

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	64,741,873	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

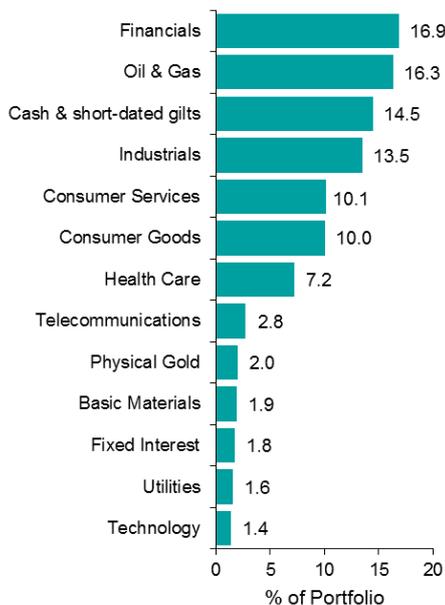
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%) ¹

Royal Dutch Shell Plc Class B	9.0
HSBC Holdings plc	8.2
GlaxoSmithKline plc	7.2
BP p.l.c.	5.8
Grafton Group Plc	3.9
British American Tobacco p.l.c.	3.3
Signet Jewelers Limited	2.9
Unilever PLC	2.9
BT Group plc	2.7
QinetiQ Group plc	2.6
Total	48.5

¹ % of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	879.1
Share price (p)	1243.00
NAV (p) (ex income, debt at mkt)	1201.17
Premium/(Discount), Ex income (%)	3.5
NAV (p) (cum income, debt at mkt)	1221.79
Premium/(Discount), Cum income (%)	1.7
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 ²
1 month	-0.7	-1.5
3 months	2.7	1.3
1 year	8.8	9.4
3 years	32.7	16.3
5 years	108.4	65.7

² Capital return only

NAV total return % change

	Trust	FTSE All-Share ³
1 month	-1.3	-1.3
3 months	-0.2	2.2
1 year	11.8	13.1
3 years	47.9	29.2
5 years	141.9	96.7

³ Total return

Performance, Price and Yield information is sourced from Thomson Datastream as at 30.06.14.

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

Bits and pieces

I sometimes avoid writing about certain issues. Perhaps because they are worth no more than a few lines or, perhaps, because they appear to be no more than random statements eliciting more questions than answers. Some of them may well be rubbish, others may deserve a bit more thought – but all, hopefully, justify a small amount of airplay.

We are all stockpickers now

In recent years, there appears to have been a trend to focus efforts on stockpicking, in preference to top down (macroeconomic) analysis. After all, goes the argument, good company management can navigate through all sorts of conditions, and an investor is playing with fire in trying to fine tune entry and exit points on the back of expected macroeconomic news. While intuitively appealing, there are at least two stumbling blocks here. Many sectors cannot always simply detach themselves from big picture events (for example mining and banking), particularly if balance sheets are anything other than pristine and, secondly, there may just be times when the macroeconomic picture is so important it cannot be ignored. Perhaps now is one of those times?

Hidden gems

For many years investors have argued that the great benefit of focusing on small- and mid-cap stocks is that they are under-analysed and, therefore, provide rich pickings for analysts willing to put in the work. Looking at competitor presentations I often see Howden Joinery pop up as one of these uncovered treasures. However, my Reuters feed highlights 16 investment bank analysts who follow the company. Hardly a well kept secret. In contrast, according to CLSA, 50% of the Topix 500 is covered by no more than two analysts.

Where are the hiding places?

Let's imagine that we were lucky enough to know that the equity market was about to fall significantly. Where would we hide? Historically, defensives have proved to be the 'safe haven', but is this guaranteed? Many defensives, be they consumer staples or utilities, have performed very well and stand at very high valuations. Is it possible that in one group of stocks there could be significant earnings risk, while in another there is significant derating risk?

Remember the exit strategy?

When the Bank of England first introduced quantitative easing (QE), some years ago, the most common question asked by clients was: 'What is the exit strategy?'. Since then QE has expanded beyond most investors' wildest dreams (or, more accurately, nightmares?) but the exit question is rarely asked. Why is that?

Did quantitative easing work?

If you had told a bunch of economists how much QE was going to be completed and asked them what the economy would look like as a consequence, it is tempting to wonder how many would have provided accurate answers. And if the number is very small, why are not more people disturbed by this? Have any of us got any understanding of the short or long-term effects of QE?

Bored?

I had a friend at university who, to all intents and purposes, was and remains, a fairly normal guy. However, I do remember him when struck once by a combination of boredom, poverty and curiosity he decided to take a leisurely walk on his 14th floor 'balcony' at our hall of residence. I am far from convinced that even he, let alone health and safety, would have recommended this course of action, but I always think of it as an example of how some people can react to extreme boredom. With equity market volatility extraordinarily low is the temptation to do something (anything) so great, that some silly mistakes are currently being made?

Anti-closet indexers

With increasing focus on fund management expenses, particularly when compared to the costs of investing passively, investors more than ever feel the need to justify charges by seeking to add alpha consistently through the cycle. While laudable, this implies that there is always plenty of alpha available, and suggests it may work as a bias against taking large positions in the largest companies in an index. But what if it is the largest companies in the index which offer most value?

