

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	63,553,494	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%* (31.12.13)
*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 Asset Management Ltd

Registrars: Equiniti Ltd

Savings Scheme Administrator:
Equiniti Financial Services Ltd

Secretary:
Investec Asset Management Ltd

Stockbrokers: JPMorgan Cazenove

Bankers & Custodian: HSBC Bank Plc

Solicitors: Eversheds

Trust Objective

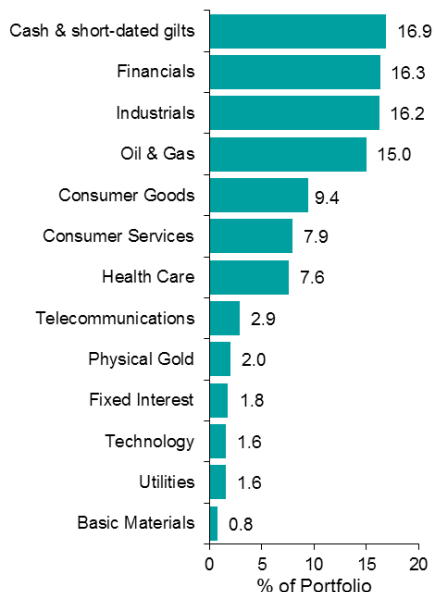
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the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

Top Ten Equity Holdings (%) ¹

Royal Dutch Shell Plc Class B	8.1
HSBC Holdings Plc	7.8
GlaxoSmithKline Plc	7.6
BP Plc	5.6
Grafton Group Plc	4.5
British American Tobacco Plc	3.1
BT Group Plc	2.8
QinetiQ Group Plc	2.8
Unilever Plc	2.6
Signet Jewelers Limited	2.5
Total	47.4

¹ % of total assets, including cash

Sector Analysis



Financial Data

Total Assets (£m)	888.51
Share price (p)	1280.00
NAV (p) (ex income, debt at market value)	1239.05
Premium/(Discount), ex income (%)	3.30
NAV (p) (cum income, debt at market value)	1264.64
Premium/(Discount), cum income (%)	1.21
Historic net yield (%)	2.95

Dividend History

Type	Amount (p)	XD date	Pay date
Interim	15.10	11.09.13	30.09.13
Final	22.65	12.03.14	31.03.14

Performance

Share Price % change

	Trust	FTSE All-Share ²
1 month	5.3	4.9
3 months	4.1	3.3
1 year	15.5	9.5
3 years	45.1	18.0
5 years	137.0	90.0

² Capital return only

NAV total return % change

	Trust	FTSE All-Share ³
1 month	4.7	5.2
3 months	3.4	3.9
1 year	20.6	13.3
3 years	55.9	31.2
5 years	204.1	126.2

³ Total return

Performance, Price and Yield information is sourced from Thomson Datastream as at 28.02.14.

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.

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 colleague of mine is convinced that, at some stage, many of us will be travelling around in flying cars. He believes that human achievement has continued to surprise over time and, arguably, is happening at an increasingly quicker pace. He claims he is simply extrapolating this progress. Certainly, while he is not the first to express a belief in new transport methods, what this thinking does is differentiate him from the mainstream by putting a tick in the box marked 'imaginative'. Imagination is an appealing characteristic – but does it have a place in investment management or is it just a more acceptable term than guesswork?

One way to utilise this imagination, which has been recommended by various academics, is to conduct pre-mortems – a strategy in which a manager imagines (in this case an investment decision) has failed and then works backwards to determine what could lead to this failure. However, the human mind is, simply, incapable of assessing all future possibilities. Rather than putting poor thinking down to investors, it is a reflection on the bizarre world we live in. For example, anyone accurately forecasting the deterioration in UK government services company, Serco's profitability in the past few years would have predicted — to quote from the Financial Times — "a Serious Fraud Office investigation into an offender tagging contract, a City of London police investigation into a prison vans contract, a shortfall on a detention centre contract in Australia (and) a temporary ban on bidding for UK government work". That would have undoubtedly pushed all investors to their imaginative limits.

In its simplest form, stock analysis can be perhaps boiled down to four main areas – where has a company been, where is it now, where is it going and how much are we paying to go there? To answer these questions, we need to look at a company's historic performance, its current performance (in cashflow terms, balance sheet strength as well as profitability), and its future performance. Undoubtedly, the fun part of analysis is working out where we are going. This, depending on the investor, includes meeting senior management, 'hobnobbing' with industry experts and building detailed models of the future. It tends to involve less rigour, number crunching and boredom than studying and analysing the past, but in

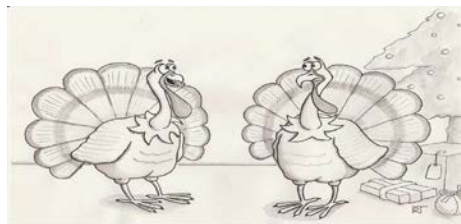
investment bank reports it often generates far more words and spreadsheets. As we all like fun, there is a good chance excessive time is wasted on the 'where is it going' phase relative to the other three areas. Having committed so much time to that phase, it is difficult for an analyst to be anything other than confident that their time has been well spent – that their imagination is accurate.

What Serco and the many other stocks that throw up surprises actually teach us, is that the future is far more uncertain than we realise. Value investors' decision-making process is greatly assisted by valuations. Moreover, a low rating provides great protection against our imagination overcooking (by not paying much for extremely bullish thoughts) or undercooking things (paying insufficient attention to threats), while a high valuation tells us the imaginers have already pushed the price up to levels where their new age vision of the future must be reasonably accurate to justify the price.

When panic is rife, investors are usually insufficiently imaginative.. At these times, it really pays to analyse say, the benefits of a merger between two parties, the potential to cut costs significantly or when it comes to profitability, just a reversion to mean.

Additionally, when times are good, the stress-testing of a balance sheet or concerns about future actions of a company's board of directors with a dubious past seem more worthy of an imaginary focus rather than estimates of new product development over the next 10 or 15 years.

While hoping to avoid too tortuous an analogy, it may be useful to compare our actions with that of a chess player. In essence, we are looking more than one or two moves ahead. However, as all players will be doing the same and therefore, there is little value we can add, we will also seek to avoid analysis of 12 move combinations, as there are simply too many variables to suggest that our results will be anything other than wildly inaccurate. Instead we are searching for opportunities in the imaginative middle ground; three or four move combinations and taking a bit of thought, but not totally reliant on randomness for a positive outcome.



"I'm thinking of throwing a New Year partywould you like to come?"

The yield information has been calculated as at 28.02.14. All other information is from Investec Asset Management at 28.02.14.

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, March 2014.