TRUE

# INSIGHT

True Potential Portfolios | Issue 25




# Contents




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# View From The Riverside

**At the end of 2020 I expressed the hope for less drama in 2021 than we saw over the previous 12 months and that we will continue to make impartial and informed decisions for you.**

Well, the drama did continue but perhaps without the extremes of 2020. We all had to contend (and still are) with the stop/start policies of governments across the world and varying degrees of lockdown.

We have learned to live with Covid-19 and an improving global economy has allowed Central Banks to begin to reduce the huge financial support they have pumped into the monetary system over the last two years.

As the job market heads towards 'full employment', inflation and interest rates have demanded attention. Opinion is now that higher inflation, whilst still being transitory, may hang around for longer than first anticipated and interest rates for savers will go up, rising to very low from almost invisible.

Against this background I am pleased to say that our portfolios have again delivered strong, positive returns and as you turn the pages of this edition of True Insight you will see some exciting news as we add new, exclusive True Potential funds into our portfolios, welcoming Pictet and Waverton as new partners and extending our relationship with UBS through the addition of an income generating fund. We aren't finished and we are working with Franklin Templeton to bring their expertise into the portfolios in 2022.

As we increase the diversification in the portfolios, we have also made big changes to the way you view your investments with True Potential. Technology will never sit still and the new features introduced into the client sites push the functionality to a new level.

The third of our features looks at the colossal investment might of Sovereign Wealth Funds, their history, purpose and future direction. An interesting subject.

All of us at True Potential wish you the very best for 2022. We will take opportunity and positivity into the portfolios and we thank you for investing with us.

**Mark Henderson**
Chief Executive,
True Potential Investments

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

**The 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 | 31 Dec 2016 to 31 Dec 2017 | 31 Dec 2017 to 31 Dec 2018 | 31 Dec 2018 to 31 Dec 2019 | 31 Dec 2019 to 31 Dec 2020 | 31 Dec 2020 to 31 Dec 2021 | Since Launch 1 Oct 2015 to 31 Dec 2021 |
|---|---|---|---|---|---|---|
| Defensive Portfolio | +4.00% | -2.44% | +6.18% | +3.02% | +2.83% | **+24.24%** |
| Cautious Portfolio | +5.29% | -3.89% | +9.90% | +3.69% | +6.28% | **+38.87%** |
| Cautious + Portfolio | +6.22% | -4.37% | +11.32% | +2.80% | +7.77% | **+40.97%** |
| Cautious Income Portfolio | +6.33% | -4.03% | +13.06% | +0.52% | +9.87% | **+45.21%** |
| Balanced Portfolio | +8.31% | -5.86% | +13.66% | +3.53% | +9.81% | **+54.61%** |
| Balanced + Portfolio | +8.89% | -5.24% | +14.86% | +3.57% | +10.76% | **+60.77%** |
| Balanced Income Portfolio | +6.80% | -5.07% | +15.84% | -0.78% | +10.98% | **+50.59%** |
| Growth Portfolio | +10.86% | -6.35% | +16.63% | +4.07% | +13.12% | **+73.48%** |
| Growth + Portfolio | +12.86% | -6.65% | +17.80% | +2.47% | +14.25% | **+73.25%** |
| Aggressive Portfolio | +13.54% | -7.52% | +17.63% | +3.81% | +15.59% | **+84.08%** |

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:
# Q4 2021

**Investors were rewarded for taking informed risk over the quarter with equities the best performing main asset class, building on the strong returns achieved earlier in the year.**

Over the quarter, US equities provided leadership. US companies reported strong earnings for Q3 with over 82% beating consensus earnings expectations and 88% beating consensus revenue expectations. Companies are benefiting from strong demand.

Inflation continued to be in focus with UK CPI year-on-year for November coming in at 5.1%. The key contributor to the CPI number was transport costs with a higher oil price leading to elevated petrol prices.

Inflation was no longer regarded as transitory and to combat rising prices the Bank of England (BoE) voted 8-1 at their December meeting to lift the Base Rate from 0.1% to 0.25%. This generally came as a surprise to investors who expected the BoE to hold off in light of Omicron, particularly after it failed to raise rates in November. The Monetary Policy Committee expects inflation to peak in April at 6% but then to fall back materially as we move through the second half of the year.

Monetary policy changes did not just take place in the UK. The Federal Reserve scaled back their asset purchase programme. Emerging economy central banks such as Chile and Russia also pushed rates higher. The global outlier was Turkey, cutting its interest rate to 14% despite inflation at over 20% with the President of Turkey, Recep Erdoğan, arguing that lower interest rates will lead to a more competitive currency, therefore boosting exports.

A new strain of Covid-19, Omicron, was found in late November, believed to have originated in South Africa. Throughout the world, Governments introduced differing levels of stringency measures. This led to volatility within asset prices overall.

Within fixed income, longer-dated government bonds provided some of the strongest returns with long-dated UK gilts performing particularly well.

Outside of government issues, fixed income provided mixed returns. Asian high yield bonds struggled as investors digested China's continued pressure on the highly leveraged property sector.

