned around one third of its market value in dividends and share buybacks in the last three years. It also offers an attractive mortgage book and solid operational momentum. In our view, this leaves it well positioned to build on its recent share price performance which is up 25% so far this year.

Direct Line Insurance

Figure 12: Direct Line Insurance (GBp)

Source: Bloomberg

Direct Line Insurance (DLG) is one of the UK's largest motor insurance companies. It has been a challenging few years for the company, which struggled in the post-pandemic period as it significantly underestimated the impact of inflation on claims, leading to a series of profit warnings, the cancellation of its dividend, and the eventual departure of its CEO. While the flow-on effects of these decisions have been significant, the underlying structure of the business remains solid, and its longer-term operations appear unaffected. The struggles of the last few years are reflected in the company's shares, which are trading at close to a 50% discount to their pre-pandemic peak. Positively, the company has made solid progress in rectifying its operational issues and has plans to reduce its expenses and overhaul its claims management system under new CEO Adam Winslow.

The company's current discount has made DLG an attractive acquisition target with the board rejecting two cash-and-share offers from Belgian insurer Agea, highlighting the potential value that exists.

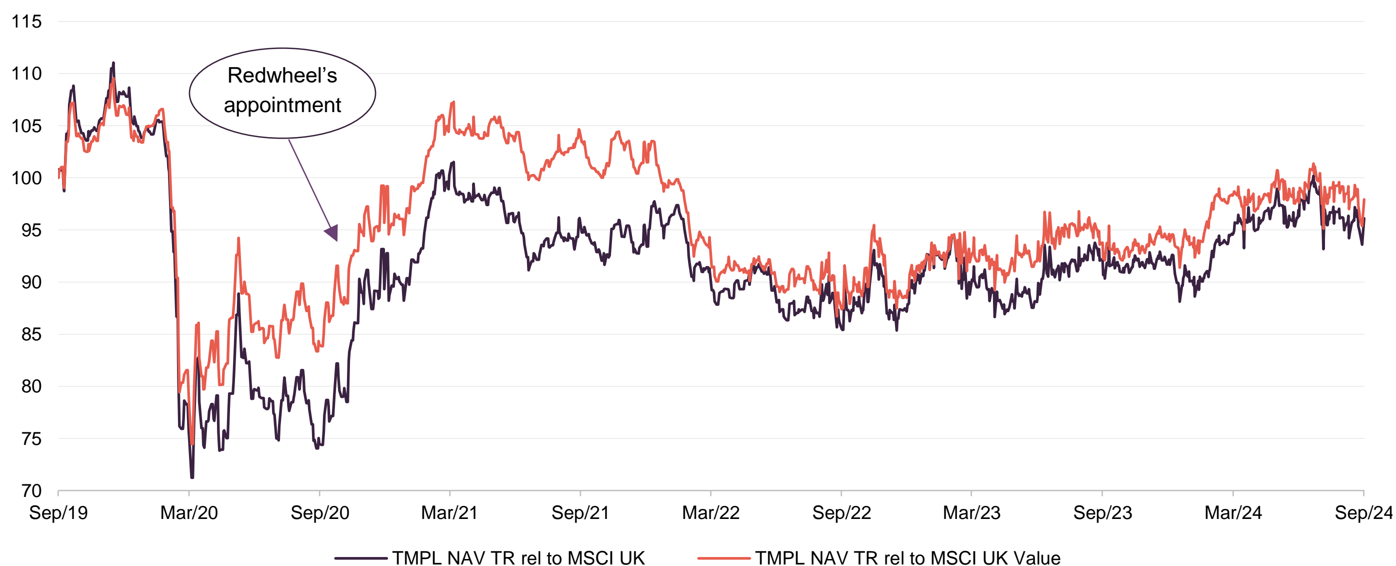
Takeover targets

As we have discussed, corporate buyers have continued to capitalise on record low valuations across the UK. In addition to Direct Line Insurance and Standard Chartered, this year there have been bids for a number of TMPL's portfolio companies including Anglo American, Currys, and IDS Group. The managers note that these offers, which have all driven significant value for the trust's shareholders, have been at premiums of between 40% and 60% to the prevailing share prices and yet only the IDS offer was accepted, although it remains subject to regulatory approval. Ian and Nick believe that this is an excellent illustration of just how undervalued some of the holdings in the trust's portfolio have become.

