

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	65,026,531	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

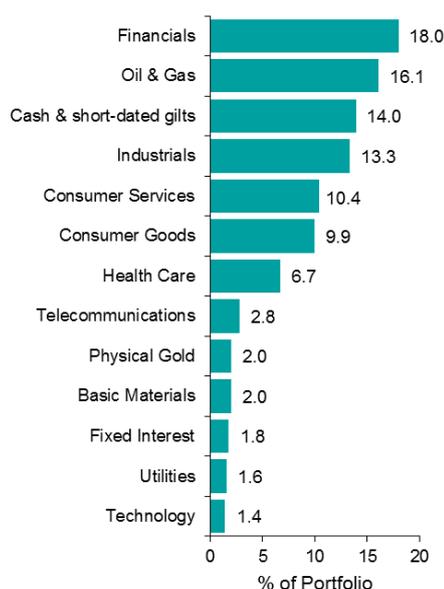
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%) ¹

Royal Dutch Shell Plc Class B	9.1
HSBC Holdings Plc	8.9
GlaxoSmithKline Plc	6.7
BP Plc	5.5
Grafton Group Plc	3.9
British American Tobacco Plc	3.4
Tesco Plc	2.9
Unilever Plc	2.8
Signet Jewelers Limited	2.8
BT Group Plc	2.8
Total	48.8

¹ % of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	869.0
Share price (p)	1216.00
NAV (p) (ex income, debt at mkt)	1178.72
Premium/(Discount), Ex income (%)	3.2
NAV (p) (cum income, debt at mkt)	1200.08
Premium/(Discount), Cum income (%)	1.3
Historic net yield (%)	3.1

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 ²
1 month	-2.2	-0.4
3 months	-1.3	-0.9
1 year	-0.3	2.2
3 years	35.6	18.5
5 years	85.9	52.4

² Capital return only

NAV total return % change

	Trust	FTSE All-Share ³
1 month	-1.8	-0.3
3 months	-2.3	-0.2
1 year	3.2	5.6
3 years	50.5	31.7
5 years	110.4	80.7

³ Total return

Performance, Price and Yield information is sourced from Thomson Datastream as at 31.07.14.

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

Many investors enjoy quoting Warren Buffett, probably because he is so quotable, but probably because their clients will believe the magic Buffett dust is sprinkled generously over those claiming to read his works. However, some of his quotes seem to garner more attention than others. For example in his most recent annual letter to Berkshire shareholders he offers some investment advice.

'My advice to the trustee couldn't be more simple: Put 10% of the cash in short-term government bonds and 90% in a very low-cost S & P 500 index fund (I suggest Vanguard's). I believe the trust's long-term results from this policy will be superior to those attained by most investors — whether pension funds, institutions or individuals — who employ high-fee managers.'

As advice goes, that is all pretty clear. But this quote receives relatively little attention.

When asked about the proven merits of passive investing, active managers provide a number of arguments. They, for example, focus on the indexer's compulsion to buy a lot of the very largest (and by their definition, slowest growing) companies in the market and the general loss of opportunity to deal in inefficiently priced equities. These arguments sound fine, but the statistical evidence suggests that active funds have a nasty habit of underperforming passive funds. John Bogle, the godfather of passive investing, highlights that active funds have higher costs and participate in a zero sum game so in aggregate will underperform.

Buffett's advice therefore makes some sense. If a client has strong evidence (i.e. he can differentiate between skill and luck) that a fund manager has a replicable source of positive alpha, that the client is willing to hold on during the tough times and avoid buying in the good times then index

funds are probably unnecessary. However, if they do not possess these skills and patience – and let's face it, human nature, the press and the regulators do their best to suggest otherwise – then, yes, index funds are a viable alternative.

Of course, Buffet's article 'The Superinvestors of Graham-and-Doddsville' makes it clear that he does think that a certain type of investor, a disciplined value investor, can outperform markets. Perhaps he is offering us a paradox. It is possible to outperform but as a client you must be prepared to hold for the long term, be aware of what you are buying into and be comfortable with the performance profile you may receive.



“The computer won't be in today...it's got a virus”

The yield information has been calculated as at 31.07.14. All other information is from Investec Asset Management at 31.07.14.

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.

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