Sterling continued to show weakness against the US dollar over the quarter dropping below the 1.33 level from just under 1.35 at the start of the period.

In summary, there will always be challenges for investors to overcome but it is important to focus on the longer term and not be bogged down by the minutiae of day-to-day events. Overall, it was a good quarter for returns.

## 82%

of US companies reported strong earnings for Q3 beating consensus earning expectations.

## 88%

of US companies reported strong revenues for Q3 beating consensus expectations.

## 5.1%

The rate of UK inflation (CPI) year-on-year for November. Key contributors to this were transport costs and higher oil prices.

## 0.25%

The Bank of England voted 8-1 in favour of raising the Base Rate from 0.1% to combat higher inflation.

## 14%

The rate of Turkey's current interest rate, despite inflation currently over 20%.

# Investment Outlook

**With the new year has come a new Covid-19 variant, Omicron. This has inevitably generated much press speculation, tighter activity restrictions and a certain amount of volatility as investors assess the implications for economic activity.**

### We take a more sanguine approach:

- There has always been the potential for new variants to appear, that is the nature of a virus.
- Omicron appears to be highly transmissible but less severe and there is evidence that vaccines are reducing the severity of illness.
- Vaccines were designed to be flexible around new variants, limiting their potential impact.
- Globally, we are learning to live with Covid.

### Cutting through the noise of sensational headlines:

- Leading economic growth indicators remain robust.
- Consumer finances are healthy, supporting demands.
- Corporations are supported by favourable financial conditions and able to absorb higher input costs.
- Supply chain bottlenecks should continue to ease.
- Higher vaccination rates will promote continued economic growth.

The inflation outlook dominates discussions, principally due to higher energy costs and supply chain issues. We believe inflation will peak in the first half of 2022, but will start to moderate as supply challenges ease, and will settle at the higher end of central bank targets (2-3%).

Wage growth is an important factor to monitor. Compared to pre-pandemic levels, there are currently 4 million fewer people available to work in the US with individuals taking early retirement due to lacking childcare. Should this situation not improve then wages will need to respond.

Household finances are in good shape, allowing customers to absorb higher prices, and the appetite to consume remains robust. This in turn helps corporations which are better placed to pass on higher input costs.

Eighty-two percent of the top 500 companies in the US reported third-quarter earnings ahead of expectations.

Economic growth expectations remain firm for the coming years so we are happy to maintain a tilt towards cyclical assets although the rate of positive change may start to moderate throughout the year, adding to the importance of active management of portfolios.

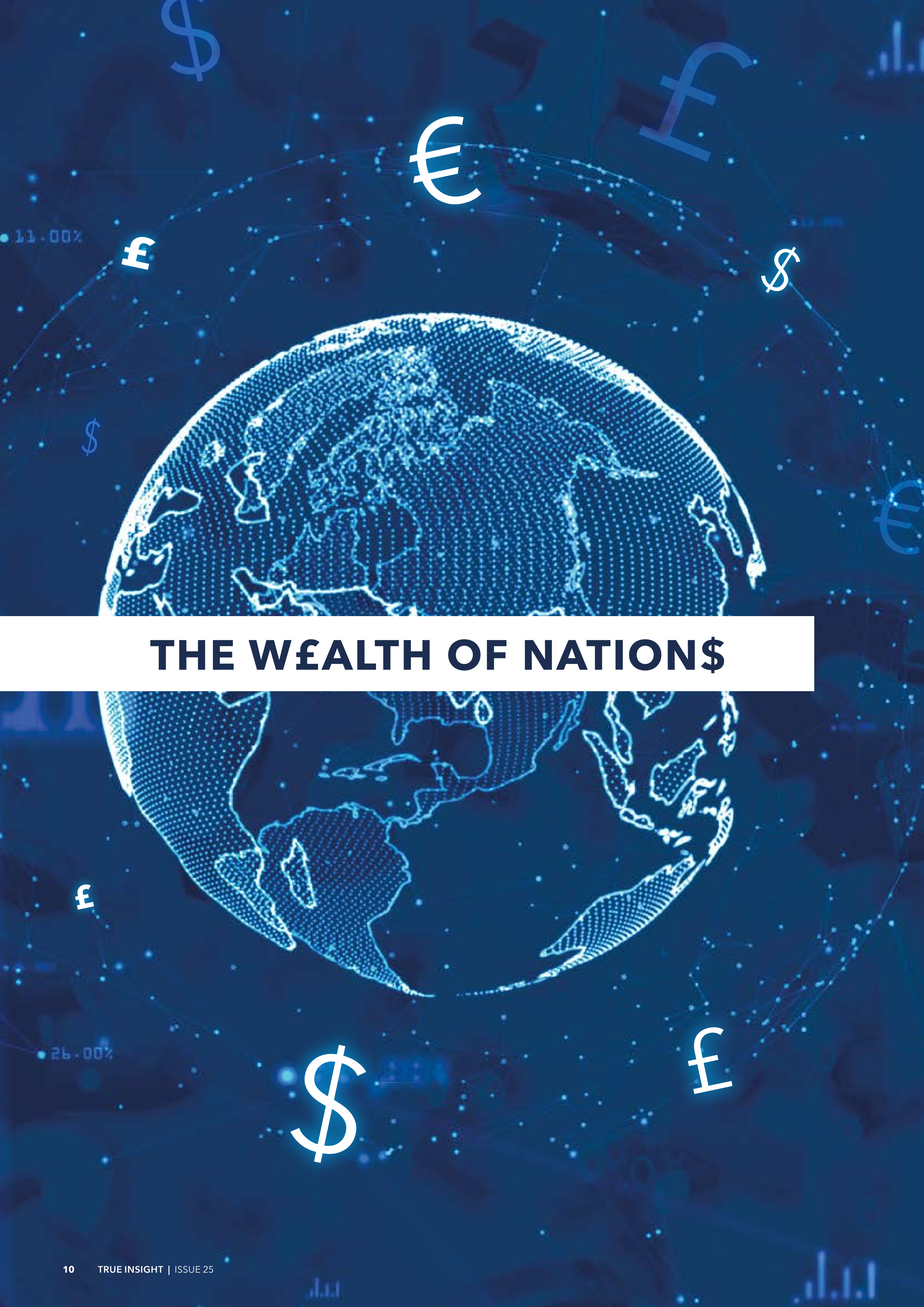
We have passed an important inflection point. Central banks around the world are at differing stages in their monetary tightening cycle. The US Federal Reserve has begun to reduce the rate of bond purchases, reining in Quantitative Easing and reducing available liquidity. The Bank of England has already raised interest rates.