Performance

As we have covered in detail in our previous notes, the performance of the TMPL portfolio under Redwheel continues to impress. Since taking over the management of the fund in November 2020, the managers have delivered a NAV total return of 118%, comfortably ahead of both its peer group and broader market averages.

Figure 13: Temple Bar NAV relative to MSCI UK and MSCI UK Value (sterling TR) to 30 September 2024



Source: Morningstar, Marten & Co

The managers' focus on identifying companies trading below their intrinsic value has been a major driver of performance in recent years However, a distinction should be drawn between the TMPL portfolio and a simple value strategy. As Figure 14 highlights, the trust has comfortably outperformed equivalent value benchmarks under the management of Redwheel thanks to a focus not just on valuation but the long-term structural upside of its investments, and the ability for these companies to generate strong fundamental growth in future.

Figure 14: Total return performance over periods ending 30 September 2024

	3 months (%)	6 months (%)	1 year (%)	3 years (%)	Manager tenure[1] (%)	5 years (%)
TMPL share price	3.9	13.0	17.6	43.4	122.1	30.6
TMPL NAV	2.3	8.5	18.7	36.3	117.5	30.9
MSCI UK	1.7	5.4	12.2	34.5	76.3	34.3
MSCI UK Value	1.7	7.6	12.1	43.5	92.9	31.8

Source: Morningstar, Marten & Co. Note: 1) The performance of the manager is calculated from 1 November 2020, when Redwheel took control of TMPL's portfolio.

Interim results

TMPL announced its interim results for the six months ended 30 June 2024 on 21 August. The company continued its recent momentum, delivering a NAV total return of 13.1%, well ahead of the benchmark return of 7.4%. The share price total return was 11.0%, with the discount widening slightly to 7.5%. Dividends per share for the period were 5.00p, a year-on-year increase of almost 9%, for a yield of 3.8%. The dividend growth reflects the company's impressive underlying earnings growth, with revenue earnings per share up around 35% on the previous half-year.

As we discuss above, performance over one and three years has also been solid, both on a relative and absolute basis.

The performance during the six-month period to 30 June 2024 was driven by TMPL's overweight to financials which, the managers note, continue to trade on record discounts on both an absolute and relative basis. NatWest Group, Barclays, and NN Group each added 1% or more to the trust's total return, thanks predominantly to improving net interest margins for these companies. The portfolio also benefitted from a rebound in ITV, which rallied following the announcement of a value-enhancing share buyback, taking advantage of its deeply depressed valuation. Anglo American was also a strong contributor following a £31bn bid from BHP.

The major detractor for the period was Capita, which announced that the expected date at which the company would start to generate free cash flow for shareholders would be further delayed.

Peer group

You can find up-to-date information on TMPL and its peers on our website

TMPL is one of 20 funds in the AIC's UK equity income sector. With a market cap of £752m, it is one of the larger funds within the peer group and this is a factor in its competitive ongoing charges ratio. At 0.56%, it is the sixth lowest in the sector and is below the sector median of 0.65%.

The company's discount has remained relatively stable at around 7% for much of the past 12 months, slightly better than the peer group average. A dividend yield of 3.6% puts the company toward the bottom of the peer group, although the managers have noted the strong earnings yield of the portfolio and the potential for this to flow

through to improved shareholder returns going forward, as we have seen so far this year. The dividend yield has grown considerably over the last couple of years, and we expect this momentum will continue.

Figure 15: Snapshot of UK equity income sector as at 20 October 2024

	Premium/(discount) (%)	Yield (%)	Ongoing charges (%)	Market cap (£m)
Temple Bar Investment Trust	(8.0)	3.56	0.56	770
abrdn Equity Income Trust	(4.6)	7.1	0.94	154
BlackRock Income and Growth	(15.8)	3.79	1.28	38
Chelverton UK Dividend Trust	1.5	7.85	2.73	36
CT UK Capital and Income	(4.7)	3.7	0.66	328
Diverse Income Trust	(9.1)	4.67	1.14	215
Dunedin Income Growth	(12.9)	4.86	0.64	396
Edinburgh Investment Trust	(11.1)	3.62	0.53	1,109
Finsbury Growth & Income	(9.3)	2.28	0.61	1,425
JPMorgan Claverhouse	(5.9)	4.86	0.7	411
Law Debenture Corporation	0.8	3.6	0.49	1,180
Lowland Investment Company	(11.3)	4.88	0.64	346
Murray Income Trust	(11.5)	4.51	0.5	878
Schroder Income Growth Fund	(12.4)	4.97	0.77	199
Shires Income	(11.9)	6.17	1.1	97
The City of London Investment	(2.1)	4.71	0.37	2,163
The Merchants Trust	(1.0)	4.89	0.55	862
Peer group median	(8.0)	4.7	0.65	377
TMPL rank	8/17	16/17	6/17	7/17

