

# TRUE INSIGHT

True Potential Portfolios | Issue 20

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PAGE 10

## Race to the White House.

Our take on what may be in  
store after the US election.

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By using Carbon Balanced Paper for True Insight Magazine, True Potential LLP has balanced through World Land Trust the equivalent of **5,904kg of carbon dioxide**. This support will enable World Land Trust to protect **4,133m<sup>2</sup> of critically threatened tropical forest**.

# View from the Riverside

## **W**elcome to this latest edition of True Insight.

The autumn months can often be tricky times for financial markets as the investment community, back from summer holidays, takes stock of the world before it.

This year there seem to be even more whirring cogs than usual.

Covid-19, responsible for disrupting all our lives if not changing them irrevocably, has made an unwelcome return. Predictably we find ourselves in the midst of a mild second wave with the authorities assailed on all sides and grappling with the unanswerable question of how to balance the health of the nation with the prosperity of the economy. All hopes are pinned on the successful introduction of a vaccine which could be available as early as the beginning of next year.

The question of where the funds for the various support packages the government has put in place will come from has been left for another day. But it will surely come and so on page 12 we look at ways clients can shelter their investments from the prospect of higher taxes.

Brexit, a backdrop for the markets over the past four and a half years, approaches its denouement with the transition period ending on December 31st and both

negotiating teams are playing hardball as they attempt to hammer out the bones of a deal that can be put in place by the year end.

Meanwhile, on the other side of the Atlantic, the US Presidential Election is set to be one of the most bitterly fought and acrimonious contests in US electoral history, with markets bracing themselves for a contested result in the event that neither side wins by a landslide.

On page 10 we review the policies likely to be enacted by each of the candidates, should they be successful, and ask the question as to whether it makes any difference to investors who occupies the White House.

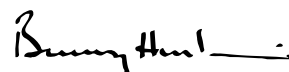
It is amidst this demanding environment that we celebrate the fifth anniversary of the True Potential Portfolios. And celebrate we do. Our mantra of Advanced Diversification has served us well. As the performance figures on page 5 illustrate, the Balanced Portfolio has delivered 31.9% since launch and, from a standing start in October 2015, funds under management across the ten portfolio profiles now exceed £10 billion.

The beneficiaries of this success have, first and foremost, been our clients whose interests remain at the forefront of everything we do.

But we are conscious of the communities in which we live and work and on page 14 we cover some of the charities we support and highlight the work and efforts of just some of the staff members and individuals whose hard work we use our success to promote.

The financial media will inevitably focus on the issues that create short term volatility. As investors we look beyond the most immediate "noise"; to a negotiated trade deal with Europe, a US President in place by the end of January 2021 and hopefully a vaccine to keep Covid-19 at bay by the spring of next year. All the while helping those less fortunate than ourselves.

I hope you enjoy this issue of True Insight and wish you the best of health.



**Barney Hawkins,**  
Investment Director.

With investing, your capital is at risk. Investments can fluctuate in value and you may get back less than you invest. The contents of this magazine should not be interpreted as personalised financial advice.

# Performance Update

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**T**he True Potential Portfolios are a suite of fully-diversified, discretionary-managed investment solutions.

With wide exposure to world-class investment managers, as well as diversifying their investment by asset class and geographic region, our clients benefit from having more potential to grow their money and manage volatility, all in one Portfolio.

And, as we're committed to helping our clients reach their financial goals, we continually monitor our Portfolios to make sure they perform as expected and remain within the chosen risk profile.

We also rebalance for the future, rather than the past, taking an active approach to allocating your money where we see the greatest potential for growth.

We call this strategy '**Advanced Diversification**'. The results opposite show the performance of each Portfolio since we launched them in October 2015.



## Portfolios

	30 Sep 2015 to 30 Sep 2016	30 Sep 2016 to 30 Sep 2017	30 Sep 2017 to 30 Sep 2018	30 Sep 2018 to 30 Sep 2019	30 Sep 2019 to 30 Sep 2020	Since Launch 1 Oct 2015 to 30 Sep 2020
Defensive Portfolio	+8.3%	+3.2%	+1.7%	+3.2%	0.0%	+17.4%
Cautious Portfolio	+11.6%	+4.9%	+2.6%	+4.1%	-0.5%	+24.4%
Cautious + Portfolio	+10.6%	+5.8%	+3.1%	+4.5%	-1.4%	+24.3%
Cautious Income Portfolio	+12.7%	+6.6%	+1.8%	+4.4%	-2.7%	+24.2%
Balanced Portfolio	+14.2%	+8.3%	+3.8%	+4.3%	-1.5%	+31.9%
Balanced + Portfolio	+15.7%	+8.2%	+4.8%	+5.2%	-1.3%	+36.4%
Balanced Income Portfolio	+14.4%	+7.8%	+2.5%	+4.6%	-4.5%	+26.1%
Growth Portfolio	+17.9%	+10.6%	+5.8%	+4.6%	-1.4%	+42.3%
Growth + Portfolio	+15.6%	+12.1%	+7.0%	+4.4%	-3.3%	+39.9%
Aggressive Portfolio	+19.9%	+12.9%	+7.2%	+3.0%	-2.9%	+45.1%

With investing, your capital is at risk. Investments can fluctuate in value and you may get back less than you invest. Past performance is not a guide to future performance.

# Review of the Markets:

## Q3 2020

**T**he recovery in financial markets witnessed during the second quarter carried on into the third as the global economy gradually reopened.

Global equities, translated into sterling, returned 3.6% over the quarter, buoyed by clear signs of recovery, albeit from the record lows experienced during the first half of the year.

A continuation of the stimulus packages introduced to mitigate the effects of Covid-19, clear signs from central banks that monetary policy would remain accommodative and optimism over the development of a vaccine all combined to boost investor sentiment over the summer months.