In contrast the European Central Bank remains more expansionary from a policy perspective while the Peoples Bank of China has recently moved back into easing mode. Given we are in an environment where on a regional level we are seeing yields move higher, we remain underweight bonds relative to an equally weighted portfolio.

## Conclusion

**Within the Portfolios we:**

- Remain positive on risk assets, overweight equities, but recognise there could be near term volatility.
- Maintain a diversified approach, a bias to valuation opportunities in economically sensitive assets and a mild skew away from mega cap growth stocks that are more sensitive to any rise in bond yields.
- Are underweight bonds in an environment where inflationary pressures are proving more persistent, recognising that absolute yield levels are low relative to history and real yields, after adjusting for inflation, are negative.
- View alternative assets as attractive, providing defensive characteristics with low correlations to equities and bonds and an expectation of better risk adjusted returns than bonds.




# THE W£ALTH OF NATION$

**What do Newcastle United, the Emirates Airline, Twitter, Facebook, Uber, BT, cutting edge life science companies and next generation renewable technologies all have in common?**

The answer is that they are all the subject of investments by cash rich Sovereign Wealth Funds (SWFs).

SWFs are state owned investment funds that invest in a diversified portfolio of financial assets. In effect a "rainy day" reserve fund for a country, similar to an investment portfolio a private individual might set up.

The oldest such fund is the Kuwait Investment Authority, set up in 1953 using surplus oil revenues. Some have been funded by countries who have built up extensive foreign currency reserves as a result of thriving export led economies, such as China and Germany,  but it's true to say that the majority of SWFs have been established by countries rich in oil or other commodities.

The investment objective behind SWFs differs from country to country. In the case of a small, oil rich state, the fund might act as a stabilising reserve, a buffer against which to draw in the event that the commodity upon which the economy depends suffers a short term drop in value.

SWFs set up in politically fragile states in volatile areas of the world, such as the Middle East or Africa, may exist to attract large international investors to co-invest in projects that will have a material impact upon the country's citizens. In this instance, partnering with a fund based in a major financial centre such as London or New York, which is subject to the rule of law and where the investments are managed under a robust and independent system of governance. This can provide a potential partner with greater security than embarking on a long term joint venture with the transitory government of a frontier economy.

Conversely, in the case of a larger, commodity based economy, the fund is more likely to act as a means of safeguarding and preserving the country's national wealth for the benefit of future generations and preparing it for a time when the reserve is exhausted or potentially made obsolete by advancing technology.

There are over 120 sovereign wealth funds and while the Kuwait Investment Authority may be the oldest it is not the largest. That honour lies with Norway's SWF, established after the country discovered oil in the North Sea.

This investment behemoth is valued at £1 trillion, roughly the size of the Australian economy. It is the largest single owner of stocks in the world and owns 1.4% of global listed equity. Its assets roughly equate to £200,000 per Norwegian and exceed the value of all Norwegian housing stock. The fund is worth twice the value of Norway's remaining oil reserves.

"It's like we found oil twice" enthuses the fund's Chief Executive Officer Nikolai Tangen. Of the £1 trillion current value, the original investment represents around 27% with the majority accounted for by capital growth and currency gains.

So just how do you go about managing a fund the size the Australian economy?

In a word, conservatively.