Source: Morningstar, Marten & Co

The TMPL portfolio has comfortably outperformed its peer group in recent years and is the sector's best-performing trust since Redwheel took over in November 2020. Ian and Nick do point out that the performance benefitted from the value rally which occurred early in their tenure; however, we would note that since then they have continued to add value across the portfolio, as we discuss in the asset allocation section.

Positively, we believe that current market conditions provide an excellent opportunity for the trust to continue its momentum.

Figure 16: Total return performance over periods ending 30 September 2024

	3 months (%)	6 months (%)	1 year (%)	Under Redwheel (%)	3 years (%)	5 years (%)
Temple Bar Investment Trust	2.3	8.5	18.7	117.5	36.3	30.9
abrdn Equity Income Trust	2.4	11.4	13.3	52.9	7.7	10.7
BlackRock Income and Growth	3.5	6.9	12.9	61.0	25.1	31.0
Chelverton UK Dividend Trust	3.9	16.2	20.7	74.2	(12.9)	19.4
CT UK Capital and Income	3.6	4.9	18.4	67.0	17.1	26.6
Diverse Income Trust	4.0	10.4	19.2	32.4	(3.3)	30.9
Dunedin Income Growth	2.2	3.2	10.5	46.6	13.7	34.7
Edinburgh Investment Trust	3.6	8.3	17.6	96.7	38.5	54.3
Finsbury Growth & Income	3.2	2.2	8.2	30.9	10.0	11.7
JPMorgan Claverhouse	0.2	5.4	12.2	66.0	16.5	28.9
Law Debenture Corporation	3.2	7.2	15.6	99.0	28.2	67.6
Lowland Investment Company	2.3	8.2	16.3	81.0	17.1	31.7
Murray Income Trust	1.1	3.5	10.2	48.8	14.7	31.2
Schroder Income Growth Fund	3.1	8.6	14.7	68.4	23.7	32.7
Shires Income	1.5	6.7	10.5	47.7	9.1	28.5
The City of London Investment	3.1	7.4	16.5	77.8	33.7	36.8
The Merchants Trust	4.6	8.6	15.1	112.9	27.3	56.5
Peer group median	3.1	7.4	15.1	67.0	17.1	30.1
TMPL rank	12/17	6/17	3/17	1/17	2/17	10/17

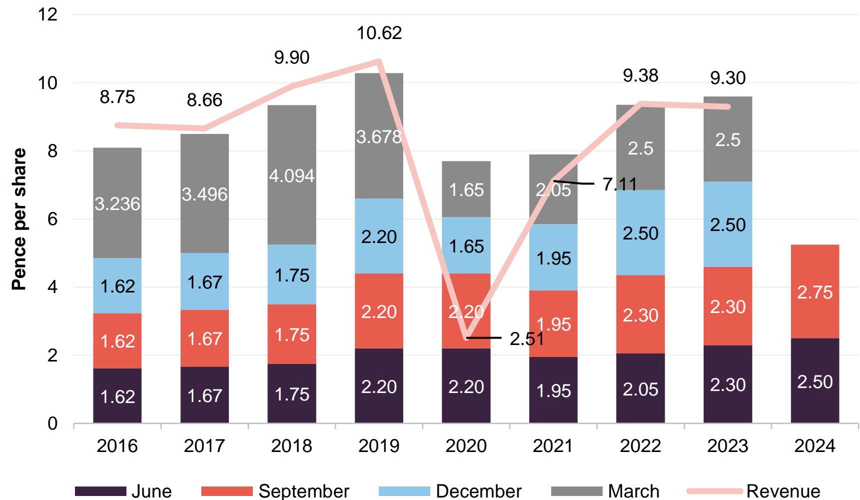
Source: Morningstar, Marten & Co

Dividend

The dividend yield has grown considerably over the last couple of years, and we expect this momentum will continue.