In the UK, the strength of Sterling, which gained 4.2% against the dollar, acted as a headwind against the index of 100 leading shares, leaving it down 4.0% over the period. Many of the constituent companies either report in dollars or, at the very least, have substantial US operations meaning that they are disproportionately affected by any strength in the pound.

By contrast those companies with a more domestic focus in the second tier 250 index, fared better, gaining 1.7%.



In the US, leadership once again lay with the tech giants. The broader based S&P500 advanced 8.9% with the technology heavy NASDAQ index up 11.2%, those returns reduced to 4.4% and 6.7% when translated into sterling for UK based investors.

With Brexit negotiations coming to the fore once again there was little movement in either the European market or the currency with the Eurostoxx 50 index returning 0.7% to both local and UK investors.

Japan took the resignation of Prime Minister Shinzo Abe in its stride. His successor, Yoshihide Suga, has undertaken to pursue the same policy objectives and, reflecting a very smooth handover, the Japanese TOPIX index returned 5.0% over the quarter, again, reduced to 2.9% for UK investors due to the strength of the currency.

Emerging markets as a whole performed well, gaining 5.1% in sterling terms, but this masked a wide range of returns. Hong Kong's index, the Hang Seng, fell 6.6%, reflecting the ongoing social unrest in the country while the Chinese CSI300 index was up 10.9%. This disparity of returns served to underline the potentially volatile nature of developing economies.

With interest rates so low, there would appear little scope for further gains in the bond markets. However, an announcement by the US Federal Reserve that it would be prepared to let inflation "run hot" before putting up interest rates and also that it was adopting a longer term average view of inflation as opposed to the monthly numbers boosted Index Linked issues.

Hedged back to sterling, US Treasury Inflation Protected Securities (TIPS) returned a useful 3.2% over the quarter compared to long dated (30 year) UK gilts and conventional US Treasuries which drifted off 3.7% and 0.8% respectively.

Reflecting this more inflation tolerant stance by the Fed, gold moved up 5.9% with silver, its more volatile sibling which also benefits from use in industrial processes, jumping 27.6%.

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# 5.1%

Emerging markets as a whole performed well, gaining 5.1% in sterling terms.

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# Investment Outlook

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**U**ncertainty is rising. More stringent measures have now been put in place in the UK and Europe to deal with the Covid-19 pandemic.

Lockdown measures are being kept to a minimum to mitigate the economic impact but the situation remains fluid. The substantial increase in testing is contributing to a sharp rise in infection rates but hospital admissions and, critically, mortality rates are moving more slowly than in March and there is also better knowledge around how to treat the disease.

The whole protocol around test, track and trace is still not sufficiently robust but if the current measures manage to contain the disease, the economic ramifications should be manageable.

At this juncture, we cannot possibly know the outcome. We do, however, take the view that the worst economic effects of the pandemic are behind us.

We also believe it will take time to rebuild sustainable growth so having a mix of styles is important until economic growth is on a stronger footing and less reliant on governments and central banks. This means diversification and not being positioned towards one specific asset class, region or style remains paramount in this constantly changing environment.

**A mass produced vaccine is important in terms of supporting the next stage of the global recovery but timing around the arrival of any such treatment remains uncertain. Guidance points to the first half of next year but is dependent upon many factors.**





In terms of the investment outlook, views around valuation levels within the more technology focussed areas of the US market divide opinion. On the one side, there is a belief that these are quality companies that are profitable and can keep delivering strong earnings.

On the other, a view exists that the disparity in pricing between the large tech companies and other areas of the stock market is simply too wide. At the margin, a shift has been made to more cyclical areas that could benefit from a global recovery.

The UK continues to be out of favour with international investors focussing on the UK market's reliance on the financial sector, particularly banks, and oil/mining companies. Despite the international nature of the FTSE 100 index, wrangling over Brexit negotiations is also impacting upon sentiment.

The US election with Biden vs Trump is seen as important but a difficult contest to judge successfully.

Some commentators feel that leadership within Congress is more important than in the White House but as the election draws near the prospect of a contested outcome is unsettling the markets.

Inflation is seen as an unlikely problem in the short term especially at a time when unemployment is rising. Looking out over the longer term, population demographics, technology and globalisation will also suppress inflation. It is true to say that international trade is under pressure and supply chains are becoming more localised which may apply upward pressure to prices. However, monetary policy has not been successful in generating a sustained rise in consumer prices so central banks will need governments to use other tools, notably fiscal policy, to hit their inflation targets.

In fixed income, yields on sovereign bonds have fallen to historic low levels. This matters a great deal. In the past sovereign (government) bonds offered good returns from a higher-yielding start. They also offered risk mitigation when risks rose i.e. yields fell and prices increased. Today the return element is limited with little scope for yields to fall and investors must look at how to reduce risk while accessing a better return without owning as much government debt. This extends to investing in alternative strategies such as precious metals and currencies, which still offer diversification benefits.

Within the higher risk areas of fixed income, Emerging Market debt is attractive, reflecting the economic recovery in both Asia and China. However, it is important to caveat that there is a need to be fleet of foot within this area as investor sentiment remains volatile.

Ultimately, we remain constructive on the recovery over the long term, encouraged by positive Covid-19 vaccine trials and developments in macro trends. As the global economy reopens we believe that there will be a broadening out of equity market leadership, away from the US technology focussed names that have performed so well this year, to more cyclical, value orientated areas of the market.

As ever, diversification and an ability to be nimble will be critical in what remains a challenging environment.



# RACE

— TO THE —  
WHITE HOUSE

2020



## **On November 3rd America goes to the polls to vote in the 59th US Presidential Election.**

With the two candidates having a combined age of 152 whoever wins will be the oldest President ever to be elected. If Joe Biden is victorious he will immediately become the oldest individual ever to have held the office, at 78, surpassing Ronald Reagan who turned 77 in his final year as President.