Unlike many of its peers it does not invest in hedge funds or private equity. It is subject to very stringent risk controls, a strict investment mandate and robust governance procedures. Placing great emphasis on research and analysis, it pursues a diversified, balanced approach with a proportion of its core equity component in lower cost passive investments, while employing a number of external managers for specialist, active mandates.

Very similar, in fact, to the way True Potential manages your money. Albeit on a slightly larger scale.

Whilst historically quite opaque, SWFs are growing in number, size and prominence. With no liabilities and a very long term approach they represent the ultimate investor and as the world pivots away from fossil fuels, SWFs are increasingly focusing on clean energy, offshore wind, hydrogen and other key areas of renewable energy as they seek to diversify into new assets and sectors.

At November's COP26 summit ex Governor of the Bank of England, Mark Carney, now the UN Special Envoy on Climate Action and Finance, called on the international financial community to take a lead in tackling climate change. With oil rich countries very much at the sharp end of measures to reduce our dependency on fossil fuels it is clear that SWFs have a key role to play in building this vision and these sleeping giants may be waking up.

# Login to our big tech update.

**This year True Potential turns 15 years old. It was back in 2007 when five senior partners and a small number of colleagues created a better way to do financial services with the stated aim to 'revolutionise the way wealth management is delivered to clients in the years to come'.**

It's no exaggeration to say they ripped up the paper on how investments and financial advice should look. Quite literally, because True Potential was created as a 'digital-first' business, shredding the paper-based mentality that dominated the industry and launching client websites from day 1 followed later by the first financial services App of its kind in the world.

Two years of living with Covid-19 has brutally – and rightly – exposed firms who have not invested in modernising the service they provide to their customers. Most of us have moved with the times, adopting new tech-enabled ways of communicating, shopping and organising our lives.

Too many businesses have not, and people have been quick to vote with their wallet and switch to a provider that works in customers' interests and the way we all live our lives today.

Being a digital-first business doesn't mean we don't send out letters. It just means we can do far less of it, reducing the time it takes to communicate with our clients and reducing our environmental impact instead of clogging up clients' drawers with paper statements.

What being digital-first does mean, is that every time we produce any service for our clients and advisers, we think about how it will work online, how it can be accessed on a smartphone, how we can store the data safely and securely.

This approach meant it was business as usual as the pandemic struck – we were already online, backed up and capable of running our business and your money from anywhere in the world, round the clock, without disruption.

And as we enter a new year and while many others try to bring their business into the digital era, we're delighted to launch the next generation of our client technology, which we've codenamed 'C-Next'.


It includes the very latest security developments including multi-factor authentication, meaning your data remains protected from external threats. The mobile app also has Face ID, which means that you get logged straight in on subsequent visits without needing to enter login details again.

We hope you enjoy using our latest client technology and, as ever, we'd be grateful for your feedback.

**What else is new in your account portal?**

### Investment Tracking

You can track your investments from anywhere at any time and benefit from quicker real-time valuations to see how your portfolio is performing and how close you are to reaching your financial goals.

### Topping Up

You have been able to add to your investments with our unique impulseSave® technology since 2013. But now, this world-first technology is even quicker, meaning you can top-up your investments from £1 with just a couple of screen taps.

### Getting in Touch

There are many ways to get in touch with us using our new system if you ever need any help. Call, email or video chat with our dedicated customer care team who are just a few clicks away.

### True Potential Rewards

True Potential Rewards is now available online as well as through our mobile app. Earn money back rewards just by shopping at your favourite online stores.

# **NEW YEAR.** NEW FUNDS. NEW PARTNERS.

**For many companies 2021 was a year to forget. A second year of Covid-19 restrictions, furlough schemes and poor service across the board.**

However, for True Potential 2021 was a year to remember. Like the one before it. A year of record investment into our portfolios, of positive investment returns and another year of delivering our unique investment proposition to ever more clients.

Key to our continued growth is the "scalability" of the business and how we can successfully manage growth.

Success must be earned and never taken for granted. Impartial and informed decisions are taken with the sole objective of delivering investment returns needed to help our clients achieve their financial goals. One of the keys to managing this objective is the relationships we have with our strategic partners.

As our business has grown, we have added to our Advanced Diversification by expanding our multi asset  strategy even further and we are delighted to be partnering with two new Fund groups, Pictet and Waverton and commissioning a new fund with our existing partner UBS.

## PICTET

Based in Switzerland with nearly 5,000 employees operating in thirty financial centres around the world and over £225 billion in funds under management, Pictet is a major force in international asset management.

Recently awarded Best Private Bank in Switzerland, Best Private Bank in Europe and Best Global Brand in Private Banking at the 2021 Financial Times Global Private Bank awards, the firm sits easily within the roster of other world-class investment houses with whom we work.

The group's financial success and fortitude, its commitment to the long term and its values of client servicing, operational integrity and entrepreneurial spirit dovetail naturally with our own.

Pictet adopts a thematic approach to investing and the five new funds, Defensive through to Aggressive, are all exclusive to True Potential clients. They are designed to fit into our Portfolio risk profiles, complementing rather than duplicating our existing funds. Multi asset, they encompass equities, bonds and commodities.

