

Trust Facts

Launch date: 1926
Wind-up date: None
ISIN: GB0008825324
TIDM code: TMPL
Year end: 31 December
Dividends paid:
 Quarterly in March, June, September and December

AGM: March

Benchmark: FTSE All-Share

Association of Investment Companies (AIC) sector: UK Equity Income

ISA status:
 May be held in an ISA

Capital Structure:

Share class	No. in issue	Sedol
Ordinary	66,872,765	0882532

Debt:

5.50% Debenture Stock 2021 £38m
 4.05% Private Placement Loan 2028 £50m
 2.99% Private Placement Loan 2047 £25m

Charges:

Ongoing charge: 0.49% (31.12.19)
 Includes a management fee of 0.35%.
 Excludes borrowing and portfolio transaction costs.

Auditors: BDO LLP

Investment Manager:

Ninety One Fund Managers UK Limited

Portfolio Managers:

Alessandro Dicorradò and Steve Woolley*

Value team portfolio management start date:
 1 August 2002

Registrars: Equiniti Ltd

Secretary:

Ninety One UK Limited

Depository & Custodian: HSBC Bank Plc

*Managed by Alastair Mundy from August 2002 – March 2020

The Company's gearing and discount management policies can be found at <https://www.templebarinvestments.co.uk/investment-approach/investment-policies/>

Trust Objective

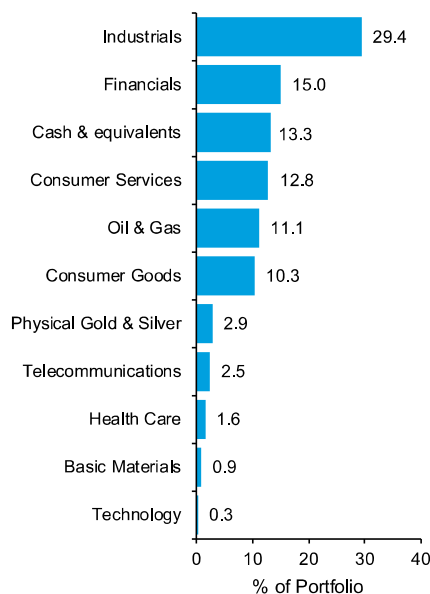
To provide growth in income and capital to achieve a long-term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%)¹

Travis Perkins Plc	4.9
Grafton Group Plc	4.9
Royal Dutch Shell Plc	4.8
BP Plc	4.7
Rolls-Royce Holdings Plc	4.0
Forterra Plc	3.0
Capita Plc	2.9
easyJet Plc	2.8
Citigroup Inc	2.8
Safran SA	2.6
Total	37.4

¹% of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	639.8
Share price (p)	743.0
NAV (p) (ex income, debt at mkt)	806.6
Premium/(Discount), Ex income (%)	-7.9
NAV (p) (cum income, debt at mkt)	813.9
Premium/(Discount), Cum income (%)	-8.7
Historic net yield (%)	6.9

Dividend History

Type	Amount (p)	XD date	Pay date
1 st interim	11.00	04-Jun-20	30-Jun-20
Final	18.39	12-Mar-20	31-Mar-20
3 rd interim	11.00	05-Dec-19	30-Dec-19
2 nd interim	11.00	12-Sep-19	30-Sep-19

Performance (Total Return)

Cumulative Returns (%)

	Share Price	NAV	FTSE All-Share
1 month	-2.5	8.0	4.9
3 months	-42.3	-39.2	-18.8
1 year	-41.8	-38.5	-16.7
3 years	-33.8	-29.9	-7.5
5 years	-24.3	-22.0	4.8
10 years	37.3	39.8	63.4

Rolling 12 Month Returns (%)

	Share Price	NAV	FTSE All-Share
30.04.19-			
30.04.20	-41.8	-38.5	-16.7
30.04.18-			
30.04.19	6.3	5.4	2.6
30.04.17-			
30.04.18	6.8	8.1	8.2
30.04.16-			
30.04.17	23.7	18.5	20.1
30.04.15-			
30.04.16	-7.5	-6.1	-5.7

Performance, Price and Yield information is sourced from Morningstar as at 30.04.2020

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.

Risks

Borrowing/leverage risk

The Company can borrow additional money to invest, known as leverage. This increases the exposure of the Company to markets above and beyond its total net asset value. This can help to increase the rate of growth of the fund but also cause losses to be magnified.

