

William Kay Tempus

Buy, sell or hold: today's best share tips



A trust that deserves veneration

TEMPLE BAR INV TRUST

Market cap £935m
Net asset value 332p

It is often instructive to see how the professionals are investing, and a glance down the Temple Bar share register shows that its peers place considerable faith in this ultra-conservative trust. The top ten shareholders are all either asset managers or financial advisers, placing their money and reputations in Temple Bar's hands.

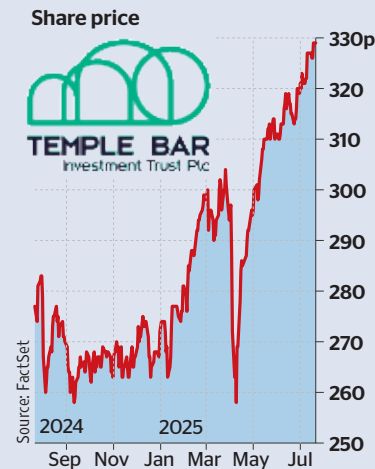
The cynical view might be that they are saving themselves a bit of effort at little cost. But that would be a false economy if Temple's fund managers, Nick Purves and Ian Lance, were falling down on the job.

The net asset value has grown from the equivalent of 131p to 333p since they were appointed in November 2020. In the same period the FTSE 100 index has risen from 6,266 to 9,000, so Temple Bar has comfortably outstripped it. And it is a tribute that its shares, at a record high of 331p, are closely related to the asset value.

Purves gave a presentation last month in which he laid out his and Lance's philosophy, that lowly priced value stocks generate the highest returns over time. He believes low prices occur because many investors have what he calls "behavioural biases", leading them to sell too soon when they hold shares in companies that hit difficulties.

They generally shun America, which they regard as overvalued, while the UK market is at a 40 per cent to 50 per cent discount to the global average. Average dividend

A high bar



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yield in Britain is around 6 per cent, double the US level.

At the latest count the portfolio holds only 36 stocks, about 75 per cent in the UK, with the biggest exposures to banks, insurance, asset managers, energy, retail and media. The UK percentage is slightly misleading, in that several of the bigger firms, such as Shell, have large overseas content.

That said, they do not buy markets, sectors or macro economies, all of which are vulnerable to timing. "We're trying to cherry-pick individual stocks," Purves says, so

Top ten equity holdings

Johnson Matthey	Materials	5.1%
Aviva	Financials	5.1%
Shell	Energy	4.9%
NN	Financials	4.8%
ITV	Comms	4.5%
BT	Comms	4.4%
NatWest	Financials	4%
BP	Energy	3.9%
Smith & Nephew	Healthcare	3.6%
Marks & Spencer	Consumer	3.4%

that the mix of sectors will change according to circumstances.

Nearly half the fund is in the top ten holdings. They like Johnson Matthey, which has just sold its historically important catalysts for the automotive, industrial and bio sectors, at a price equal to two thirds of the entire group's stock market capitalisation, even though it accounted for only a quarter of the business. This suggests the shares have been seriously mispriced. ITV is another firm where one division, Studios, may be worth more than the group's total stock market value.

A seemingly quirky 9.2 per cent of the portfolio is in the Netherlands, but that is down to value attractions at the Dutch bank ABN Amro and the insurer NN Group. Nothing is off the table in the search for worthwhile returns, so it also has

shares in Hana Financial and Woori Financial, two South Korean banks. "We view them as well-run, shareholder-focused, well-capitalised and attractively valued," the managers say.

Purves notes that investors should expect a high number of takeover bids in value companies, as bidders take advantage of mispricing. Share buybacks also boost value, as the benefits of the same or greater profits are spread among fewer remaining shares.

Purves points out that the key has been to think in terms of earnings yield, the obverse of the price-earnings ratio. "We don't distinguish between profit and dividend," he says. "We would never invest purely on dividends: we want total return." As with any other investment trust, you can do all this for yourself. But that is what Purves and Lance are paid for, to do the research and selection for you. And performance depends on them staying in charge. Some trust shares have suffered when the managers have changed. There is no such thing as a universal investment trust, catering for all requirements. But investment portfolios need firm foundations, and that is what shareholders are buying in Temple Bar; with its predominantly blue-chip selections, plus a 3.44 per cent yield, investors are then free to follow their fancy elsewhere.