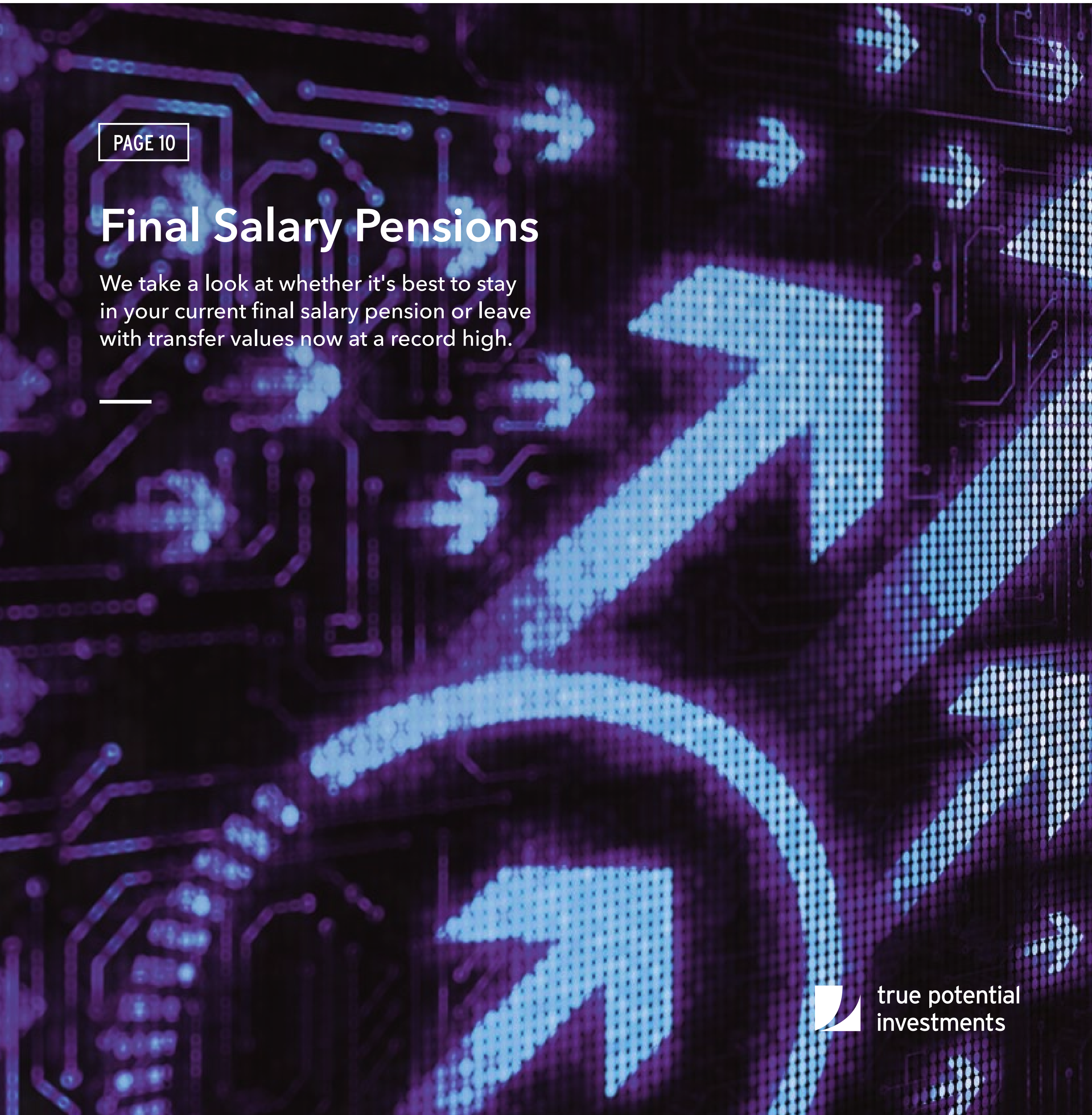
TRUE

INSIGHT

True Potential Portfolios | Issue 10



PAGE 10

Final Salary Pensions

We take a look at whether it's best to stay in your current final salary pension or leave with transfer values now at a record high.

