

# Temple Bar quarterly newsletter

Issue 14  
October 2024

Dear investor,

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

In this quarter's feature article, Ian Lance explores how the value style of investing has outperformed growth investing practically everywhere since November 2020. The obvious, arguably only, exception to this is in large cap US stocks, leading Ian to ask whether we should consider this to be "the last shoe to drop"?

We also provide a link to a recent video that Ian recorded for the Association of Investment Companies (AIC), and an external link to a presentation that Ian delivered to the AIC's Investment Company Showcase event earlier this month.

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

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# Contrary to popular belief, value investing is working again



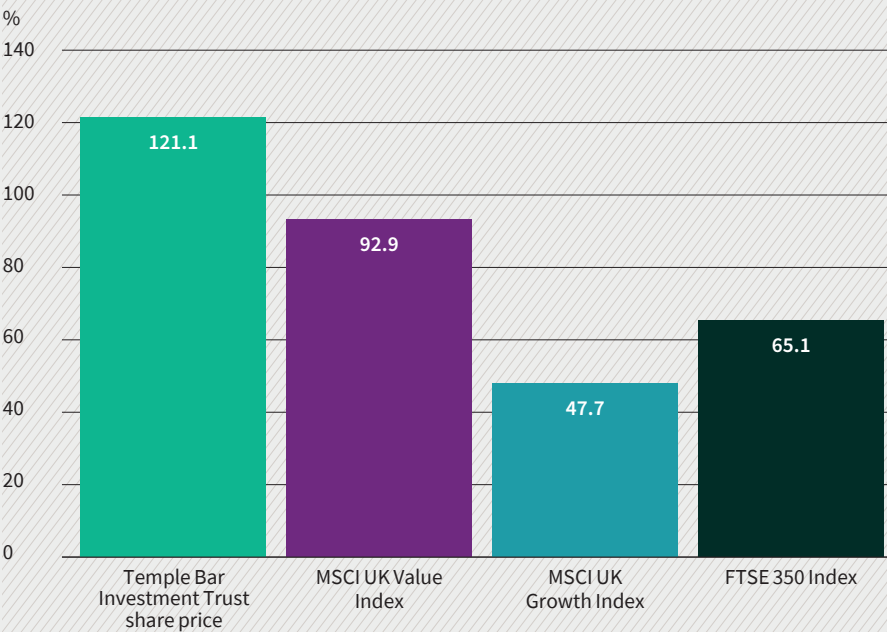
As value investors, one of the questions we have been asked a lot recently is, “why doesn’t value investing work anymore?”. The perception behind this question, however, depends hugely on the frame of reference because, from where we sit, it seems that value investing *is* working once more.

The long period of low interest rates and quantitative easing that followed the Global Financial Crisis clearly favoured growth investing but this is increasingly looking like an anomalous decade, as the long history of financial market evidence suggested it would. It seems that the Covid vaccination breakthroughs in November 2020 (which also roughly coincided with our appointment as managers of Temple Bar) marked an important turning point in equity markets. Below, we demonstrate that value stocks have tended to outperform growth stocks almost everywhere since then.

## UK

In our domestic market, the value index has beaten the growth index and the wider market since November 2020. By focusing on the better performing parts of the UK value universe, Temple Bar shareholders have done even better.