A Biden victory would represent another landmark, that of his running mate Kamala Harris becoming the first female, and the first black, Vice President. It would also, intriguingly, hold out the prospect of her becoming the first ever black, female President come the 2024 election when Joe Biden will be 82.

Each candidate has sought to distance himself from the other to give voters a clear choice, although, paradoxically, the difference between the two is less pronounced than usual with Biden adopting what might appear to be a Republican stance on a number of issues in order to appeal to a large body of voters who favour policies initiated by the Trump administration but loathe Trump the man.

With every election there is widespread speculation upon what each candidate would bring to the role and the effect either victory would have on the financial markets and this time is no exception.

### **Were Donald Trump to be re-elected for a second term it would appear we could expect more of the same:**

- Tax cuts
- A crackdown on immigration
- An increase in police funding and officer numbers
- A continuation of the "America First" isolationist approach
- Tax credits to dissuade companies from "offshoring" operations to lower cost countries
- An intensification of the increasingly frosty relationship with China, expressed through an escalation of trade restrictions and higher import tariffs.

### **Joe Biden would represent an unknown quantity. However, key policy initiatives are likely to include:**

- Rescinding some of Trump's tax cuts and potentially increasing corporate income tax from 21% to 28%
- Expanding the Affordable Care Act to provide health cover to 97% of Americans via a public health insurance scheme similar to Obama's Medicare
- A renewed focus on banking regulation
- Re-embracing the Paris Climate Accord to lower greenhouse emissions

- Overhauling the energy industry to be carbon neutral by 2050 and to achieve net zero carbon electricity generation by 2035
- Investing \$2 trillion in clean energy infrastructure
- A pledge to restore America's standing in the world, actively promoting the NATO alliance
- A commitment to hold China to account for unfair trade practices, potentially continuing the "cold war" but via the medium of a green, environmental agenda and in collaboration with the international community.

### **How would the markets react?**

Embracing the Affordable Care Act would give the federal government more power to negotiate lower prices for prescription drugs and large pharmaceutical companies have already edged lower reflecting this potential threat to their pricing models. Banking stocks have also retreated at the prospect of Elizabeth Warren, a rival contender for the Democrat nomination, being appointed Treasury Secretary in a Biden administration and introducing a financial risk fee as part of a renewed focus on financial regulation.

Internationally, Biden has not been afraid to enter the Brexit debate, warning Boris Johnson not to risk damaging the Good Friday Agreement with any attempt to redraft the UK Withdrawal Agreement Act. However, this intervention is more likely to reflect pre-election pandering to the powerful Irish lobby in the US than represent a central part of his foreign policy. That said, Donald Trump has always been a strong supporter of Britain's decision to leave the European Union and, going forward, it may prove easier for the UK under Boris Johnson to negotiate a trade agreement with Donald Trump than with Joe Biden.

More generally, there is a popular perception that the Republican Party is more business friendly than the Democrats but, depending on the time period surveyed, there is some evidence that Wall Street does better under a Democrat administration. What is clearly discernible is that markets approve of the checks and balances represented by a split Congress and the best stock market returns have occurred while the House of Representatives and the Senate are each controlled by different parties when a Democrat is in the White House.

Whatever the outcome of the election, many of the issues and challenges will remain and whether the US becomes increasingly insular under Trump or re-engages with the international community under Biden the country is likely to retain its position as the world's dominant economy and remain a key element of our investment strategy.



# GIMME (TAX) SHELTER!

**C**ooler mornings and shorter evenings have long since marked the end of summer and, with the change in the seasons, economists, investment managers and financial advisers have generally awaited the Chancellor's Autumn Statement.

Due to take place in mid to late November, it has been delayed this year to allow the government to focus on the Covid-19 pandemic.

In the first part of the year, in order to keep long term economic "scarring" to a minimum and give the economy the best chance of rebounding swiftly from the lockdown imposed at the end of March, the Chancellor, Rishi Sunak, unveiled a series of measures designed to stimulate demand and dampen the effects of the economic slowdown.

"Eat out to Help Out" was an imaginative idea designed to put money into people's pockets and, more importantly, get them to spend it. Money was made available enabling firms to furlough staff, rent holidays were introduced, the living wage was increased and another programme of quantitative easing was announced.

The final "Covid-19 bill" has yet to be totted up but will run to hundreds of billions of pounds. The thinking goes that by applying large capital sums across the economy to benefit working individuals, the corporate sector and financial markets, the Chancellor could help maintain momentum and avoid a lasting and more damaging downturn.

Time will tell if the various initiatives have been successful. While the final cost remains unknown, what is in no doubt is the scale of the sums involved - and the fact that sooner or later it will have to be paid for.

There is a hope that much of the spending will be self-funding - that higher profits from a resurgent corporate sector will generate a larger tax take in order to replenish Treasury coffers.

However, there is also a possibility that personal taxes will have to rise in order to help balance the books. While nothing has yet been announced, the Chancellor has ordered a series of reports exploring the effect of various tax initiatives ranging from a revamp of Capital Gains Tax, higher Income Tax, a change to National Insurance contributions, pensions rule changes and Inheritance Tax.

Although the day of reckoning has been postponed with the scrapping of the Autumn Budget, it appears likely that at some point taxes will rise and so it makes sense at this stage to maximise the use of tax efficient investment strategies, particularly ISAs and pensions.

## ISAs

Every adult can squirrel away up to £20,000 per annum in a Stocks and Shares ISA.

So, in a year, a couple can invest up to £40,000 between them by using both allowances. Any income generated on investments held within the ISA is free of Income Tax and capital gains are also exempt from tax.

Funds within the ISA are accessible should you need to take your money out for any reason in the future and there is no requirement to declare ISAs on your tax return which keeps things simple.

Cash ISAs are available, but with interest rates typically under 1%, less than inflation, they don't represent a good long-term investment. The chart below illustrates how a cash deposit would have performed relative to the True Potential Balanced Portfolio over the last five years.