## WAVERTON

Within our Income Portfolios we have also commissioned two new funds, again exclusive to True Potential clients. The first is from a new strategic partner, Waverton Investment Management.

Waverton is a boutique, London based fund management group that traces its origins back to the banking dynasty of the Hambro family. Owned by the directors and owners of the business, its interests, like ours, are aligned with those of its clients. Managing approximately £10 billion of assets it focuses on a flexible, active approach to fund management using equities, bonds, collective funds and alternative investment strategies.

Boasting a rigorous and robust investment process, the investment team at Waverton attach huge importance to detailed in-house analysis and their research team conducts around 1,000 company meetings a year.

Environmental, social and governance (ESG) principles are embedded throughout their approach and they actively engage with company management to encourage positive change.

Our new fund adopts a Cautious risk profile with an objective to provide a consistent and sustainable dividend, and over time, to grow capital in line with inflation in order to maintain the purchasing power of the original investment. While neither looking to maximise nor target a particular level of income, their process has generated an average income return of 3.8% over the last seven years.

## UBS

The second new fund is from our existing partners at UBS with whom we have had great success since the partnership was first formed in 2015.

Managed by the same team that oversees the five existing funds and subject to the same disciplined risk management process, the new fund has a Balanced risk profile and draws on the extensive capabilities of UBS that have served our clients so well.

Harnessing the full breadth of UBS expertise across both active and passive equity investments, active bond selection and innovative solutions, the new fund employs a derivative overlay to enhance income generation from a highly diversified portfolio of international investments. The estimated annual yield of 4.0%, which is distributed monthly will boost returns from the Income Portfolios while further diversifying their investment profile.

New partnerships and new funds are a direct consequence of our business growth and the benefits of success are reinvested to further our commitment to provide clients with world-class investment management at the lowest possible prices.

As we anticipate the coming year we look forward to working with our partners, both old and new, to ensure that 2022 is a success.

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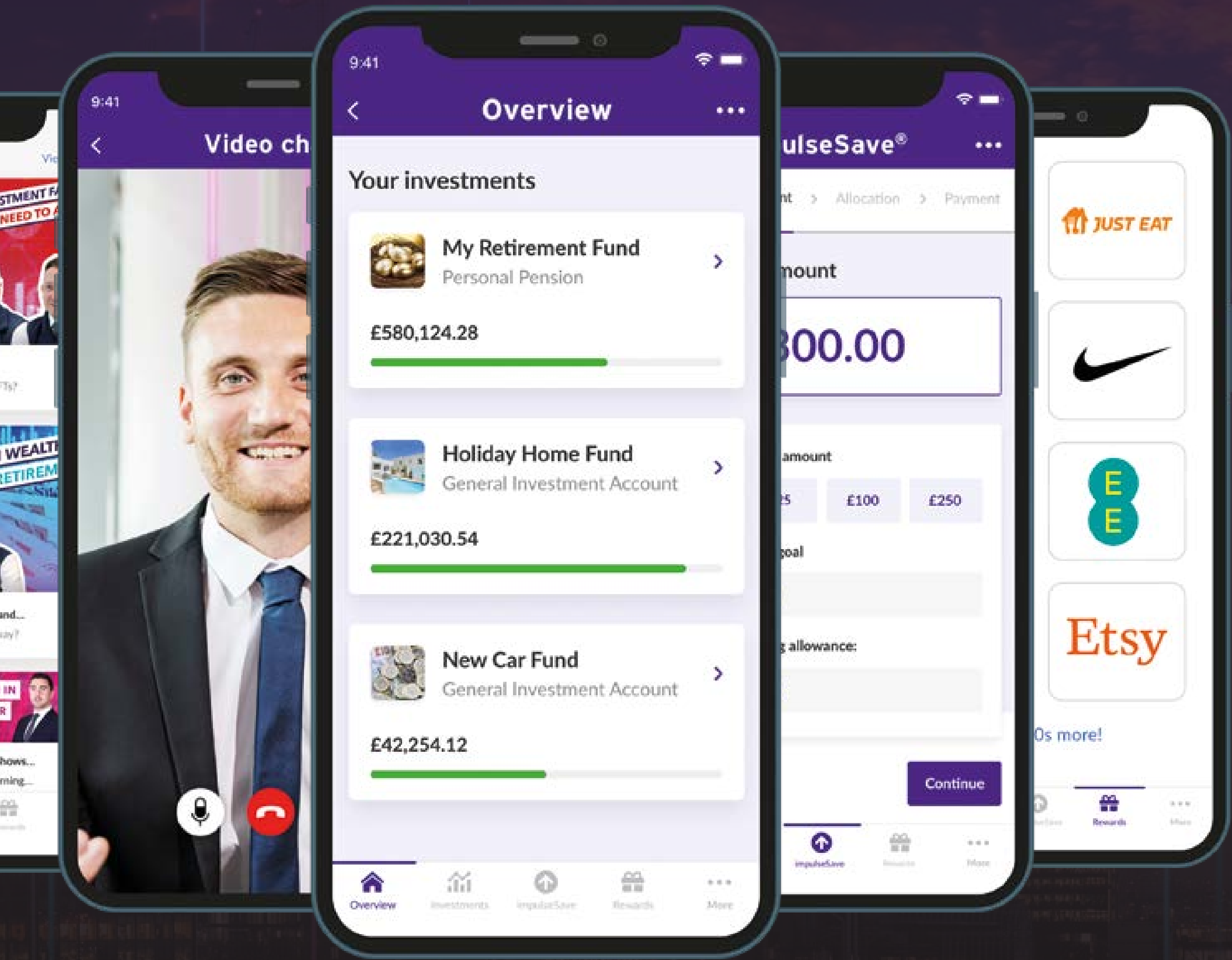


