

## 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 – April 2020

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

## Trust Objective

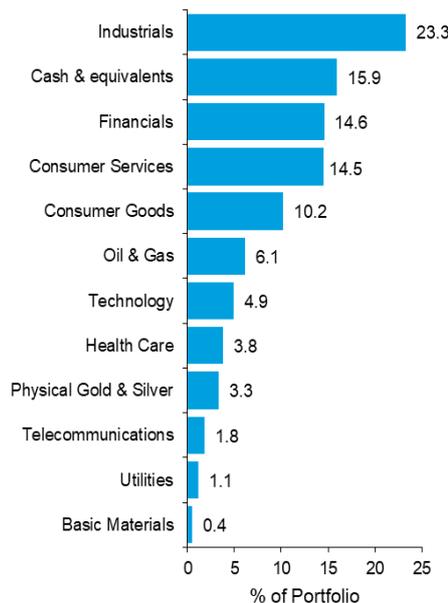
To provide growth in income and capital to achieve a long-term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

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

|                              |             |
|------------------------------|-------------|
| Travis Perkins Plc           | 5.5         |
| IWG Plc                      | 4.1         |
| Bayer AG                     | 3.8         |
| Sprott Physical Silver Trust | 3.3         |
| easyJet Plc                  | 3.3         |
| American Express Company     | 3.3         |
| Safran SA                    | 3.0         |
| Rolls-Royce Holdings Plc     | 2.8         |
| Delphi Technologies Plc      | 2.8         |
| Citigroup Inc                | 2.7         |
| <b>Total</b>                 | <b>34.6</b> |

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

## Sector Analysis



## Financial Data

|                                    |       |
|------------------------------------|-------|
| Total Assets (£m)                  | 663.5 |
| Share price (p)                    | 733.0 |
| NAV (p) (ex income, debt at mkt)   | 843.1 |
| Premium/(Discount), Ex income (%)  | -13.1 |
| NAV (p) (cum income, debt at mkt)  | 843.1 |
| Premium/(Discount), Cum income (%) | -13.1 |
| Historic net yield (%)             | 7.0   |

## Dividend History

| Type                    | Amount (p) | XD date   | Pay date  |
|-------------------------|------------|-----------|-----------|
| 2 <sup>nd</sup> interim | 11.00      | 10-Sep-20 | 30-Sep-20 |
| 1 <sup>st</sup> interim | 11.00      | 04-Jun-20 | 30-Jun-20 |
| Final                   | 18.39      | 12-Mar-20 | 31-Mar-20 |
| 3 <sup>rd</sup> interim | 11.00      | 05-Dec-19 | 30-Dec-19 |

## Performance (Total Return)

### Cumulative Returns (%)

|          | Share Price | NAV   | FTSE All-Share |
|----------|-------------|-------|----------------|
| 1 month  | 4.4         | 9.4   | 2.4            |
| 3 months | -0.7        | 0.3   | 0.3            |
| 1 year   | -34.4       | -29.9 | -12.6          |
| 3 years  | -35.9       | -30.4 | -8.2           |
| 5 years  | -20.3       | -11.6 | 17.3           |
| 10 years | 39.5        | 59.2  | 77.6           |

### Rolling 12 Month Returns (%)

|           | Share Price | NAV   | FTSE All-Share |
|-----------|-------------|-------|----------------|
| 31.08.19- |             |       |                |
| 31.08.20  | -34.4       | -29.9 | -12.6          |
| 31.08.18- |             |       |                |
| 31.08.19  | -3.9        | -3.8  | 0.4            |
| 31.08.17- |             |       |                |
| 31.08.18  | 1.7         | 3.4   | 4.7            |
| 31.08.16- |             |       |                |
| 31.08.17  | 20.4        | 15.9  | 14.3           |
| 31.08.15- |             |       |                |
| 31.08.16  | 3.2         | 9.6   | 11.7           |

Performance, Price and Yield information is sourced from Morningstar as at 31.08.2020

**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 move independently to the net asset value.

### 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. insolvency), 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

In our team, we take care not to be too quick to dismiss stock-market moves as irrational. Doing so suggests a lack of curiosity, and being curious is a vital part of any investment process. When observing puzzling market behaviour, it is better to consider what we might be missing, rather than discounting the behaviour as aberrant. However, some phenomena defeat even the most committed philosopher, and the current environment offers plenty that we find difficult to make sense of.