## JUNIOR ISAs

Available to young investors under 18, Junior ISAs offer the same benefits as an "adult" Stocks and Shares ISA subject to a lower annual allowance of £9,000.

## PENSIONS

Pensions are a more complex area, generally, requiring specialist advice. However, whether it is through a Personal Pension, workplace pension or a non-advised Auto Enrolled scheme, investors should take advantage of the opportunities they afford.

Subject to certain limitations, the contributions you make qualify for tax relief and investments held

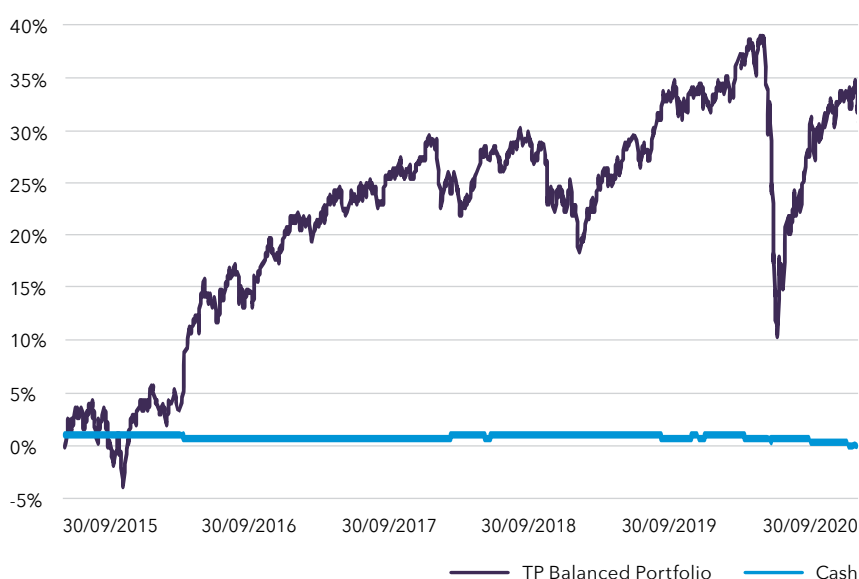
within a pension will be free to grow without being subject to Income Tax or Capital Gains Tax.

Funds invested in a pension are generally only accessible to those aged 55 and over, making them more appropriate as a long-term form of investment for most people. But, generally speaking, the sooner you start, the better.

And you don't need to be working, or even an adult to take advantage of the generous pension allowances. If you earn less than £3,600, or you don't earn anything at all, you're still allowed to receive tax relief on pension contributions up to £3,600 gross. That means you can save up to £2,880 net plus a 25% (£720) addition from HMRC.

Whether it is an ISA or a pension, or a combination of both, with the Chancellor looking for ways to pay for the emergency spending required by the Covid-19 pandemic, contacting your adviser to shelter your savings in a suitable tax efficient scheme is likely to prove a shrewd move as the season changes and the weather turns cooler.

True Potential Balanced Portfolio Performance Since Inception vs Cash



Past performance is not a reliable indicator of future results.

# Running to help

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**T** rue Potential has always had a strong connection to its communities, both geographically and also with our advisers and clients.

This year has been unlike any other for many people in those communities and we at True Potential have done our best to help. Over the last six months, we've donated more than £200,000 to support vulnerable and disadvantaged people during the coronavirus crisis.

Our fundraising efforts have been led by our 300 employees, supported by our financial advisers. That collective effort has led to a direct, practical impact around the UK.

Beneficiaries of the donations include hospices, charities supporting disabled and vulnerable young people and community groups providing emergency food parcels. True Potential and our financial advisers supplied more than 14,000 food parcels directly to vulnerable people during lockdown.

Meanwhile our group's chairman, David Harrison, cofounded the national C-19 Business Pledge that has mobilised over 300 businesses, collectively employing three million people, to play their part in the national response.

Widely regarded as one of the first and largest business responses to Covid-19, the C-19 Business Pledge signatories all committed to putting support in place for their vulnerable customers, employees and to help their local communities. As well as True Potential, companies that signed up to the C-19 Business Pledge include Sainsburys, BP, Coca Cola, Natwest, Unilever and Experian.

David Harrison also created an online Facebook community for isolated people to support each other with ideas, tips and advice. The 'Un-Isolated Covid-19' virtual community now has 10,000 followers across the UK and there have been hundreds of thousands of engagements with the group.

This edition of True Insight also reports on the inaugural True Potential 'Great North Car Park Run', to raise money for the Sunshine Fund, which supports disabled young people and their families.

Eleven members of True Potential's head office team had planned to join Team Sunshine and run this year's 13.1 miles Great North Run.

But the event, which was due to be held in September, had to be cancelled due to coronavirus. Determined not to be beaten, all 300 employees at True Potential ran lengths of the carpark. In total they covered the equivalent 144.1 miles distance that their colleagues would have run in the famous half marathon.

True Potential's Chief Executive, Daniel Harrison, said: "I'm so proud of the way our employees and financial advisers have responded positively, as I knew they would, with fundraising and support during this crisis."



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# 144.1

Miles of the car park run by 300 True Potential head office staff members taking part in the 'Great North Car Park Run'.

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# £200k

Donated by True Potential over the last six months to support vulnerable and disadvantaged people during the coronavirus crisis.

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Photo: True Potential's Chief Executive Daniel Harrison presenting a cheque to the Sunshine Fund's Siobhan Sargeant.

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"It's because of that same collective effort that we've seen our business actually grow and become stronger during the pandemic. That's enabled us to ramp up our efforts in terms of delivering food parcels around the UK and supporting charities working with society's most vulnerable. It's been a really positive outcome from what has otherwise been and remains a very difficult time.

"The Great North Car Park Run was a huge success and it was amazing to see all 300 people in their yellow t-shirts running around the car park. But even more impressive is the money we've raised for the Sunshine Fund and who knows, the run might become an annual event for us!"