### Value stocks have outperformed in the UK since November 2020

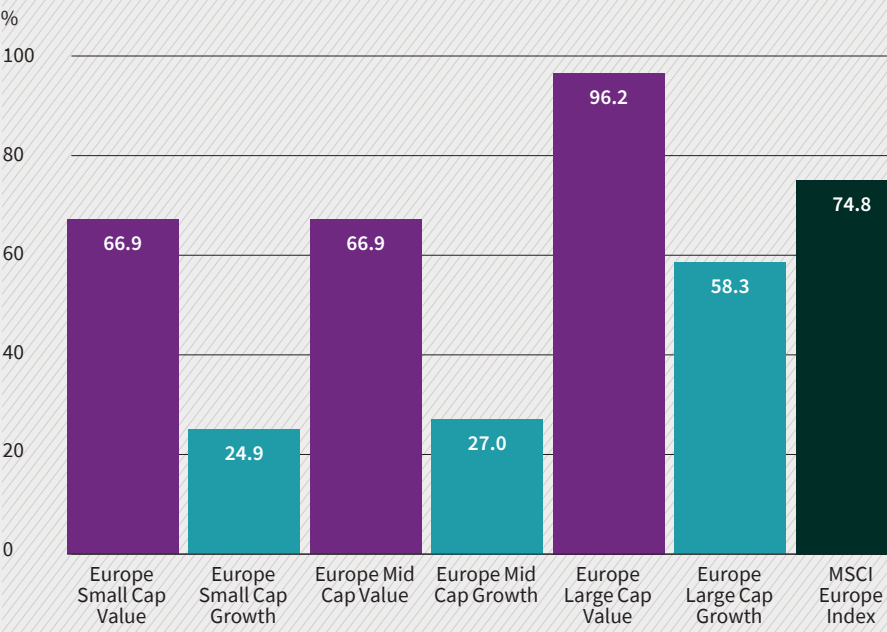


Source: Bloomberg on a total return basis in UK sterling from 31 October 2020 to 30 September 2024. Past performance is not a guide to the future. The prices of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. No investment strategy or risk management technique can guarantee returns or eliminate risks in any market environment.

## Europe

Meanwhile, in Europe, the same phenomenon can be observed, with value beating growth across all elements of the market cap spectrum.

### Value has outperformed growth in European equity markets since November 2020

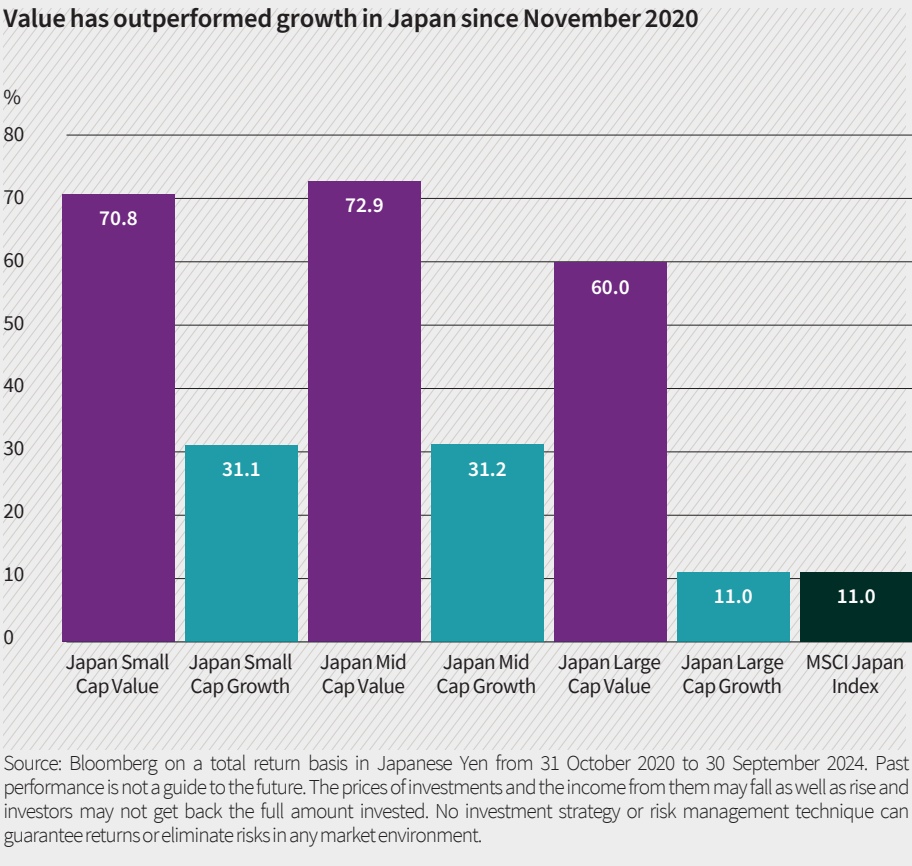


Source: Bloomberg on a total return basis in Euros from 31 October 2020 to 30 September 2024. Past performance is not a guide to the future. The prices of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. No investment strategy or risk management technique can guarantee returns or eliminate risks in any market environment.