One industry where investors appear to have jettisoned every last ounce of scepticism is food delivery. This is a sector where companies have been raising lots of money to spend in a 'spray-and-pray' attempt to acquire customers and eventually, maybe, a monopoly position. In the process, they are demolishing the economics of the targeted industry. No one is making money in online food delivery today, both restaurants and customers find the fees high, and drivers have become poster children for the precarious nature of employment in the gig economy. It is also an industry that does not scale (a driver can only carry a limited number of meals and make a finite number of trips per hour) and that generates large amounts of packaging waste.

Despite these challenges, the main players (Deliveroo, Uber Eats, Postmates, Doordash, GrubHub, Just Eat Takeaway) are fighting hard to gain market share, racking up billions in 'customer-acquisition costs' in the hope that said customers will stick around long enough to justify the marketing spend. We suspect that, even if a few large winners should emerge, the prize might turn out to be sorely disappointing.

An interesting story came out in mid-May that showed how irrational this customer-acquisition war has become. Ranjan Roy and Can Duruk, on their 'Margins' blog, tell the story of a friend who owns a pizza restaurant in Topeka, Kansas. He had resisted partnering with delivery companies for over a decade, despite entreaties, for fear that the customer dining experience would suffer. But recently he found out that Doordash was offering a delivery option for his restaurant. It had created a programme that would order takeaway from the website, which drivers would covertly pick up and deliver. However, they did so without proper bags for pizza, so the order would arrive cold. Customers began calling the restaurant to complain, which is how the owner found out about the delivery service.

The restaurant owner also discovered that a pizza that normally cost US\$24 was being offered on Doordash for US\$16, even though his establishment always received the correct price. So either Doordash was subsidising the cost of the pizza for customer-acquisition purposes, or it had applied the wrong price. The latter turned out to be the explanation. Doordash uses programmes to scrape restaurant websites, and in this case the programme had applied the price of a plain-cheese pizza to a "specialty" pizza with lots of toppings. The blog authors and their pizza-restaurant owner friend realised there was an arbitrage to be had: if you can pay Doordash US\$16 for a pizza, and Doordash will pay the restaurant US\$24 for the same pizza, then the owner should clearly order pizzas himself from Doordash and net US\$8 profit per pizza.

They tried it with 10 pizzas. They placed an order from a friend's house and were charged US\$160. The Doordash driver showed up at the restaurant and paid US\$240. It cost the restaurant US\$7 to make each pizza, so the arbitrage profit on the whole operation was only US\$10 (US\$240 in revenues minus US\$160 to buy the pizzas and US\$70 to make them), but it worked nonetheless. Then they reasoned that, since they were the ones buying the pizzas anyway (there was no actual customer), they could just put plain dough in the boxes and save the cost of the other ingredients. Dough is apparently near-costless at scale, so the arbitrage profit now became US\$75 per 10-pizza trade (US\$240 in revenues minus US\$160 to buy them and US\$5 for the boxes). Now things became more interesting. Ordering 10 'pizzas' a night for a month would result in a riskless profit of about US\$2,250, which is a respectable monthly wage, especially since it only takes a few minutes a night to earn it.

This story is anecdotal. But it portrays a certain mindset and a way of doing business where companies are given enormous leeway by their investors to spend money in the pursuit of growth, regardless of the long-term viability or sustainability of their business models. There are many other examples, ranging from the simply overvalued to the plainly unsustainable, whose stocks have been lifted in this rally of all-things-growth.

We like growth, and look for companies that can achieve it at attractive returns on capital and that are trading at attractive valuations. However, growth stories should be challenged. Many of the more speculative ones we see around us today certainly deserve to be.

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