**Carol Meredith**  
Tynedale Hospice at Home

"The support of True Potential is hugely appreciated as we continue to help some of the most vulnerable older people through our home-based palliative care delivered by registered nurses. The support is also so timely as we know that much of our community fundraising sponsored activities and volunteer run events will naturally be cancelled or deferred for many months given the advice to maintain a social distance, preventing people from becoming involved in community activities."

**Laura McKenzie**  
St Cuthbert's Hospice

"We were absolutely amazed when we heard that True Potential employees had raised enough to pay for a full day of clinical care at the Hospice, so you can only imagine how overwhelmed we were when we heard this was being matched to pay for another full day.

"We're so lucky to have had businesses and individuals pay for a day of care in the past but never two days consecutively - never for a full weekend. For us this is magical. Our nurses work tirelessly 24 hours 7 days a week, their care doesn't stop."

**Siobhan Sargeant,**  
Director of the Sunshine Fund

"True Potential were our campaign sponsors and when they heard the races were cancelled they came up with their own version so that their teams could still support us.

"It was a real party atmosphere at the Great North Car Park Run, there was even a refreshment bar with champagne and beer to celebrate each member of staff's contribution. I was overwhelmed with emotion when Daniel Harrison presented me with a giant cheque for an additional £2,500 and then pledged to match fund the final amount raised."

# Peace of mind when you need it most.

In an ever-changing world, keeping you in control of your investments is our top priority.

That's why, as a True Potential client, you can benefit from 24/7 online access to your own secure account, allowing you to safely manage your investments at the click of a button.

Your personal account allows you to track goals for your investments and monitor their performance from the convenience of your desktop, tablet or smartphone. What's more, our pioneering online impulseSave® feature means you can even top up your investments on the go from as little as just £1.

**Ready to take back control?** Download the app now.





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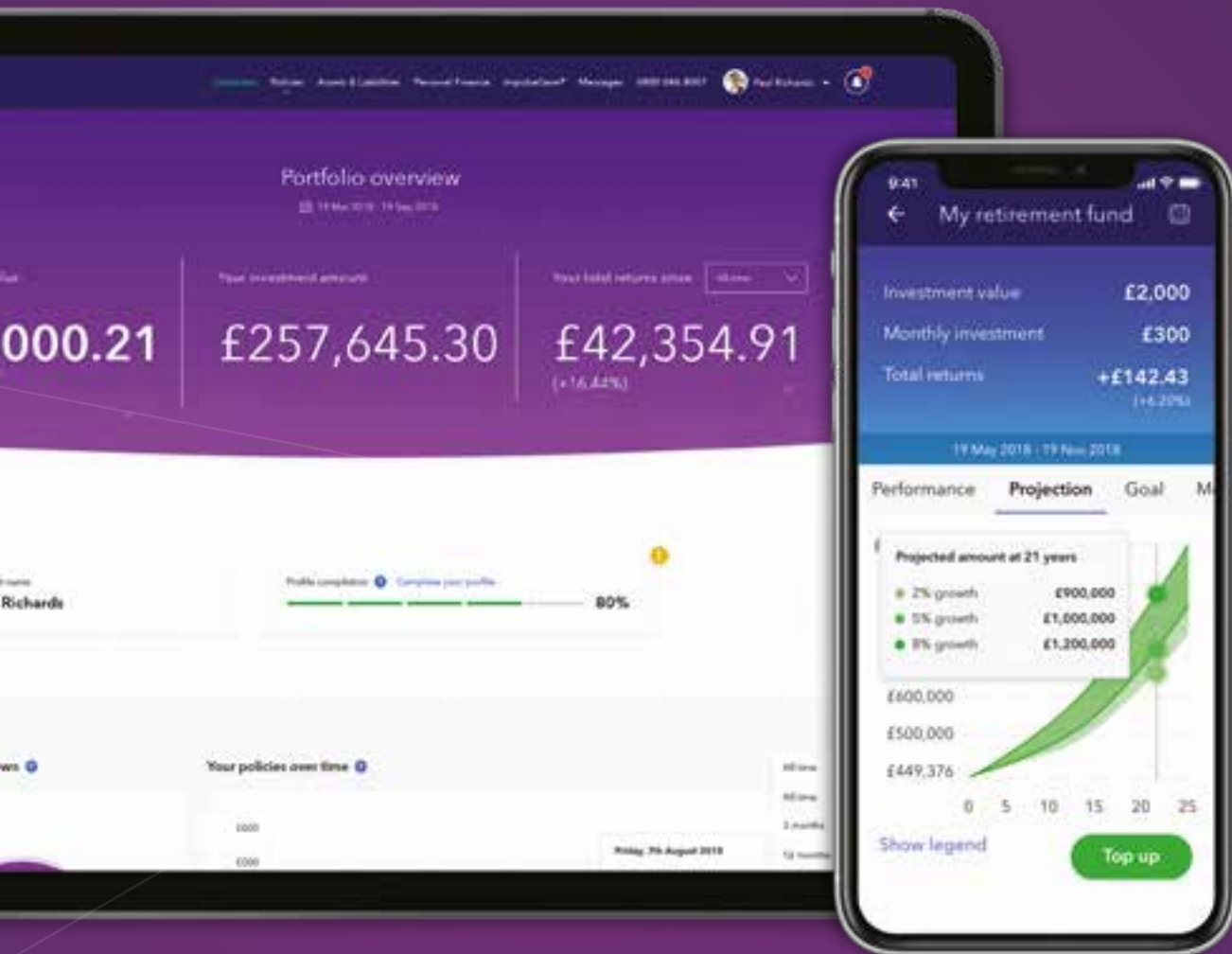
View your investments  
24/7 online and  
via our app

+

Track spending  
and learn about  
your financial habits

+

Top up your  
investments  
anytime with  
impulseSave®



+

Add your assets  
and liabilities to track  
your net wealth

+

Contact us through  
secure encrypted  
messaging

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Complete your  
annual suitability  
review

# The science behind our portfolios

**T**he construction of our Portfolios begins with a set of equally weighted models which correspond to the five Morningstar risk categories: Defensive, Cautious, Balanced, Growth and Aggressive.