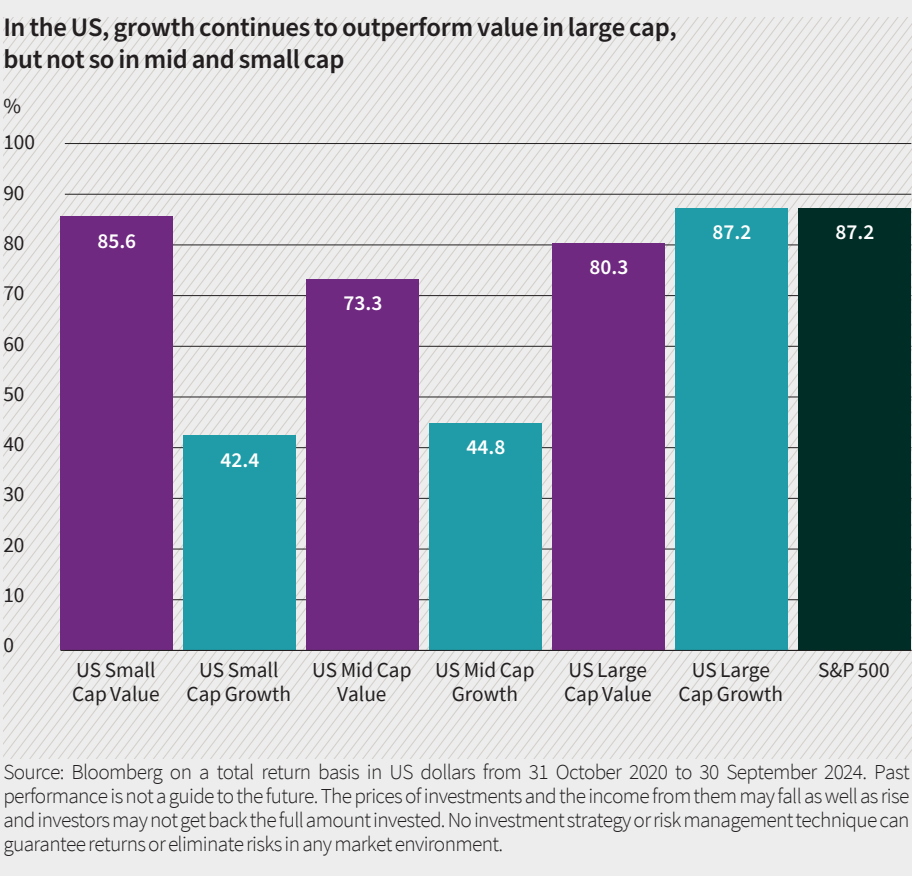
Japan

The same is evidently true in Japan, with value delivering significant outperformance of growth and of the wider market, since November 2020.



US

In fact, the only place that value isn’t yet working appears to be the US. Peering beneath the surface though, we find that, even in this market, it is only within large caps that growth is still beating value.



This continued outperformance of growth in the US is almost exclusively a function of that small group of stocks that have become known as “The Magnificent Seven”. Between them, these stocks have contributed more than 40% to the US stock market’s return since November 2020.

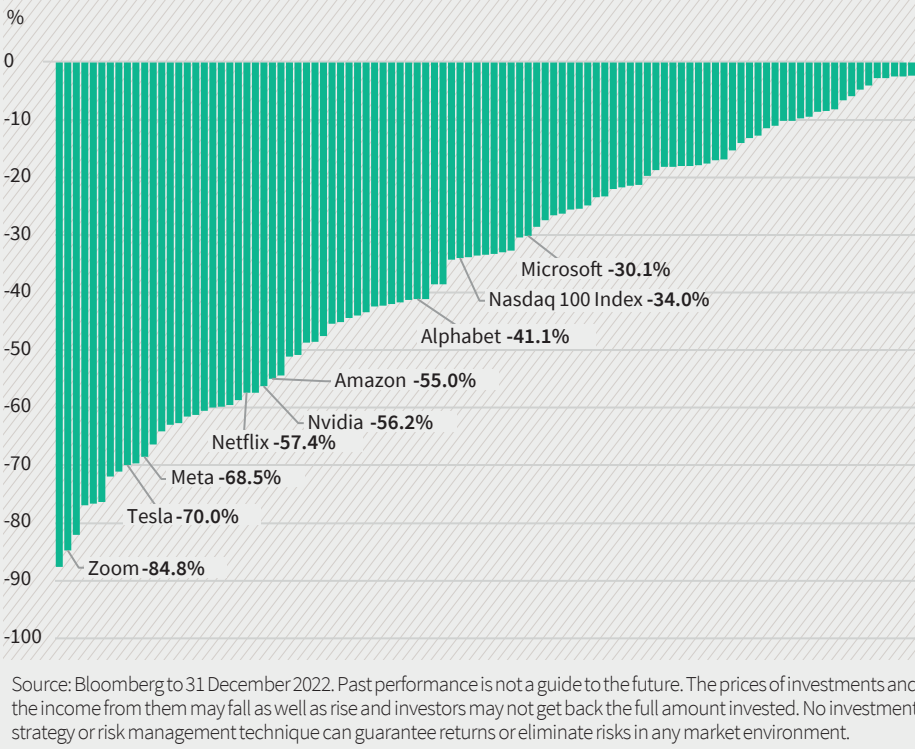
The so-called "Magnificent Seven" have contributed more than 40% of US market returns since November 2020



Memories can be perilously short. Many investors seem to have already forgotten the large drawdowns that some of these stocks saw in 2022, and even though it was only two years ago, they can’t seem to imagine these share prices ever going down again.