Get in touch with our dedicated customer care team via phone, email, live chat or video call.

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# The science behind our portfolios

The 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.

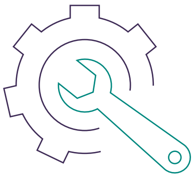
For example, we offer 10 funds within the Balanced category, therefore if no preference was given to one fund over another, an equally-weighted allocation to each fund would be 11%.

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.

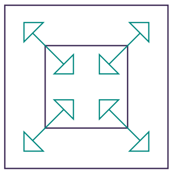
| | Defensive | Cautious | Balanced | Growth | Aggressive | Cautious + | Balanced + | Growth + | Cautious Income | Balanced Income |
|---|---|---|---|---|---|---|---|---|---|---|
| Risk (Volatility) | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Risk (Mapped) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Cost | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 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.



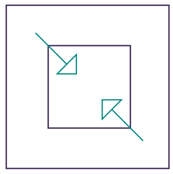
### Risk (Baseline Portfolios)

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.



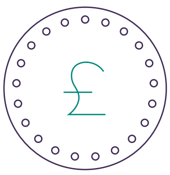
### Risk (+ Portfolios)

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

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

### Cautious

- **Manager of Managers** - True Potential SEI Cautious 14.50%
- **Active Management with Passive Implementation** - True Potential 7IM Cautious 13.75%
- **Direct Equity & Bond Investing** - True Potential Close Cautious 15.00%
- **Momentum with Volatility Control** - True Potential Allianz Cautious 17.50%
- **Fund of Funds** - True Potential Schroders Cautious 7.00%
- **Agile, Low-Cost Value Investing** - True Potential UBS Cautious 16.50%
- **Active Engagement, Positive Alignment** - True Potential Growth Aligned Cautious 15.75%

## Balanced

| | |
|---|---|
| **Manager of Managers** - True Potential SEI Balanced | 12.00% |
| **Active Management with Passive Implementation** - True Potential 7IM Balanced | 8.50% |
| **Direct Equity & Bond Investing** - True Potential Close Balanced | 12.75% |
| **Momentum with Volatility Control** - True Potential Allianz Balanced | 14.25% |
| **Fund of Funds** - True Potential Schroders Balanced | 2.00% |
| **Alternative Dynamic** - True Potential Goldman Sachs Balanced | 12.50% |
| **Income Funds** - True Potential Goldman Sachs Income Builder | 7.00% |
| **Agile, Low-Cost Value Investing** - True Potential UBS Balanced | 17.00% |
| **Active Engagement, Positive Alignment** - True Potential Growth Aligned Balanced | 14.00% |

## Growth

| | |
|---|---|
| **Manager of Managers** - True Potential SEI Growth | 15.75% |
| **Active Management with Passive Implementation** - True Potential 7IM Growth | 14.00% |
| **Direct Equity & Bond Investing** - True Potential Close Growth | 15.50% |
| **Momentum with Volatility Control** - True Potential Allianz Growth | 18.25% |
| **Agile, Low-Cost Value Investing** - True Potential UBS Growth | 19.50% |
| **Active Engagement, Positive Alignment** - True Potential Growth Aligned Growth | 17.00% |

## Aggressive

| | |
|---|---|
| **Manager of Managers -** True Potential SEI Aggressive | 24.50% |
| **Active Management with Passive Implementation** - True Potential 7IM Aggressive | 16.50% |
| **Agile, Low-Cost Value Investing** - True Potential UBS Aggressive | 29.50% |
| **Active Engagement, Positive Alignment** - True Potential Growth Aligned Aggressive | 29.50% |