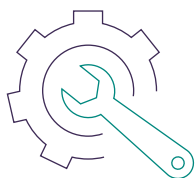
For example, we offer nine funds within the Balanced category, therefore if no preference was given to one fund over another, an equally-weighted allocation to each fund would be 11%.

When we build our True Potential Portfolios, we tactically allocate away from the equally-weighted portfolios aiming for lower volatility, lower cost, higher expected returns and a better risk-adjusted return than could be expected from choosing an equal allocation.

Below are the optimisation results for the True Potential Portfolios. We always aim to optimise across all factors where possible. However, sometimes we may place more emphasis on one factor over another.

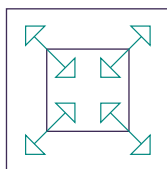
	Defensive	Cautious	Balanced	Growth	Aggressive	Cautious +	Balanced +	Growth +	Cautious Income	Balanced Income
Risk (Volatility)	✓		✓	✓	✓	✓	✓	✓	✓	✓
Risk (Mapped)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cost	✓	✓	✓	✓	✓	✓	✓		✓	✓
Long-Term Expected Return	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk-Adjusted Return	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Income									✓	✓

With investing your capital is at risk. Investments can fluctuate in value and you may get back less than you invest.



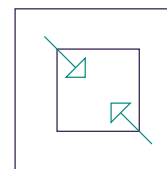
### Risk (Baseline Portfolios)

Risk is estimated using the asset composition of each Portfolio. We use 'standard deviation', a measure to show how volatile the portfolios are. Where the measure of standard deviation is higher, the more volatile we judge the portfolio to be. We construct separate portfolios for each of the five risk categories containing all of the funds mapped to that risk category. When we optimise these Portfolios, we try to ensure they are lower risk than an equally-weighted Portfolio containing the same funds.



### Risk (+ Portfolios)

Our three + Portfolios use funds outside the Portfolio's own risk category. For example, the Balanced + Portfolio does not include any Balanced funds but achieves the required risk profile by using funds from the Defensive, Cautious, Growth and Aggressive ranges. When we optimise for the + Portfolios, we are aiming for an improvement in the long-term performance, accepting that volatility at times may be at the higher end of the risk bands applicable to each risk category.



### Risk (Income Portfolios)

Our two Income Portfolios use all available income funds from the Cautious, Balanced and Growth risk categories. We then allocate accordingly to create one Portfolio mapped to the Cautious risk category and one mapped to the Balanced risk category.



### Cost

This is an important factor as costs reduce future returns. This is why we build our Portfolios with the objective of being lower cost than an equally-weighted Portfolio. However, it should be noted that at times the choice may lie between lower cost and higher risk. Statistically/historically the impact from risk is disproportionate to the impact from cost. We are also proud to say that our funds are already amongst the lowest cost in the market.



### Expected Return

When our Fund Managers change the underlying assets in our funds, the Portfolio compositions change. We analyse the expected returns for each of our funds and may rebalance the portfolios in order to help generate the best returns.



### Risk-Adjusted Return

Risk-adjusted return is based on future expected returns for each Portfolio, minus the risk-free rate of return, divided by the level of expected volatility calculated for each portfolio. Our objective over time is to manage the portfolios to achieve the best risk-reward trade off.

# True Potential Portfolios

Each True Potential Portfolio contains all of the funds available within its risk category. The True Potential Portfolios have an enormous degree of diversification, meaning they are less prone to highs and lows relative to our + portfolios. We optimise the portfolios with the objective of being lower risk than an equally-weighted portfolio. In addition, the True Potential Portfolios do not have an income focus, which makes them very different to our Income Portfolios. However, when investing in a True Potential Portfolio, some clients are happy to take an income by selling units.

## Strategy Allocation



### Defensive

● <b>Manager of Managers</b> - True Potential SEI Defensive	27.00%
● <b>Active Management with Passive Implementation</b> - True Potential 7IM Defensive	22.00%
● <b>Agile, Low-Cost Value Investing</b> - True Potential UBS Defensive	25.00%
● <b>Active Engagement, Positive Alignment</b> - True Potential Growth Aligned Defensive	26.00%



### Cautious

● <b>Manager of Managers</b> - True Potential SEI Cautious	14.25%
● <b>Active Management with Passive Implementation</b> - True Potential 7IM Cautious	15.00%
● <b>Direct Equity &amp; Bond Investing</b> - True Potential Close Cautious	16.00%
● <b>Momentum with Volatility Control</b> - True Potential Allianz Cautious	15.00%
● <b>Fund of Funds</b> - True Potential Schroders Cautious	9.00%
● <b>Agile, Low-Cost Value Investing</b> - True Potential UBS Cautious	16.00%
● <b>Active Engagement, Positive Alignment</b> - True Potential Growth Aligned Cautious	14.75%



**Balanced**

● <b>Manager of Managers</b> - True Potential SEI Balanced	<b>14.00%</b>
● <b>Active Management with Passive Implementation</b> - True Potential 7IM Balanced	<b>11.00%</b>
● <b>Direct Equity &amp; Bond Investing</b> - True Potential Close Balanced	<b>15.75%</b>
● <b>Momentum with Volatility Control</b> - True Potential Allianz Balanced	<b>12.25%</b>
● <b>Fund of Funds</b> - True Potential Schrodgers Balanced	<b>2.00%</b>
● <b>Alternative Dynamic</b> - True Potential Goldman Sachs Balanced	<b>9.00%</b>
● <b>Income Funds</b> - True Potential Goldman Sachs Income Builder	<b>7.00%</b>
● <b>Agile, Low-Cost Value Investing</b> - True Potential UBS Balanced	<b>15.00%</b>
● <b>Active Engagement, Positive Alignment</b> - True Potential Growth Aligned Balanced	<b>14.00%</b>