TMPL pays dividends quarterly. The company has seen strong progress in terms of income growth, with revenue earnings per share, up almost 35% on the same period last year. As a result, the board declared an increased second interim dividend of 2.75 pence per share (2023: second interim dividend of 2.3 pence per share). This follows the payment of a first interim dividend of 2.5 pence per share on 28 June 2024. As publishing TMPL had a TTM (trailing twelve month) yield of 3.6%.

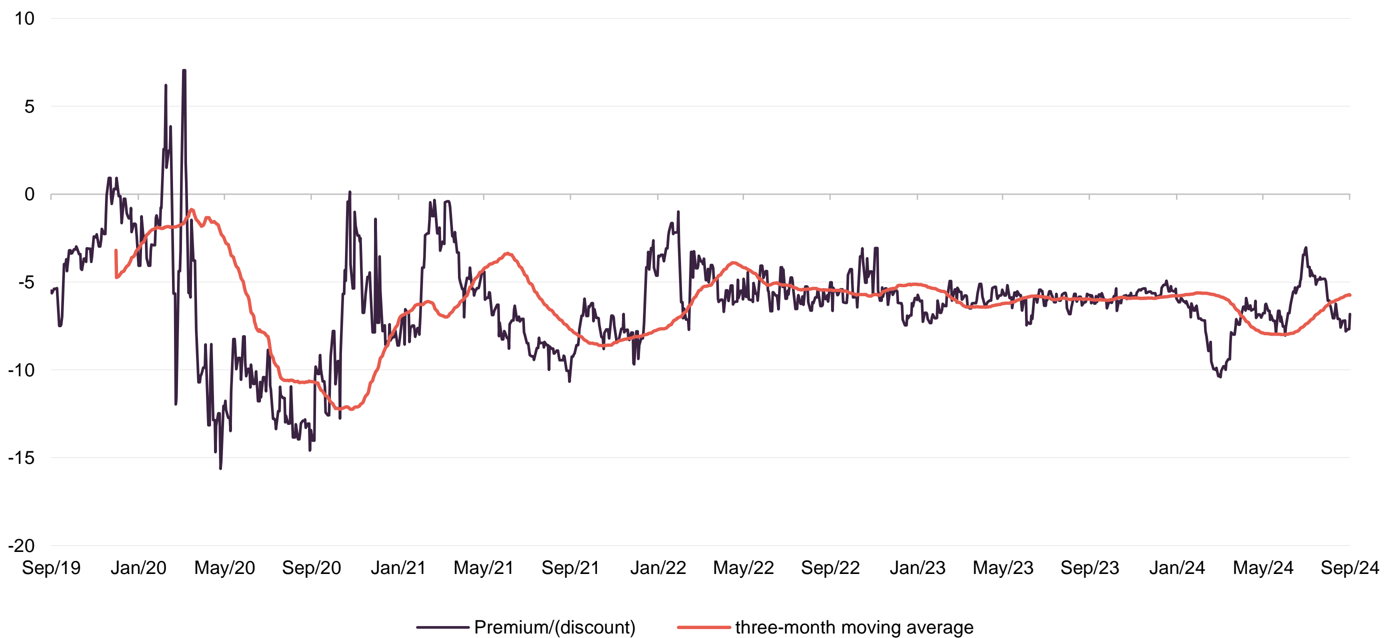
Figure 17: TMPL's recent dividend record as of 30 September 2024



Source: Temple Bar Investment Trust

Premium/(discount)

Figure 18: TMPL discount over five years ended 30 September 2024



Source: Morningstar, Marten & Co

Over the last 12 months, TMPL's shares have moved to trade between a discount of 10.4% and 3.0%, averaging 6.4%. As of publishing, the company was trading on a discount of 8.0%. As Figure 18 shows, the discount has remained range-bound

for much of the past 12 months. Whilst a return to a share price premium would obviously be preferable, TMPL trades on one of the narrowest discounts in the sector, reflecting the quality of the trust's returns in recent years and the sensible buyback policy overseen by the board. Given that we expect this momentum to continue, we believe it remains only a matter of time before its shares return to a premium. This will be helped further by improving economic conditions in the UK and the ongoing reforms across the UK equity market and trust sector.