Spurious correlations

The website Spurious Correlations, is undoubtedly worth a few moments of everyone's time. It does for example, show the very high correlation between per capita consumption of cheese in the US with the number of people who died by

becoming tangled in their bedsheets. This is a classic example of how correlation does not mean causation, but in the example on the website it would be fairly unlikely that many people would have read too much into these relationships. The difficulty arises when a narrative around a correlation makes intuitive sense. For example, the correlation between the growth of the balance sheet of the US Federal Reserve and the S&P is extraordinarily high over the last 10 years and to many this is no surprise. After all, they say, money is being printed and heading straight into financial markets. This is all well and good, but it is important to remember that a few years ago there was a strong correlation between commodity prices and the size of the Fed's balance sheet. However, that relationship proved spurious and is no longer quoted. Is the equity/balance sheet correlation anymore genuine?

The dreaded catalyst

Perhaps the correlation is entirely genuine. In which case the catalyst that investors search for to call a top in the equity market may be a shrinkage in the Fed's balance sheet. If it is, it will be interesting watching a plethora of investors rush for the door simultaneously.

Investment banks – not here to help

It is probably best to remember that, as my boss mentioned to me many years ago, people at investment banks 'are not your friends', but at least they always seemed happy to be on the other side of most deals. However, this is far from the truth now. New banking regulations discourage banks from holding inventory, which suggests far more dealing is on a matched bargain basis. Once again, what happens if everyone heads for the door simultaneously and is that why there have been stories of regulators imposing exit fees on bond funds?

Albert Edwards – investment idol or devil's advocate?

It was great to see Albert Edwards win top ranking of investment strategists in the last Extel Survey and he has now held top spot for nine years. Albert, in his unique style, has been warning investors of the coming 'Ice Age' for the last 15 years and his, successful, investment recommendation has been very straightforward in that time: buy bonds, sell equities. What is curious about Albert's popularity is that the number of investors following his recommendation

The yield information has been calculated as at 30.06.14. All other information is from Investec Asset Management at 30.06.14.

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

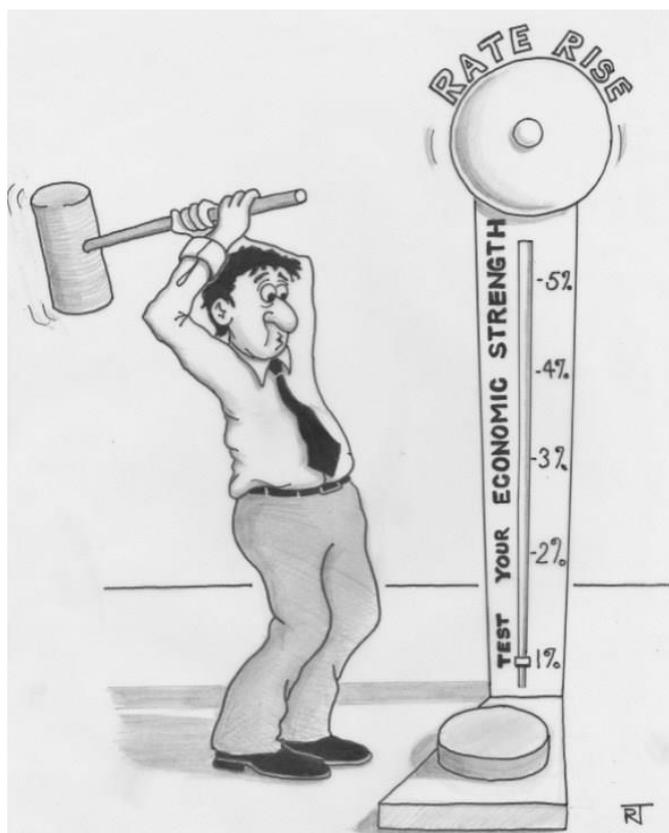
For further details, call the Investor Services Department on 020 7597 1900, or send an email to enquiries@investecmail.com. Alternatively, visit the Temple Bar website: www.templebarinvestments.co.uk.

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seems to be very low. Do we vote for Albert because we think he is excellent and correct or do we vote for him to convince ourselves that we have listened attentively to the devil's advocate?

UK banks

A few years ago, investors seemed to either love or hate banks. That extreme sentiment seems to have moderated and now the focus appears to be on what the new 'normal' looks like in banking. Barclays most recent restructuring announcements have provided investors with sufficient information to believe that the investment bank will be run down to a smaller size over the next few years to reveal highly attractive franchises in UK retail banking and Barclaycard, in particular. This has encouraged some investors to suggest that, given the probable worth of these other divisions, Barclays Investment Bank is in the valuation for free. While this is mathematically true, it is essential to remember there are numbers less than zero. Is it possible that Barclays Investment Bank is actually a sizeable liability? While that seems a fairly extreme view, Barclays have, after all, decided to either sell or wind down £400 billion of assets held in the investment bank. As outsiders (and possibly for insiders) it is impossible to know whether these assets are worth £400 billion, but when compared to an equity base of £40 billion not much would have to go wrong for the sum of the parts argument to be proved wrong. It is very possible that Barclays' shares are cheap, but it remains a risky bet.



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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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