

# Temple Bar Investment Trust PLC – Monthly update 31<sup>st</sup> January 2013

## Trust Facts

**Launch date:** 1926

**Wind-up date:** None

**Year end:**  
31<sup>st</sup> 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        60,551,367    0882532

**Debt:**  
5.5% Debenture Stock 2021    £38m  
9.875% Debenture Stock 2017    £25m

**Charges:**  
**Management fee:** 0.35% per annum based on the value of the investments of the Company.  
**Ongoing charges:** 0.51% (December 2012)

**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

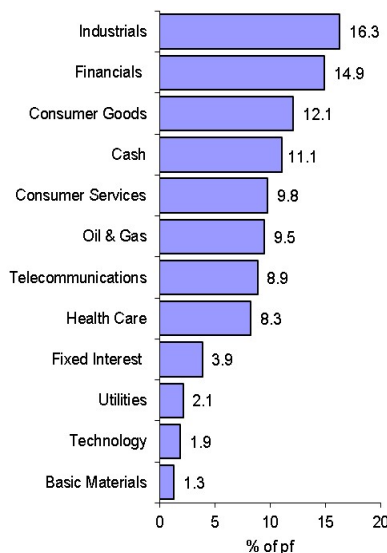
To provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the constituents of the FTSE 100 Index.

## Top ten equity holdings (%) \*

HSBC Holdings PLC	7.9
GlaxoSmithKline PLC	7.6
Royal Dutch Shell PLC (CL B)	7.1
Signet Jewelers Ltd.	6.1
Vodafone Group PLC	4.9
Unilever PLC	4.6
Grafton Group PLC	4.2
BT Group PLC	3.9
Travis Perkins PLC	3.4
QinetiQ Group PLC	2.8
	<b>52.5</b>

\* % of total assets, including cash

## Sector Analysis



## Financial data

Total Assets (£m)	700.47
Share price (p)	1078.00
NAV (p) (ex income, debt at mkt)	1027.41
Premium/(Discount) (%)	4.9
Historic net yield (%)	3.40

## Performance

### Share Price % change

	TBIT	All-Share *
1 month	7.3	6.3
3 months	11.1	8.7
1 year	21.8	12.1
3 years	47.7	23.6
5 years	57.3	9.6

\* Capital return only

### NAV total return % change

	TBIT	All-Share *
1 month	8.0	6.4
3 months	10.0	9.3
1 year	25.8	16.3
3 years	50.9	37.0
5 years	75.5	31.8

\* Total return

Source: Thomson Datastream, Investec

## Dividend History

Type	Amount (p)	Ex date	Pay date
Final	22.00	13-Mar-13	28-Mar-13
Interim	14.65	21-Sep-12	28-Sep-12

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### Manager's Commentary

I have always assumed that value investors typically worry whether the companies they are analysing will ever grow again and that growth investors ponder whether the companies they are investigating are likely to trip up soon. I was therefore interested to find a couple of management consultants, Matthew Olson and Derek Van Bever, had studied the latter issue in detail and consequently authored 'Stall Points, Most Companies Stop Growing – Yours Doesn't Have To' in 2008. The authors gathered information in what appears to have been a painstaking study of 600 companies in the Fortune 100 over the 50 years to 2006. They come to the not very surprising conclusion that most (87% of) large companies reach a point at where growth stalls and in most cases never restarts. And it gets worse. The average company, they claim, lost 74% of its market capitalization relative to the S&P 500 over the period 3 years before the stall (yes, it stank of data mining to me too) to 10 years after.

Any reader digesting the findings could be quite depressed at the many obstacles companies find in their pursuit of growth. But all is not lost. The two experts (whose services can obviously be purchased to help these ailing companies) believe 87% of the identified factors were controllable and therefore most companies stopped growing for self-inflicted reasons (and they even suggest that many of the stalls caused by uncontrollable factors, say significant technological or economic weakness, were avoidable!).

Olsen and Van Bever conducted in depth analysis of 50 of the companies in the original study to assist their understanding of relevant factors behind stalls. They uncovered 42 causes -which covered everything from poor acquisitions and excessive interest in cost-cutting to key customer dependency and

overextension of a winning formula – and boiled these down into four main and rather wordy categories: premium position captivity (a failure to react to low-cost competitors), innovation management breakdown (poor returns on new products), premature core abandonment (failure to exploit growth opportunities in the core franchise) and talent bench shortfall.

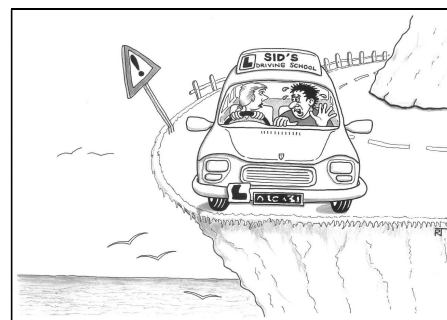
The sheer weight of numbers suggests that virtually all companies ultimately stall and that the reason – as Olson and Van Bever admit - is usually only seen in the rear view mirror. Whilst one or two companies do grow to the sky, and are used in business school case studies for years to come, it is quite possible that their success is due to luck not skill, and their success provides no insights.

The authors recommend a number of ways to avert stalls and one is particularly worth highlighting, as much for the entertainment it can provide as for its probable value (which might actually be quite high). They suggest that employees carry out a pre-mortem on their company and imagine a newspaper article written in 5 years' time detailing the company's demise and its causes. They then recommend intense analysis of these risk factors. This could also be a revealing exercise for equity stock analysts, fund managers, husbands and wives.

Perhaps another way to interpret the data is to conclude that it is perfectly normal for most growth companies to run out of puff (after all, management consultants have been on hand for several years and have been unsuccessful in changing these numbers). Therefore, maybe growth investors, rather than hunting for the needle in the haystack long-term winner, would benefit from assuming that growth, however certain it may appear, will soon peter out. While it is quite possible that technology and globalization are making it more

difficult for struggling companies (i.e. value stocks) to escape from a vortex, it is important to consider that many of today's growth companies are tomorrow's strugglers and similarly vulnerable. The skills of management consultants notwithstanding, the sensible bet seems to be that most good things will mean revert, and when they do their high ratings will mean revert too.

***"I never thought I'd be so relieved when my business stalled!"***



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