**Growth**

● <b>Manager of Managers</b> - True Potential SEI Growth	<b>15.25%</b>
● <b>Active Management with Passive Implementation</b> - True Potential 7IM Growth	<b>14.00%</b>
● <b>Direct Equity &amp; Bond Investing</b> - True Potential Close Growth	<b>18.50%</b>
● <b>Momentum with Volatility Control</b> - True Potential Allianz Growth	<b>16.75%</b>
● <b>Agile, Low-Cost Value Investing</b> - True Potential UBS Growth	<b>18.50%</b>
● <b>Active Engagement, Positive Alignment</b> - True Potential Growth Aligned Growth	<b>17.00%</b>



**Aggressive**

● <b>Manager of Managers</b> - True Potential SEI Aggressive	<b>25.00%</b>
● <b>Active Management with Passive Implementation</b> - True Potential 7IM Aggressive	<b>17.50%</b>
● <b>Agile, Low-Cost Value Investing</b> - True Potential UBS Aggressive	<b>29.50%</b>
● <b>Active Engagement, Positive Alignment</b> - True Potential Growth Aligned Aggressive	<b>28.00%</b>

# True Potential Portfolios

## Asset Allocation

Asset Class	Defensive	Cautious	Balanced	Growth	Aggressive
UK Equity	4.1%	8.8%	11.1%	14.7%	20.5%
US Equity	6.5%	9.1%	13.9%	17.5%	23.3%
US Equity (GBP hedged)	3.7%	6.3%	10.4%	14.0%	15.1%
Europe ex UK Equity	3.1%	4.3%	6.5%	9.2%	11.3%
Europe ex UK Equity (GBP hedged)	1.0%	2.2%	3.7%	4.3%	3.3%
Japan Equity	1.3%	2.7%	3.1%	4.6%	5.4%
Japan Equity (GBP hedged)	0.9%	1.3%	1.6%	2.4%	3.2%
Pacific Ex Japan Equity	0.3%	1.0%	1.3%	1.4%	1.3%
Emerging Markets Equity	2.5%	3.9%	5.4%	7.0%	9.9%
UK Gilts	3.9%	5.1%	3.2%	0.9%	0.1%
UK Corporate Bond	8.1%	9.6%	6.6%	3.1%	0.6%
Global Agg Bond	18.2%	16.5%	10.8%	5.2%	0.2%
Global Inflation-Linked Bond	4.2%	2.2%	1.7%	1.5%	0.2%
Global High Yield Bond	2.9%	2.7%	4.2%	2.0%	0.1%
Emerging Market Bond HC	3.5%	3.4%	3.7%	3.4%	1.7%
Global REITs	0.0%	1.1%	1.3%	1.7%	1.1%
Gold	0.9%	1.5%	1.1%	1.2%	0.9%
Alternatives	4.3%	6.7%	5.7%	3.2%	1.0%
Cash	30.9%	11.8%	4.8%	2.7%	0.9%

Source: TPI. Data as of 30 September 2020

# + Portfolios

The + group of portfolios are more concentrated in their fund selection, containing larger fund positions than their risk category equivalents in the True Potential Portfolios. The + portfolios are constructed using funds from right across the risk spectrum, while staying within the risk band for their risk category.

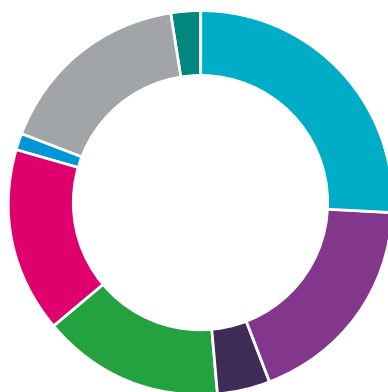
The + portfolios do not include funds from the same risk category to which the portfolio is mapped. In other words, the Balanced+ Portfolio does not select funds mapped to the Balanced risk category. To optimise the portfolios in the + category we select from all of the funds outside of the portfolios' respective risk category. This approach enables us to optimise across all factors although sometimes we may place more emphasis on one factor over another.

## Strategy Allocation



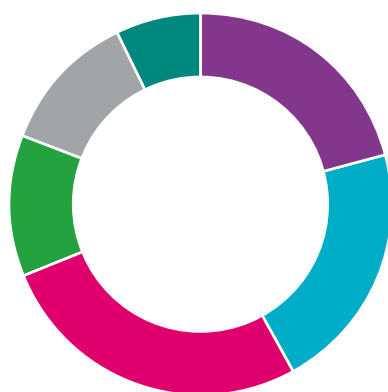
### Cautious +

● <b>Manager of Managers - True Potential SEI Defensive</b>	<b>24.75%</b>
● <b>Direct Equity &amp; Bond Investing - True Potential Close Balanced</b>	<b>17.00%</b>
● <b>Fund of Funds - True Potential Schroders Balanced</b>	<b>3.00%</b>
● <b>Active Management with Passive Implementation - True Potential 7IM Growth</b>	<b>7.00%</b>
● <b>Momentum with Volatility Control - True Potential Allianz Balanced</b>	<b>12.00%</b>
● <b>Agile, Low-Cost Value Investing - True Potential UBS Growth</b>	<b>14.50%</b>
● <b>Alternative Dynamic - True Potential Goldman Sachs Balanced</b>	<b>6.50%</b>
● <b>Active Engagement, Positive Alignment - True Potential Growth Aligned Defensive</b>	<b>15.25%</b>