Buyback policy

The company is also an active buyer of its own shares to help address any supply and demand imbalance, and to enhance the NAV per share for existing shareholders. Over the six months to 30 June 2024, the company purchased 4,096,723 at a cost of £9.7m. The trust has purchased no additional shares since the end of this period, in part due to its strong performance.

Fees and costs

On 1 July 2023, Frostrow Capital LLP was appointed the AIFM of the company and delegated portfolio management to Redwheel. Redwheel is paid a management fee equal to 0.325% (0.35% to 30 June 2023) per annum of the company's total assets. Under the terms of the AIFM agreement that took effect from 1 July 2023, Frostrow Capital LLP are paid 0.125% of market capitalisation up to £250m and 0.1% of market capitalisation above £250m. This also incorporates admin, company secretarial, and distribution, replacing expenses that were previously paid to other providers.

At 30 June 2024, TMPL's ongoing charges were calculated at 0.62% (0.56% as of 30 June 2023).

Capital structure

At 30 September 2024, TMPL had 286,430,996 shares in circulation of which 47,932,829 were held in treasury.

TMPL has a £50m 4.05% private placement loan which is repayable on 3 September 2028, and a £25m 2.99% private placement loan which is repayable on 24 October 2047. The two loans are secured by a floating charge over the assets of the company.

Management team

Nick Purves joined Redwheel in August 2010 from Schroders, where he was a senior portfolio manager with responsibility for both Institutional Specialist Value Funds and the Schroder Income Fund and Income Maximiser Fund, together with Ian Lance. He worked at Schroders for 16 years, having moved from KMPG, where he qualified as a chartered accountant.

Ian has 30 years of experience in fund management and started working with Nick at Schroders in 2007 before joining Redwheel in August 2010. While at Schroders, he was a senior portfolio manager, managing the Institutional Specialist Value Funds, the Schroder Income Fund and Income Maximiser Fund, together with Nick. Previously, Ian was the head of European equities and director of research at Citigroup Asset Management and head of global research at Gartmore.

Board

TMPL's board comprises four non-executive directors, all of whom are independent of the manager, and who do not sit together on other boards. The longest-serving director is the chairman, Richard Wyatt, who has been a director for over seven years.

There has been one change to the board since we last published, with senior independent director and chair of the audit and risk committee Lesley Sherratt retiring following the company's AGM on 7 May 2024. Carolyn Sims took over from her as the chair of the audit and risk committee and Charles Cade became the senior independent director.

Figure 19: Directors

	Role	Appointed	Length of service (years)	Fee	Shareholding[1]
Richard Wyatt	Chairman of the board	2017	7	40,289	50,000
Shefaly Yogendra	Director, chair of the management engagement and nomination committees	2019	5	29,500	4,500
Charles Cade	Senior independent director	2022	2	29,500	50,000
Carolyn Sims[2]	Chair of the audit and risk committee	2023	1	29,500	-

Source: Temple Bar Investment Trust. Note 1) as at 31 December 2023 note 2) appointed as chair of the audit and risk committee following the retirement of Lesley Sherratt in May 2024.

Richard Wyatt

Richard was appointed a director in 2017. He is a former group managing director at Schroders and a partner at Lazard. He was chairman of the media agency Engine Group and served on the Regulatory Decisions Committee of the FSA. He is currently a global partner of Rothschild & Co.

Dr. Shefaly Yogendra

Shefaly was appointed a director in 2019. She was an independent non-executive director of Witan Investment Trust Plc until its merger with Alliance Trust in October 2024 and was recently the COO of Ditto AI, a symbolic AI startup. She built her career in the technology industry, followed by strategic advisory work on emerging technologies, and specialises in governance, growth, risk, and decision-making. She is a non-executive director of Harmony Energy Income Trust Plc and JPMorgan

US Smaller Companies Investment Trust Plc, and was listed among the "100 Women To Watch" in the Female FTSE Board Report 2016.