# True Potential Portfolios

## Asset Allocation

| Asset Class | Defensive | Cautious | Balanced | Growth | Aggressive |
|---|---|---|---|---|---|
| UK Equity | 3.56% | 8.22% | 9.63% | 14.15% | 18.85% |
| US Equity | 7.44% | 10.70% | 15.41% | 19.41% | 25.21% |
| US Equity (GBP hedged) | 3.72% | 7.02% | 10.70% | 14.53% | 15.24% |
| Europe ex UK Equity | 2.36% | 3.38% | 4.94% | 7.09% | 8.70% |
| Europe ex UK Equity (GBP hedged) | 1.25% | 2.82% | 4.34% | 5.21% | 4.69% |
| Japan Equity | 1.55% | 2.65% | 3.18% | 4.76% | 5.54% |
| Japan Equity (GBP hedged) | 1.10% | 2.15% | 2.44% | 3.23% | 3.44% |
| Pacific Ex Japan Equity | 0.40% | 1.07% | 1.62% | 1.90% | 1.70% |
| Emerging Markets Equity | 2.42% | 3.64% | 4.90% | 6.06% | 9.83% |
| UK Gilts | 3.71% | 3.22% | 2.26% | 0.32% | 0.09% |
| UK Corporate Bond | 4.29% | 7.38% | 4.15% | 1.88% | 0.44% |
| Global Aggregate Bond | 13.52% | 11.95% | 8.02% | 2.65% | 0.27% |
| Global Inflation-Linked Bond | 3.52% | 1.68% | 1.21% | 0.97% | 0.15% |
| Global High Yield Bond | 4.54% | 4.12% | 5.67% | 3.04% | 0.18% |
| Emerging Market Bond (USD) | 4.23% | 3.90% | 4.28% | 3.73% | 1.11% |
| Global Property | 0.22% | 1.20% | 1.70% | 1.78% | 0.99% |
| Gold | 0.40% | 0.96% | 0.75% | 0.85% | 0.22% |
| Alternatives | 7.53% | 8.53% | 7.77% | 4.79% | 2.37% |
| Cash | 34.24% | 15.41% | 7.03% | 3.65% | 0.98% |

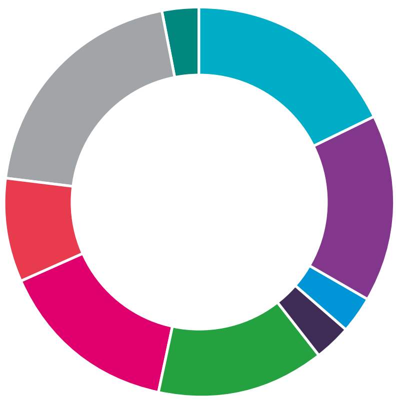
Source: TPI. Data as of 31 December 2021

# + 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

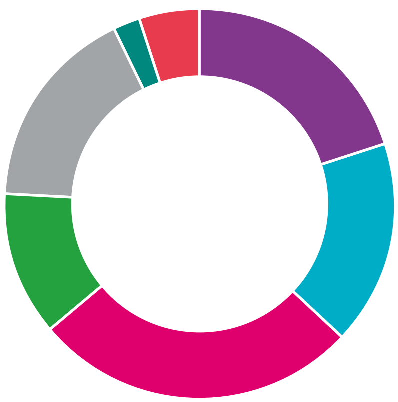


### Cautious +

| | |
|---|---|
| **Manager of Managers** - True Potential SEI Defensive | 18.00% |
| **Direct Equity & Bond Investing** - True Potential Close Balanced | 15.50% |
| **Fund of Funds** - True Potential Schroders Balanced | 3.00% |
| **Active Management with Passive Implementation** - True Potential 7IM Growth | 3.00% |
| **Momentum with Volatility Control** - True Potential Allianz Balanced | 14.00% |
| **Agile, Low-Cost Value Investing** - True Potential UBS Growth | 15.00% |
| **Alternative Dynamic** - True Potential Goldman Sachs Balanced | 8.50% |
| **Active Engagement, Positive Alignment** - True Potential Growth Aligned Defensive | 20.00% |
| **Active Management with Passive Implementation** - True Potential 7IM Defensive | 3.00% |

### Balanced +

| | |
|---|---|
| **Manager of Managers** - True Potential SEI Cautious | 22.75% |
| **Direct Equity & Bond Investing** - True Potential Close Growth | 15.25% |
| **Active Management with Passive Implementation** - True Potential 7IM Aggressive | 3.25% |
| **Momentum with Volatility Control** - True Potential Allianz Growth | 16.75% |
| **Agile, Low-Cost Value Investing** - True Potential UBS Aggressive | 17.00% |
| **Fund of Funds** - True Potential Schroders Cautious | 1.50% |
| **Active Engagement, Positive Alignment** - True Potential Growth Aligned Cautious | 19.50% |
| **Active Management with Passive Implementation** - True Potential 7IM Defensive | 4.00% |



### Growth +

| | |
|---|---|
| **Direct Equity & Bond Investing** - True Potential Close Balanced | 20.00% |
| **Manager of Managers** - True Potential SEI Aggressive | 17.00% |
| **Agile, Low-Cost Value Investing** - True Potential UBS Aggressive | 27.00% |
| **Momentum with Volatility Control** - True Potential Allianz Balanced | 12.00% |
| **Active Engagement, Positive Alignment** - True Potential Growth Aligned Aggressive | 17.00% |
| **Active Management with Passive Implementation** - True Potential 7IM Balanced | 2.00% |
| **Alternative Dynamic -** True Potenital Goldman Sachs Balanced | 5.00% |