### Balanced +

● <b>Manager of Managers - True Potential SEI Cautious</b>	<b>26.00%</b>
● <b>Direct Equity &amp; Bond Investing - True Potential Close Growth</b>	<b>18.25%</b>
● <b>Active Management with Passive Implementation - True Potential 7IM Aggressive</b>	<b>4.50%</b>
● <b>Momentum with Volatility Control - True Potential Allianz Growth</b>	<b>15.25%</b>
● <b>Agile, Low-Cost Value Investing - True Potential UBS Aggressive</b>	<b>15.50%</b>
● <b>Fund of Funds - True Potential Schroders Cautious</b>	<b>1.50%</b>
● <b>Active Engagement, Positive Alignment - True Potential Growth Aligned Cautious</b>	<b>16.50%</b>
● <b>Active Management with Passive Implementation - True Potential 7IM Defensive</b>	<b>2.50%</b>



### Growth +

● <b>Direct Equity &amp; Bond Investing - True Potential Close Balanced</b>	<b>21.00%</b>
● <b>Manager of Managers - True Potential SEI Aggressive</b>	<b>21.00%</b>
● <b>Agile, Low-Cost Value Investing - True Potential UBS Aggressive</b>	<b>27.00%</b>
● <b>Momentum with Volatility Control - True Potential Allianz Balanced</b>	<b>12.00%</b>
● <b>Active Engagement, Positive Alignment - True Potential Growth Aligned Aggressive</b>	<b>12.00%</b>
● <b>Income Building - True Potential Goldman Sachs Income Builder</b>	<b>7.00%</b>

## Asset Allocation

Asset Class	Cautious +	Balanced +	Growth +
● UK Equity	8.2%	11.8%	16.8%
● US Equity	11.8%	14.2%	20.8%
● US Equity (GBP hedged)	8.8%	12.4%	13.9%
● Europe ex UK Equity	5.2%	6.3%	8.2%
● Europe ex UK Equity (GBP hedged)	3.3%	4.2%	4.9%
● Japan Equity	3.1%	3.4%	3.9%
● Japan Equity (GBP hedged)	1.6%	2.2%	2.8%
● Pacific Ex Japan Equity	1.0%	1.2%	1.6%
● Emerging Markets Equity	4.2%	5.4%	7.1%
● UK Gilts	4.2%	3.5%	2.2%
● UK Corporate Bond	5.5%	4.7%	3.2%
● Global Agg Bond	11.8%	10.1%	5.1%
● Global Inflation-Linked Bond	2.1%	2.1%	0.3%
● Global High Yield Bond	2.4%	2.4%	0.7%
● Emerging Market Bond HC	2.7%	2.6%	1.6%
● Global REITs	1.1%	1.1%	0.9%
● Gold	1.1%	1.2%	0.8%
● Alternatives	4.7%	3.2%	2.3%
● Cash	17.3%	8.1%	2.8%

Source: TPI. Data as of 30 September 2020

With investing, your capital is at risk. Investments can fluctuate in value and you may get back less than you invest.



# Investments on Demand

Track and manage your investments at the touch of a button with your True Potential account. Log in to yours today at [tpllp.com/login](http://tpllp.com/login) or search 'True Potential' in the app store.



# Income Portfolios

Each Income Portfolio in the True Potential Portfolios range is focused on yield and income sustainability so we have income as an additional optimisation factor.

Given that investors in these portfolios are seeking income above capital growth, the income optimisation factor is our primary consideration. We have optimised on all factors for both portfolios; income, risk, cost, long-term expected return and risk-adjusted return.

## Strategy Allocation



### Cautious Income

● <b>Direct Equity &amp; Bond Investing</b> - True Potential Close Cautious Income	41.00%
● <b>Fund of Funds</b> - True Potential Schroder Cautious Income	8.00%
● <b>Income Funds</b> - True Potential Goldman Sachs Income Builder	43.00%
● <b>Income Focused</b> - True Potential Threadneedle Monthly Income	8.00%



### Balanced Income

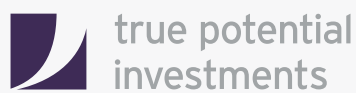
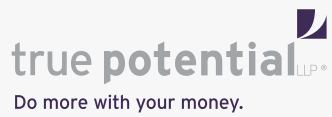
● <b>Direct Equity &amp; Bond Investing</b> - True Potential Close Cautious Income	17.00%
● <b>Fund of Funds</b> - True Potential Schroder Cautious Income	6.00%
● <b>Income Funds</b> - True Potential Goldman Sachs Income Builder	47.00%
● <b>Income Focused</b> - True Potential Threadneedle Monthly Income	30.00%

## Asset Allocation

Asset Class	Cautious Income	Balanced Income
● UK Equity	16.3%	29.7%
● US Equity	1.2%	0.6%
● US Equity (GBP hedged)	11.3%	11.8%
● Europe ex UK Equity	1.4%	0.7%
● Europe ex UK Equity (GBP hedged)	6.1%	6.0%
● Japan Equity	0.2%	0.2%
● Japan Equity (GBP hedged)	0.4%	0.4%
● Pacific Ex Japan Equity	0.9%	1.0%
● Emerging Markets Equity	0.1%	0.0%
● UK Gilts	2.2%	1.3%
● UK Corporate Bond	16.5%	11.0%
● Global Agg Bond	11.6%	12.3%
● Global Inflation-Linked Bond	1.3%	0.6%
● Global High Yield Bond	12.3%	13.4%
● Emerging Market Bond HC	2.1%	2.0%
● Global REITs	8.6%	4.3%
● Gold	1.5%	0.8%
● Alternatives	1.0%	0.7%
● Cash	5.1%	3.3%

Source: TPI. Data as of 30 September 2020

Part of the True Potential group.



[tpllp.com/portfolios](http://tpllp.com/portfolios)

With investing, your capital is at risk. Investments can fluctuate in value and you may get back less than you invest. Past performance is not a guide to future performance. The contents of this magazine should not be interpreted as personalised financial advice.



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