

# Temple Bar Investment Trust PLC – Monthly update 31<sup>st</sup> August 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	61,901,818	0882532

**Debt:**

5.50% Debenture Stock 2021	£38m
9.875% Debenture Stock 2017	£25m
4.05% Private Placement Loan 2028	£50m

**Charges:**

**Management fee:** 0.35% per annum based on the value of the investments of the Company.

**Ongoing charges:** 0.47% (June 2013)

**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 (%) \*

GlaxoSmithKline plc	7.7
Vodafone Group Plc	7.1
HSBC Holdings plc	6.7
Royal Dutch Shell Plc Class B	6.1
Signet Jewelers Limited	6.0
Grafton Group Plc	5.6
BT Group plc	4.5
Unilever PLC	2.9
SIG plc	2.9
QinetiQ Group plc	2.6
	<b>52.1</b>

\* % of total assets, including cash

## Financial data

Total Assets (£m)	793.21
Share price (p)	1177.00
NAV (p) (ex income, debt at mkt)	1135.55
Premium/(Discount) (%)	3.7
Historic net yield (%)	3.15

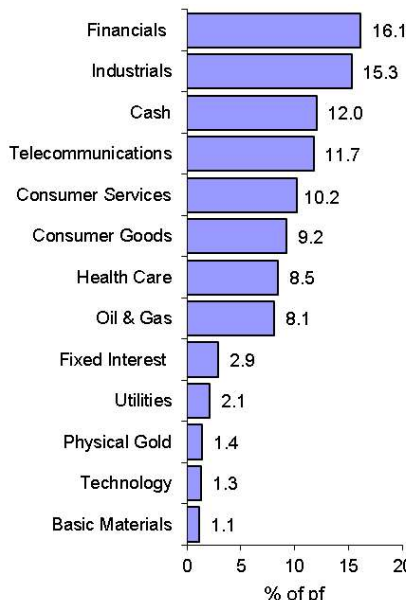
## Performance

### Share Price % change

	TBIT	All-Share *
1 month	-3.5	-2.8
3 months	1.6	-1.8
1 year	24.8	14.7
3 years	53.1	26.5
5 years	83.8	18.9

\* Capital return only

## Sector Analysis



## NAV total return % change

	TBIT	All-Share *
1 month	-2.8	-2.2
3 months	-0.3	-0.8
1 year	30.0	18.9
3 years	69.2	40.5
5 years	105.2	42.6

\* Total return

Source: Thomson Datastream, Investec

## Dividend History

Type	Amount (p)	Ex date	Pay date
Interim	15.10	11-Sep-13	30-Sep-13
Final	22.00	13-Mar-13	28-Mar-13

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## Manager's Commentary

The behavioural finance field has grown strongly over the last decade with much written highlighting the biases that afflict investors. Amongst the fascinating aspects of the studies detailing why investors do dumb things is the implication that the authors themselves are bias free. For example, for all their knowledge of better-than-average bias, it is very likely that these people are as (incorrectly) confident of their driving skills and sexual attractions as those who they highlight as having the weakness. (I appear to be one of the few men who confidently asserts that my driving skills are below average. I however, then queer my pitch by explaining that I adjust for this by driving particularly carefully thus boosting my performance above the average!).

As you would imagine, the behavioural finance experts have considered this flaw and identified the bias blind spot to describe those people who think biases are what affect others, but not themselves.

Other than replacing humans with computers programmed to react to information in certain ways, there is no proven cure to the bias blind spot. Perhaps one solution is to position ourselves so that we are least likely to be affected by it.

As investors, the time when we are probably most rational is when we begin analysis of a new idea. We want to be as objective and bias-free as possible although even at this stage it is, wrongly, possible to 'have a good/bad feeling about the stock' based on little more than a cursory glance at a few snippets of information. The big troubles kick in once we decide to purchase a stock as we are then committed and at the mercy of the panoply of biases with

which we are all now so well acquainted.\*

If after buying a stock it subsequently falls, we risk brushing off information that we view as irrelevant (conservatism) or embracing and exaggerating information that supports our view (confirmation bias) and find it harder to construct a view contra to our own. We find it difficult to sell the losers (sunken cost bias), but then under extreme pressure capitulate (the "I can't take any more" bias?).

How can we minimize the risk of these biases? If we are most rational before we have skin in the game then we must do everything in our powers to make the original decision as high quality as possible; consideration of a number of scenarios for the business, its cashflow and its balance sheet, an understanding of any accounting rinkydinks and so on. This may sound like the only professional option, but many investors instead prefer to build positions as they learn more about the company.

This process should also impact on later decisions. If a stock we hold announces a huge profits warning and its share price craters, our judgement is likely to be affected even if we claim otherwise. Perhaps we should therefore give greater weight to our original decision than to one made post the warning – or at the very least ensure we reread our analysis to remind ourselves why we purchased the stock. Given my less than impressive record when capitulating, I wonder if the 'wither on the vine option' is preferable. This would at times of great doubt encourage us to simply not make further purchases, rather than selling. The initial work would have had to be pretty appalling, or affected by an unlikely run of events to inflict further significant loss.

So, more than ever, we now try and kill an investment idea at the time of analysis. Our belief is most investors probably shy away from this as, taken to extremes, it can create decision making paralysis and encourage a vain search for the perfect investment. The objective is not to find the perfect stock, merely to have considered all the factors that could be major drivers of long-term performance. We will still make mistakes, but if we can limit the number of unforced errors, that alone should pay dividends.

\*When we are conducting the analysis we are merely involved, from purchase we are committed. Martina Navratilova clearly appreciated the change. 'The difference between involvement and commitment is like ham and eggs. The chicken is involved; the pig is committed'.

***"I reached my decision ages ago, but finding the reasons for it is the hard part"***



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