Charles Cade

Charles was appointed a director in 2022. He has almost 30 years' experience in the investment companies sector, and was ranked among the leading analysts throughout his career at Numis Securities, Winterflood Securities, HSBC and Merrill Lynch. He joined the City following an MBA, having previously worked for a consultancy firm and as an economist in the UK government. He is currently a non-executive director of Vietnam Enterprise Investments Ltd, a member of the Investment Committee of the Rank Foundation charity, and an independent consultant to interactive investor, the retail platform.

Carolyn Sims

Carolyn was appointed a director in January 2023. She is the CFO and COO of British International Investment plc (BII), the UK's Development Finance Institution. Before joining BII in 2020, Carolyn was CFO of the Wealth Management Division of Schroders Plc and a member of its Group Management Committee. Prior to that, Carolyn was the CFO of Cazenove Capital Management Limited until its sale to Schroders in 2013. Carolyn started her career with Touche Ross & Co. where she qualified as a Chartered Accountant. She then joined Lazard, where her roles included COO for Global Capital Markets and UK finance director.

Previous publications

Readers interested in further information about TMPL may wish to read our previous note, *Foundations for success*, published on 27 March 2024, as well as our previous notes. You can read the notes by clicking on them in Figure 20 or by visiting our website.

Figure 20: QuotedData's previously published notes on TMPL

Title	Note type	Date
Keeping faith	Initiation	23 September 2020
Just getting started	Update	23 April 2021
No compromise	Annual overview	8 December 2021
Time to Shine	Annual overview	31 August 2022
True Colours	Update	26 June 2023
Foundations for success	Update	27 March 2024

Source: Marten & Co

QuotedData
BY MARTEN & CO

IMPORTANT INFORMATION

Marten & Co (which is authorised and regulated by the Financial Conduct Authority) was paid to produce this note on Temple Bar Investment Trust Plc.

This note is for information purposes only and is not intended to encourage the reader to deal in the security or securities mentioned within it.

Marten & Co is not authorised to give advice to retail clients. The research does not have regard to the specific investment objectives financial situation and needs of any specific person who may receive it.

The analysts who prepared this note are not constrained from dealing ahead of it but, in practice, and in accordance with our internal code of good conduct, will refrain from doing so for the period from which they first obtained the information necessary to prepare the note until one month after the note's publication. Nevertheless, they may have an interest in any of the securities mentioned within this note.

This note has been compiled from publicly available information. This note is not directed at any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the publication or availability of this note is prohibited.

Accuracy of Content: Whilst Marten & Co uses reasonable efforts to obtain information from sources which we believe to be reliable and to ensure that the information in this note is up to date and accurate, we make no representation or warranty that the information contained in this note is accurate, reliable or complete. The information contained in this note is provided by Marten & Co for personal use and information purposes generally. You are solely liable for any use you may make of this information. The information is inherently subject to change without notice and may become outdated. You, therefore, should verify any information obtained from this note before you use it.

No Advice: Nothing contained in this note constitutes or should be construed to constitute investment, legal, tax or other advice.

No Representation or Warranty: No representation, warranty or guarantee of any kind, express or implied is given by Marten & Co in respect of any information contained on this note.

Exclusion of Liability: To the fullest extent allowed by law, Marten & Co shall not be liable for any direct or indirect losses, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note. In no circumstance shall Marten & Co and its employees have any liability for consequential or special damages.

Governing Law and Jurisdiction: These terms and conditions and all matters connected with them, are governed by the laws of England and Wales and shall be subject to the exclusive jurisdiction of the English courts. If you access this note from outside the UK, you are responsible for ensuring compliance with any local laws relating to access.

No information contained in this note shall form the basis of, or be relied upon in connection with, any offer or commitment whatsoever in any jurisdiction.

Investment Performance Information: Please remember that past performance is not necessarily a guide to the future and that the value of shares and the income from them can go down as well as up. Exchange rates may also cause the value of underlying overseas investments to go down as well as up. Marten & Co may write on companies that use gearing in a number of forms that can increase volatility and, in some cases, to a complete loss of an investment.

QuotedData is a trading name of Marten & Co, which is authorised and regulated by the Financial Conduct Authority.

50 Gresham Street, London EC2V 7AY
0203 691 9430

www.QuotedData.com

Registered in England & Wales number 07981621,
2nd Floor Heathmans House,
19 Heathmans Road, London SW6 4TJ