

# Temple Bar quarterly newsletter

Dear investor,

Welcome to the latest issue of Temple Bar's quarterly newsletter.

In this quarter's feature article, Ian Lance revisits the 'total return kings' thesis, to investigate how the dual catalysts of corporate takeovers and share buybacks are influencing the performance of certain UK stocks and the Temple Bar portfolio as a whole.

We also provide details of a series of presentations delivered by portfolio managers Ian Lance and Nick Purves in recent weeks, and we are pleased to share news of three awards that Temple Bar received towards the year's end.

We remain open to your feedback on all matters relating to the trust. Please feel free to email us at [Templebar@redwheel.com](mailto:Templebar@redwheel.com) or by any of the other means of contacting us that are detailed on our website.

With best wishes for the year ahead,  
The Temple Bar team

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# The ‘total return kings’ revisited

Since we believe that fund manager ‘start of year outlooks’ are rarely of any use, we do not intend adding to the dozens that have already been published. Instead, our natural contrarian instincts inspire us to look backwards rather than forwards, so on the following pages we review what we were saying early last year and how it has turned out.

In one of our newsletter articles last year, called ‘The return of the total return kings’, we identified two catalysts that we thought could realise some of the significant levels of value that we observed in the UK equity market – corporate takeovers and share buybacks. So how did that work out?

## 1. Corporate takeovers

In the previous note, we stated the following:

“The relentless selling of UK equities has driven valuations to such low levels that overseas corporates have spotted an opportunity to acquire UK assets at prices that offer serious future return potential.”

Indeed, 2024 turned out to be a year in which UK plc had its ‘Barbarians at the gate’ moment<sup>1</sup> as overseas corporate buyers and private equity firms took advantage of the low valuations of UK businesses created by the valuation-agnostic selling of UK equities. The trust benefited from this activity, with IDS and Direct Line being taken over, whilst Currys and Anglo American received approaches that they successfully rebuffed.



Target	Offeror	Announcement Date	Size £bn	Premium	Deal Status
DS Smith PLC	International Paper Co	16.04.24	7.5	30%	Pending
Hargreaves Lansdown PLC	CVC Advisers Ltd, Nordic Capital, Svenska AB, Abu Dhabi Investment Authority	09.08.24	5.4	30%	Pending
International Distribution Services	EP Corporate Group AS, J&T, Capital Partners AS	29.08.24	4.3	49%	Pending
Darktrace PLC	Thoma Bravo LLC	26.04.24	4.1	20%	Completed
Britvic PLC	Carlsberg AS	08.07.24	4.0	30%	Pending
Direct Line Group PLC	Aviva PLC	23.12.24	3.5	73%	Pending
LXI REIT Plc	LondonMetric Property PLC	11.01.24	2.9	9%	Completed
Virgin Money UK PLC	Nationwide Building Society	21.03.24	2.8	38%	Completed
Redrow PLC	Barratt Developments PLC	07.02.24	2.3	27%	Completed
Hipgnosis Songs Fund Ltd /The Fund	Blackstone Inc	29.04.24	1.3	32%	Completed
Spirent Communications PLC	Viavi Solutions Inc	20.09.24	1.1	61%	Pending
Anglo American PLC	BHP Group Ltd	24.04.24	33.8	31%	Withdrawn
DS Smith PLC	Mondi PLC	08.02.24	7.2	33%	Withdrawn
Rightmove PLC	REA Group Ltd	02.09.24	6.3	48%	Withdrawn
Direct Line Insurance Group PLC	Ageas SA/NV	28.02.24	3.0	43%	Withdrawn
John Wood Group PLC	Sidara	08.05.24	1.6	39%	Withdrawn
Hipgnosis Songs Fund Ltd/The Fund	Alchemy Copyrights LLC	18.04.24	1.2	42%	Terminated
Currys PLC	Elliott / JD.com	17.02.24	0.8	32%	Withdrawn

Source: Bloomberg, 31 December 2024. The information shown above is for illustrative purposes only and is not intended to be, and should not be interpreted as, recommendations or advice.

<sup>1</sup> The phrase ‘Barbarians at the Gate’ originates from the title of a book by Bryan Burrough and John Helyar, chronicling the aggressive leveraged buyout of RJR Nabisco in the late 1980s – it is now regularly used to describe opportunistic corporate takeover activity.

## 2. Share buybacks

In the same note, we demonstrated how firms consistently buying back lowly valued shares can create significant value through the case study of Next plc, highlighting how some of our current investments had the ability to replicate this (hence the title ‘The return of the total return kings’.)

Having urged many of the companies that we invest in to take advantage of their lowly valued shares, we were delighted to see many of them implement share buyback policies in 2024, often with considerable benefits to remaining shareholders. The biggest successes were NatWest and Barclays, which reduced their share count by 9% and 5% respectively and saw their share prices rise by 83% and 72%<sup>2</sup>.



### Where does this leave us now?

As previously mentioned, the share prices of several stocks in the trust portfolio rose considerably during 2024. Some were the result of bid activity, others were beneficiaries of consistent and sizeable share buybacks. This may prompt some investors to reflect on their strategy as we transition from one year to the next, but we believe this would be a mistake driven by a cognitive bias known as anchoring.

