

## Trust Facts

**Launch date:** 1926

**Wind-up date:** None

**Year end:**  
31 December

**Dividends paid:**  
March & September

**AGM:**  
March

**Benchmark:**  
FTSE All-Share

**ISA status:**  
May be held in an ISA

**Capital Structure:**

Share class	No. in issue	Sedol
Ordinary	65,231,141	0882532

**Debt:**  
9.875% Debenture Stock 2017 £25m  
5.50% Debenture Stock 2021 £38m  
4.05% Private Placement Loan 2028 £50m

**Charges:**  
**Ongoing charge:** 0.48%\* (30.06.14)  
\*Includes a management fee of 0.35%

**Board of Directors:**  
John Reeve (Chairman)  
Arthur Copple  
Richard Jewson  
June de Moller  
Martin Riley  
David Webster

**Auditors:** Ernst & Young LLP

**Investment Manager:**  
Investec Fund Managers Ltd

**Registrars:** Equiniti Ltd

**Savings Scheme Administrator:**  
Equiniti Financial Services Ltd

**Secretary:**  
Investec Asset Management Ltd

**Stockbrokers:** JPMorgan Cazenove

**Depository & Custodian:** HSBC Bank Plc

## Trust Objective

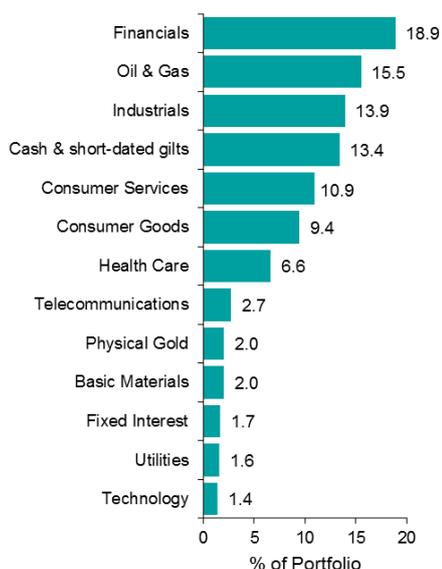
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

## Top Ten Equity Holdings (%)<sup>1</sup>

Royal Dutch Shell Plc Class B	8.8
HSBC Holdings Plc	8.8
GlaxoSmithKline Plc	6.6
BP Plc	5.3
Grafton Group Plc	4.2
British American Tobacco Plc	3.3
Signet Jewelers Limited	3.1
Unilever Plc	2.8
BT Group Plc	2.6
QinetiQ Group Plc	2.6
	<b>48.1</b>

<sup>1</sup> % of total assets, including cash

## Sector Analysis



## Financial Data

Total Assets (£m)	896.3
Share price (p)	1253.00
NAV (p) (ex income, debt at mkt)	1212.61
Premium/(Discount), Ex income (%)	3.3
NAV (p) (cum income, debt at mkt)	1241.93
Premium/(Discount), Cum income (%)	0.9
Historic net yield (%)	3.0

## Dividend History

Type	Amount (p)	XD date	Pay date
Final	22.65	12-Mar-14	31-Mar-14
Interim	15.55	10-Sep-14	30-Sep-14

## Performance

### Share Price % change

	Trust	FTSE All-Share <sup>2</sup>
1 month	3.0	1.5
3 months	0.1	-0.4
1 year	6.5	6.7
3 years	43.5	30.0
5 years	73.8	44.4

<sup>2</sup> Capital return only

### NAV total return % change

	Trust	FTSE All-Share <sup>3</sup>
1 month	3.1	2.2
3 months	-0.1	0.5
1 year	9.5	10.3
3 years	65.4	44.5
5 years	100.2	71.4

<sup>3</sup> Total return

Performance, Price and Yield information is sourced from Thomson Datastream as at 31.08.14.

**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.**

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

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's Commentary

A question we commonly receive from clients, particularly when performance is not great, is "what conditions would you need to outperform" (I should stress this is usually asked more with a sense of curiosity than extreme desperation). Answering this well is tricky as some responses can come across as rather facile. For example, as bottom-up stock-pickers we hope our portfolio has a good spread of out-of-favour stocks picked, at different times, from a wide variety of sectors for different reasons. Therefore, to outperform, we simply need more of the stocks to move into favour than out of favour. At certain times, such as 1999 or 2007, it is relatively easy to provide a more meaningful (although very obvious) answer that our style of value investing needs to return to favour. At other times, it may be obvious that the portfolio has a tilt which suggests it would perform much better in either a strong or weak market. Post the financial crisis, the conditions we preferred were for economically sensitive stocks to factor a more 'normal' vision of the future.

So what are today's ideal conditions? In the past few years, we have focused increasingly on the potential for significant change among the very largest companies in the market. Many of these companies' shares have performed poorly. For example, looking at a selection from the 20 largest companies in the UK market 5 years ago and their subsequent performance relative to the FTSE All-Share Index provides a pretty stark picture.

- HSBC -30.2%
- BP -35.4%
- GlaxoSmithKline -7.3%
- Rio Tinto -10.8%
- BHP Billiton -19.3%
- BG Group -26.4%
- Barclays -58.3%
- Tesco -56.5%
- Standard Chartered -38.0%
- Anglo American -50.6%
- Lloyds Banking Group -40.0%

With 4 banks, 2 oil & gas companies, 1 pharmaceutical company, 3 mining companies and 1 food retailer there is sufficiently wide sector representation to suggest this malaise has a common cause: size (Of course, there have been large cap stocks such as Diageo and Reckitt Benckiser which have outperformed the market, but even for them, earnings growth

has been fairly pedestrian). The search for growth has ended paradoxically in earnings regression for many large companies. Consequently, investors have lost confidence in company management to create value for shareholders. Is the conventional wisdom that 'big is bad' true and will this generate further underperformance in the next 5 years? After all, ask the bears, with such big workforces, geographically diverse operations and bureaucratic approaches to decision making, can there be any other future?

We can see a number of signs providing evidence that a great deal is changing and many of these companies' actions now suggest that shareholder return has moved well above out and out growth in (new) managements' lists of aspirations. Admission that all that has gone before has not been rosy, disposals of non-core assets, large cost-cutting programmes, reductions in capital expenditure and a greater focus on cashflow rather than accounting earnings are common factors that we have noticed. Shrinking to greatness appears to have been embraced as an attractive strategy.

What are the possibilities here for shareholders? Looking at current year earnings, mega caps are trading at a small discount to the rest of the market. This implies an anomaly which would be corrected by a reasonably small move in share prices, but ignores the potential for superior earnings growth and vastly improved capital management. The potential may be even more striking when compared with a number of mid-cap companies which we think may have squeezed every last penny from their earnings.

As contrarian investors we have a recurring 'problem'; we buy too early. We habitually arrive at parties unsocially early; the hostess is still putting out the twiglets and preparing the cheese and pineapple on a stick. However, our early arrival cannot be used as evidence that we are necessarily at a bad party. Management behaviour is changing, but investors may still need convincing.

If we could pick our ideal conditions a period in the sun for the mega caps, driven by their new found enthusiasm for creating

shareholder value would certainly come high up our list.



'exactly, what conditions are you waiting for sir?'

The yield information has been calculated as at 31.08.14. All other information is from Investec Asset Management at 31.08.14.

Telephone calls may be recorded for training and quality assurance purposes.

For further details, call the Investor Services Department on 020 7597 1900, or send an email to enquiries@investecmail.com. Alternatively, visit the Temple Bar website: www.templebarinvestments.co.uk.

Issued by Investec Asset Management, who is authorised and regulated by the Financial Conduct Authority, September 2014.