Charges to capital risk

A portion (60%) of the Company's expenses are charged to its capital account rather than to its income, which has the effect of increasing income (which may be taxable) whilst reducing its capital to an equivalent extent. This could constrain future capital and income growth.

Company share price risk

The Company's share price is determined by supply and demand for such shares in the market as well as the net asset value per share. The share price can therefore fluctuate and may represent a discount or premium to the net asset value per share. This can mean that the price of an ordinary share can fall when its net asset value rises, or vice versa.

Interest rate

The value of fixed income investments (e.g. bonds) tends to decrease when interest rates and/or inflation rises.

Equity investment

The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. bankruptcy), the owners of their equity rank last in terms of any financial payment from that company.

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 commentary

“Is value investing dead?” This was the question posed by a research paper published this month, which naturally drew our attention, not least due to the poor performance of value strategies so far this year (ok, the title of the paper was actually “Is (systematic) value investing dead?”, but we think the shorter version is punchier!).

The report was authored by a team at AQR Capital Management, whose founder and Chief Investment Officer, Cliff Asness, was quick to point out that AQR has more than a passing interest in the premise that value investing is not dead, given the value-based strategies that AQR runs. That potential bias notwithstanding, the paper sought to test many of the current and common criticisms of value investing, and why it might not be as effective in the future as in the past. These challenges include the possibilities:

- That accounting metrics commonly used to measure value aren't capturing the fact that we're living in an era of 'global monopolies', where success breeds success (to the detriment of less successful value stocks).
- That too many people are now aware of the long-term success of value investing for it to work in the future.
- That the overreliance of value on the price-to-book measure of valuation might be less relevant than it was in the past.
- That value stocks just look 'cheap for good reason', due to inferior profitability or higher leverage.

Even if value stocks do still look cheap relative to growth stocks and the broader market after all these factors are considered, another potential risk is that they don't look cheap in their own right; i.e., that all of the undervaluation is simply driven by how expensive growth stocks are. The research paper investigated this possibility, too.

We're pleased to report that the authors found no evidence that 'this time it's different' across the range of theories as to why value investing might be less effective going forward. Far from it, in fact, with the various measures of value generally signalling that value stocks are as cheap today as they have ever been vs. growth (expensive) stocks, irrespective of whether certain industries or stocks are excluded (to adjust for the possibility that something really has changed in terms of industry monopolies etc.), and irrespective of whether value is measured relative to a company's net assets (book value), sales or profitability (earnings).

The authors also tested the hypothesis that value stocks today look 'cheap for a good reason', in terms of a deterioration in their profitability or leverage; again, they found no evidence of this. On the contrary, the authors found that the profitability gap between cheap and expensive stocks (measured by return on assets) was marginally narrower today than its historical average, while cheap stocks are also currently less leveraged than expensive ones in both absolute terms and vs. their historical average.

For the mathematicians out there (I'll put my hand up; guilty as charged), what the report specifically measures when looking at the cheapness of value stocks is the 'value spread'; that is, the ratio of how expensive 'expensive' (growth) stocks are vs. 'cheap' (value) stocks, which is often referred to as the 'value of value'. Via all the permutations described, and using data going back more than 50 years, the 'value of value' is as cheap today as it has been at pretty much any point in the past half century.

The final piece of the puzzle is to determine whether this 'value of value' is simply driven by expensive stocks getting more expensive, rather than by cheap stocks getting cheaper. Once again, the authors found no evidence of this, with the driver of the 'value of value' (i.e., the widening 'value spread') coming more from the cheap than the expensive side (in contrast to, say, the tech bubble when expensive stocks dominated).

The one question the authors of the report can't answer is that of timing: when could value investing stage a recovery? On this point, we share their uncertainty, as we find it very hard to identify catalysts and turning points. A colleague of ours recently admitted that he was still trying to work out what the catalyst was for the tech bubble bursting, 20 years after it happened! What we take comfort from, however, is that the odds appear to be dramatically stacked on the side of value, with the 'value of value' as cheap today as it has been at any point in the past 50 years, and with no evidence that 'this time it's different' in terms of the likelihood of value repeating its past successes. As the authors of the report conclude, "it has certainly been excruciating getting here, but here we are, and it's never looked cheaper going forward".

Contact us

Post
Company Secretary
Ninety One UK Limited
55 Gresham Street
London
EC2V 7EL

Investor Services & Broker Support
Phone: 020 3938 1800
Email: enquiries@ninetyone.com