The anchoring effect is “a psychological phenomenon in which an individual's judgments or decisions are influenced by a reference point or ‘anchor’ which can be completely irrelevant”<sup>3</sup>. In one famous study by Amos Tversky and Daniel Kahneman<sup>4</sup>, participants were asked to estimate the percentage of African countries in the United Nations. Before estimating, the participants first observed a ‘wheel of fortune’ that was rigged to stop on either 10 or 65. Participants whose wheel stopped on 10 guessed lower values (25% lower on average) than participants whose wheel stopped at 65 (45% higher on average). Thus, their estimates were influenced or ‘anchored’ off a data point that had no relevance to what they were being asked to forecast.

Similarly in the stock market, investors tend to anchor off certain share prices which actually contain little information about the value of the stock they are analysing. Instead, we would argue that current valuations are a better guide to future returns than historic or current share prices.

Despite the strong performance seen in 2024, we believe the valuations of the shares in the Temple Bar portfolio are still at very attractive levels, as demonstrated in the table on the following page. This, more than anything else, should give investors optimism about the future long-term returns that these stocks could deliver.

<sup>2</sup> Source: Bloomberg, 9 January 2025. Past performance is not a guide to the future.

<sup>3</sup> Source: Wikipedia

<sup>4</sup> Judgment under uncertainty: heuristics and biases, Tversky and Kahneman, 1974

Temple Bar - top ten holdings		
	PE	Dividend yield %
Barclays	6.5x	3.7
Shell	8.5x	4.5
NatWest	7.1x	5.5
Standard Chartered	6.9x	3.0
Bp	8.3x	6.1
Aviva	9.0x	8.0
ITV	7.9x	7.1
TotalEnergies	7.2x	6.3
Anglo American	15.0x	2.6
Marks and Spencer	11.5x	1.1

Source: Redwheel, Bloomberg, 9 January 2025, based on consensus estimates for 2025. The information shown above is for illustrative purposes only and is not intended to be, and should not be interpreted as, recommendations or advice. Forecasts and estimates are based upon subjective assumptions.

**"Despite the strong performance seen in 2024, we believe the valuations of the shares in the Temple Bar portfolio are still at very attractive levels."**



## Conclusion

In a world in which many investors seem obsessed with the large US technology companies (colloquially known as 'The Magnificent Seven'), it is worth noting that some of the Temple Bar portfolio holdings produced returns last year that were on a par with them. And yet, in contrast to the reassurance we find in the low PEs and high dividend yields evident in the portfolio, the high valuations of the Magnificent Seven stocks should give investors pause for thought about how sustainable these returns can be.

To conclude therefore, in looking back at the returns delivered in 2024, we find considerable fundamental reasons for confidence when looking at what the Temple Bar portfolio can deliver for shareholders in 2025 and beyond.

## Recent portfolio manager presentations

Ian Lance and Nick Purves attended a series of presentations in the last few weeks of 2024. We provide a summary of those events below, along with links to the recordings should you wish to view them.

### Citywire Investment Trust Insider

In October, Nick Purves presented at a Citywire event, explaining how bids, share buybacks and the cheap valuation of UK equities have laid the foundations for strong investor returns.

[Read more](#)



### AIC Investment Company Showcase

Ian Lance's recent presentation at the AIC's premier event for private investors is now available on the Temple Bar website. Ian provides his thoughts on the compelling value opportunities he and Nick are currently finding in the UK stock market.

[Watch now](#)

### UK Investor Magazine

In November, Nick Purves participated in a UK Investor Magazine investment trust webinar, discussing the ongoing opportunity he and Ian see in certain UK value stocks. Watch his presentation by clicking on the link below.

[Watch now](#)



## Temple Bar research

The final few weeks of 2025 saw two research notes being published on the Temple Bar investment opportunity. Selected quotes from those notes are provided below, along with links to the full research.

### QuotedData

The performance delivered by Temple Bar highlights "the attractions of investing in the UK, despite the economic challenges experienced over the last few years. These returns provide further vindication of the managers' strategy of investing in companies which trade at deep discounts to their intrinsic value. We believe there has arguably never been a better time to capitalise on these opportunities."

[Read QuoteData's full research note](#)

### Kepler

"One of the distinguishing features of TMPL is the managers' commitment to a value-investing approach. We believe the current value dispersion in the UK market, coupled with the managers' expertise, makes this attractive at the current juncture, and buying shares at a discount offers significant upside potential as the market corrects its mispricing over time."

[Read Kepler's full research note](#)



## Awards for Temple Bar

We are delighted to share the news of three awards for Temple Bar as the year end approached.



**Best UK Equity Income Trust –**  
Citywire Investment Trust Insider



**UK Income Winner –**  
Investment Week / AIC Investment Company of the Year



**Best UK Equity Trust –**  
UK Investor Magazine

## TEMPLE BAR IN THE NEWS

Further positive media coverage of Trust continued in the last three months of 2024, with Ian and Nick contributing to a range of publications and podcasts, including This is Money, MoneyWeek, Shares Magazine, UK Investor Magazine, Trustnet and Investment Week.