2022 saw significant drawdowns in popular technology stocks

2022 drawdowns (% falls from 2021-22 highs)



It ain’t over until it’s over

The long-term empirical evidence behind the concept of value investing is robust. Lowly valued stocks have outperformed in every complete decade of the last 100 years, with one exception – the 2010s. From this perspective, it is not surprising to see value reasserting itself, almost everywhere, over the last few years<sup>1</sup>.

Indeed, the market’s continued infatuation with a handful of US technology stocks may be described as “the last shoe to drop” as far as the growth obsession of the 2010s is concerned. Everywhere else, value has resumed its former dominance.



The value renaissance has been good news for Temple Bar shareholders, and we are confident that this will continue. We are, and always will be, disciplined value investors, and the excesses that accumulated in the era of low interest rates and quantitative easing will take a very long time to unwind. We believe this should represent a tailwind for value investors that lasts many years into the future.

In other words, there remains plenty for value investors to look forward to.

*Hat-tip to Lightman Investment Management for the inspiration.*

<sup>1</sup> Source: Kenneth R. French library, Morgan Stanley Research. Performance of Value factor (Book Yield) since 1926, Morgan Stanley, 27 May 2022.



# AIC INTERVIEW WITH IAN LANCE

Ahead of his presentation at the AIC's Investment Company Showcase event, Ian spoke to Annabel Brodie-Smith, Communications Director at the AIC, about the opportunity that lies ahead for UK equities and Temple Bar shareholders. The film is available on our website ([www.templebarinvestments.co.uk/media/insights/aic-interview-ian-lance/](http://www.templebarinvestments.co.uk/media/insights/aic-interview-ian-lance/)) and we provide the transcript below.



**Annabel Brodie-Smith**

Hello, I'm Annabel Brodie-Smith, Communications Director at the Association of Investment Companies and today I'm delighted to be talking to Ian Lance, Fund Manager of Temple Bar Investment Trust, who's speaking at the AIC's Investment Company Showcase on October 11th, our big event for private investors. Now, let's take a look at UK markets and obviously things have been more stable – we've got a new Government in place, sentiment is improved. Ian, what's your view on the UK markets at the moment?



**Ian Lance**

As you say, sentiment has improved about UK equity markets just recently, but they have been very, very out of favour for a long time and, by some measures, they are as cheap as they've been for 50 years. So, that is a once in a career opportunity. I think what's encouraging is that we are starting to see some of the selling that's caused this undervaluation start to bottom and, actually, some renewed interest in UK equity markets, so that's quite encouraging.



**Annabel**

Very encouraging! And what will you be speaking about at the Investment Company Showcase?



**Ian**

Well, I'm going to be speaking about the catalysts that are, we think, going to realise the value in UK equities. UK equity managers, for years, have been pointing out how cheap they are and immediately get asked, "well, that's great, but what's going to be the catalyst?". And, this year, we have seen two very clear catalysts appear to realise value in UK equities and that is corporate takeovers from overseas mainly, and companies buying back their own shares. And, actually, those two things have driven a lot of value in UK equities already this year. So, those are the two things that I'm going to be focusing on at the Showcase.



**Annabel**

Excellent. Should be interesting. And what are you looking forward to most about the Showcase?



**Ian**

I've only been managing an investment trust – in this case, Temple Bar – for about four years. I've never managed an investment trust before. And, actually, I think they are a fantastic vehicle, particularly for retail investors. So, actually, I'm really looking forward to talking at an event which is specifically targeted at people with an interest in investment trusts.



**Annabel**

That's excellent news, Ian, and I can tell you, they're going to be keen, those shareholders there, to talk to you too. Thanks very much indeed.

**AIC Investment Company Showcase presentation**

Below, you'll find a link to the presentation Ian Lance delivered at the AIC Investment Company Showcase event in London, providing his thoughts on the compelling value opportunities he and Nick Purves are currently finding in the UK stock market.  
<https://showcase.theaic.co.uk/vod/29>

# OTHER NEWS

## Half-year report

In August, Temple Bar released its half-year report to 30 June 2024. If you've not already received or seen a copy, you can access a digital version of the report, using the link below.