## Asset Allocation

| Asset Class | Cautious + | Balanced + | Growth + |
|---|---|---|---|
| UK Equity | 7.01% | 11.07% | 14.71% |
| US Equity | 12.48% | 14.78% | 20.80% |
| US Equity (GBP hedged) | 10.10% | 14.00% | 17.04% |
| Europe ex UK Equity | 3.91% | 4.86% | 6.24% |
| Europe ex UK Equity (GBP hedged) | 3.46% | 4.83% | 5.51% |
| Japan Equity | 2.69% | 3.26% | 3.76% |
| Japan Equity (GBP hedged) | 2.57% | 3.07% | 3.79% |
| Pacific Ex Japan Equity | 1.13% | 1.57% | 1.67% |
| Emerging Markets Equity | 3.67% | 4.28% | 6.67% |
| UK Gilts | 3.28% | 2.45% | 1.20% |
| UK Corporate Bond | 4.64% | 3.37% | 2.13% |
| Global Aggregate Bond | 9.41% | 7.85% | 2.29% |
| Global Inflation-Linked Bond | 1.75% | 1.70% | 0.14% |
| Global High Yield Bond | 3.00% | 3.43% | 1.18% |
| Emerging Market Bond (USD) | 3.48% | 3.10% | 1.57% |
| Global Property | 1.32% | 1.33% | 1.61% |
| Gold | 0.96% | 0.97% | 0.90% |
| Alternatives | 6.64% | 4.65% | 3.22% |
| Cash | 18.50% | 9.43% | 5.57% |

Source: TPI. Data as of 31 December 2021

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

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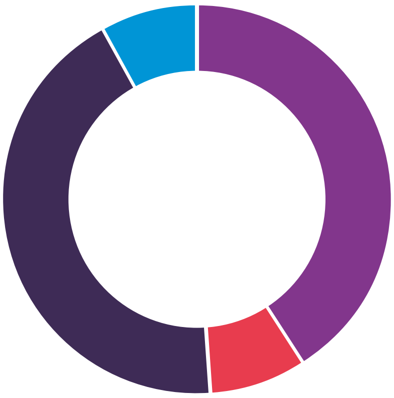
# Income Portfolios

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.

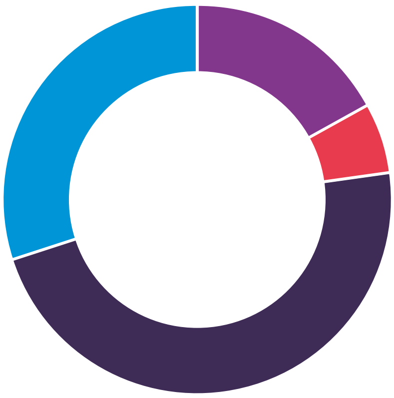
Given that investors in these Portfolios are seeking income above capital growth, the income optimisation factor is our primary consideration. We have optimised on all factors for both Portfolios; income, risk, cost, long-term expected return and risk-adjusted return.

## Strategy Allocation



### Cautious Income

| | |
|---|---|
| **Direct Equity & Bond Investing -** True Potential Close Cautious Income | **41.00%** |
| **Fund of Funds -** True Potential Schroder Cautious Income | **8.00%** |
| **Income Building -** True Potential Goldman Sachs Income Builder | **43.00%** |
| **Income Strategies -** True Potential Threadneedle Monthly Income | **8.00%** |



### Balanced Income

| | |
|---|---|
| **Direct Equity & Bond Investing -** True Potential Close Cautious Income | **19.00%** |
| **Fund of Funds -** True Potential Schroder Cautious Income | **6.00%** |
| **Income Building -** True Potential Goldman Sachs Income Builder | **47.00%** |
| **Income Strategies -** True Potential Threadneedle Monthly Income | **28.00%** |

## Asset Allocation

| Asset Class | Cautious Income | Balanced Income |
|---|---|---|
| UK Equity | 18.13% | 28.95% |
| US Equity | 1.38% | 0.71% |
| US Equity (GBP hedged) | 9.51% | 9.67% |
| Europe ex UK Equity | 1.18% | 0.61% |
| Europe ex UK Equity (GBP hedged) | 6.45% | 6.45% |
| Japan Equity | 0.05% | 0.04% |
| Japan Equity (GBP hedged) | 0.21% | 0.23% |
| Pacific Ex Japan Equity | 0.84% | 0.88% |
| Emerging Markets Equity | 0.06% | 0.05% |
| UK Gilts | 2.75% | 1.46% |
| UK Corporate Bond | 11.25% | 8.35% |
| Global Aggregate Bond | 10.65% | 11.91% |
| Global Inflation-Linked Bond | 0.37% | 0.17% |
| Global High Yield Bond | 13.31% | 14.42% |
| Emerging Market Bond (USD) | 2.30% | 2.51% |
| Global Property | 11.22% | 7.15% |
| Gold | 1.55% | 0.74% |
| Alternatives | 1.28% | 0.96% |
| Cash | 7.51% | 4.74% |

Source: TPI. Data as of 31 December 2021

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