What next for investment trusts according to the AIC, Winterflood and Temple Bar – Investment Week

Finding opportunities when parts of the market look cheap – AJ Bell podcast

Where you should invest to set yourself up for a prosperous 2025 – This is Money

Great value UK stocks: where to find the biggest bargains – Shares Magazine

Top stock picks for 2025 by investment trust fund managers – UK Investor Magazine

QuotedData's analysts' picks for 2025 – QuotedData

Was Terry Smith wrong about banks? – Trustnet

'Rome wasn't built in a day': why you should not give up on out of favour stocks – Trustnet

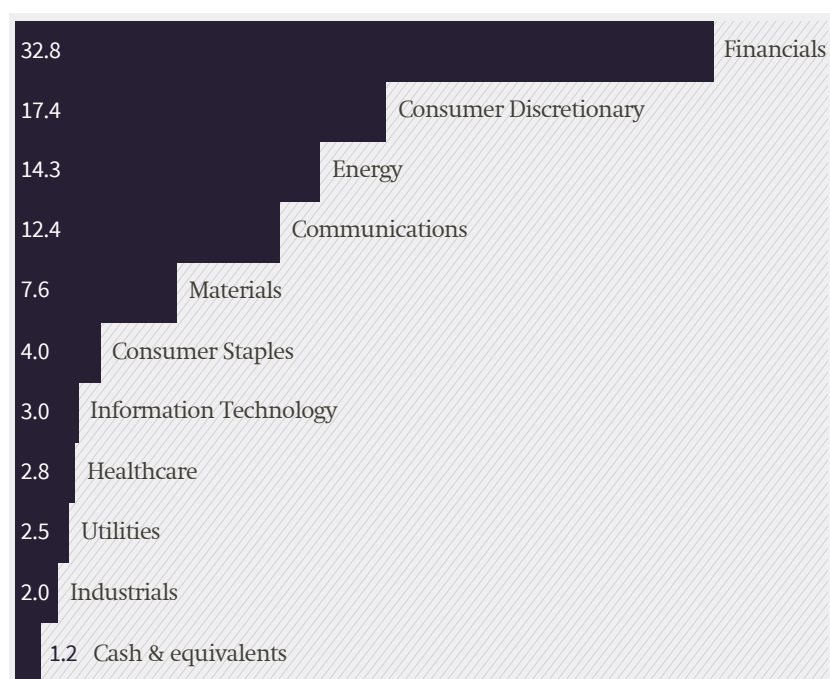
Bargain British stocks with long-term potential – MoneyWeek

# The Temple Bar portfolio

Data as at 31 December 2024

Top 10 equity holdings		(%)
Barclays	Financials	6.2
Shell	Energy	5.8
NatWest	Financials	5.7
Standard Chartered	Financials	4.9
BP	Energy	4.6
ITV	Communications	4.5
Aviva	Financials	4.2
Anglo American	Materials	4.0
Marks & Spencer	Consumer Staples	4.0
TotalEnergies	Energy	4.00
Total		47.9

## Sector analysis (%)\*



\* Exposures expressed as a % of the gross assets (investments plus cash) of the Company.

## Financial data

Gross Assets	£891.7m
Share price (p)	272.00
NAV (p) (cum income, debt at mkt)*	291.09
Premium/(Discount), Cum income (%)*	(6.6)
Historic net yield (%)	4.0
Net gearing (%)*	6.1

\* Calculated with debt at fair value

## Dividend history

Type	Amount (p)	XD date	Pay date
3rd interim – 2024	3.00	21.11.24	30.12.24
2nd interim – 2024	2.75	22.08.24	27.09.24
1st interim – 2024	2.50	30.05.24	28.06.24
4th interim – 2023	2.50	07.03.24	02.04.24

## Performance (total return)

Past performance is not a guide to future performance. The value of investments and the income from them may fall as well as rise and is not guaranteed; an investor may receive back less than the original amount invested. This Trust may not be appropriate for investors who plan to withdraw their money within the short to medium term.

## Cumulative returns (%)

	Share price	NAV	FTSE All-Share
1 month	1.7	-0.2	-1.2
3 months	3.2	2.8	-0.4
3 year	38.8	35.9	18.5
5 year	14.2	21.9	26.5
10 year	70.9	81.5	81.9
Since 30/10/2020	129.2	123.9	64.28

## Rolling 12 month returns (%)

	Share price	NAV	FTSE All-Share
30.12.23 - 30.12.24	19.1	19.9	9.5
30.12.22 - 30.12.23	12.5	12.3	7.9
30.12.21 - 30.12.22	3.6	0.9	0.3
30.12.20 - 30.12.21	20.0	24.6	18.3
30.12.19 - 30.12.20	-31.5	-28.0	-9.8

Performance, price and yield information is sourced from Morningstar as at 31.12.24.

## Important information

Past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. Forecasts and estimates are based upon subjective assumptions about circumstances and events that may not yet have taken place and may never do so.

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