[www.templebarinvestments.co.uk/download\\_file/view/9382361b-3b3c-4f55-9b19-e8660f3c5f72/](http://www.templebarinvestments.co.uk/download_file/view/9382361b-3b3c-4f55-9b19-e8660f3c5f72/)



## Temple Bar in the media

Further positive media coverage of Trust has continued over the last few months, with Ian and Nick contributing to a range of publications, including Investors' Chronicle, UK Investor Magazine, This is Money and Interactive Investor.



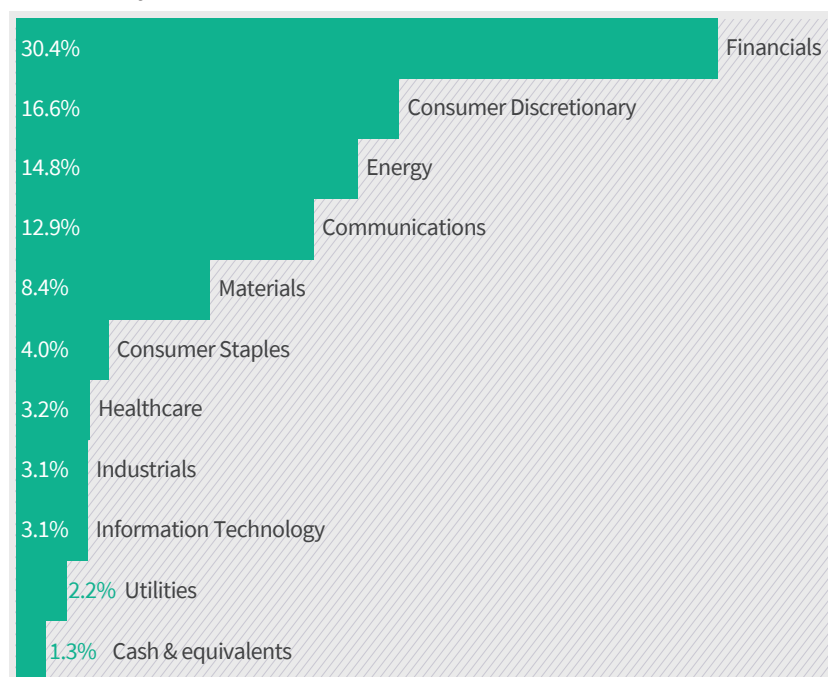


# The Temple Bar portfolio

Data as at 30 September 2024

Top 10 equity holdings		(%)
Shell	Energy	5.7
NatWest	Financials	5.7
Barclays	Financials	5.3
ITV	Communications	4.9
BP	Energy	4.6
Total Energies	Energy	4.5
Aviva	Financials	4.4
Anglo American	Materials	4.2
NN	Financials	4.1
Marks & Spencer	Consumer Staples	4.0
<b>Total</b>		<b>47.4</b>

## Sector analysis (%)\*



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

## Financial data

Gross Assets	£881.4m
Share price (p)	266.50
NAV (p) (cum income, debt at mkt)*	286.02
Premium/(Discount), Cum income (%)	(6.8)
Historic net yield (%)	3.8
Net gearing (%)	6.7

\* Calculated with debt at fair value

## Dividend history

Type	Amount (p)	XD date	Pay date
2nd interim – 2024	2.75	22.08.24	27.09.24
1st interim – 2024	2.50	30.05.24	28.06.24
4th interim – 2023	2.50	07.03.24	02.04.24
3rd interim – 2023	2.50	30.11.23	29.12.23

## 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	-1.3	-0.5	-1.3
3 months	3.9	3.1	2.3
3 year	41.3	37.6	23.9
5 year	30.6	31.0	32.2
10 year	62.9	74.6	83.6
Since 30/10/2020	122.1	117.7	64.8

## Rolling 12 month returns (%)

	Share price	NAV	FTSE All-Share
30.09.23 - 30.09.24	17.6	18.7	13.4
30.09.22 - 30.09.23	22.8	23.1	13.8
30.09.21 - 30.09.22	-2.2	-5.8	-4.0
30.09.20 - 30.09.21	68.3	58.0	27.9
30.09.19 - 30.09.20	-45.0	-39.7	-16.6

Performance, price and yield information is sourced from Morningstar as at 30.09.24.

## 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.

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