true potential investments

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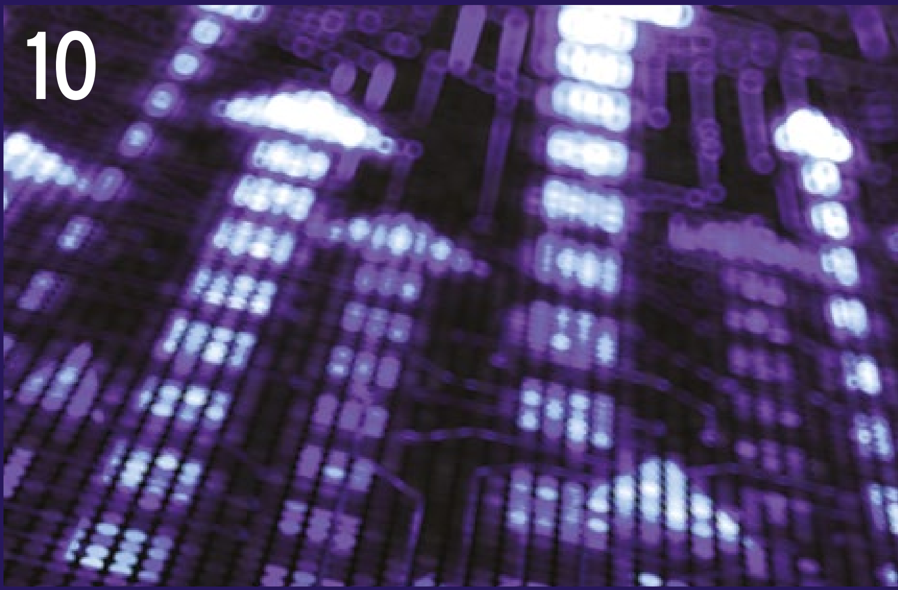


With investing, your capital is at risk. Investments can fluctuate in value and you may get back less than you invest. The contents of this magazine should not be interpreted as personalised financial advice.

NOT THE WORD FROM OUR CHIEF INVESTMENT OFFICER

Regular readers will notice a change in the photo above. Colin Beveridge, our CIO, has stepped away from the day to day running of the True Potential Portfolios to chair the Investment Committee of independent, external advisers who scrutinise and oversee the management of our flagship product.

Having been instrumental in establishing the Portfolios, Colin remains very much a part of True Potential. We continue to benefit from his sage counsel and singular insight into financial markets and wish him well in his new role.

This quarter, and March in particular, marked the nine year anniversary of market lows during the global financial crisis and the introduction of quantitative easing. QE, as it rapidly became abbreviated to, has had a marked effect both on economies around the world and also on international financial markets.

On page 14 we examine its role in reviving the global economy in the aftermath of the 2008 financial crisis and on returning confidence to financial markets around the world.

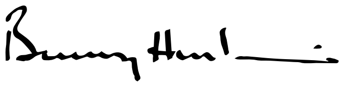
One of the effects of the "emergency measures" introduced in 2009 was to lower interest rates to levels never before seen.

The prolonged period of low interest rates and the search for income producing assets spawned a wave of alternative investments as savers were forced to explore other means of securing an income from their investments. On page 18 we look at some of these income generating ideas as well as other alternative sources of return, uncorrelated to traditional bond and equity markets.

One of the unforeseen consequences of central bankers' recourse to unconventional monetary policy and artificially low interest rates has been to boost, significantly, the value of "final salary" or "defined benefit" (DB) pension schemes.

The alchemy of actuarial valuation dictates that as interest rates go down the value of the pension assets required to meet future liabilities appreciates so, with rates at historic lows, transfer values are at record highs. On page 10 we consider the pros and cons of transferring out of a DB scheme and into a Self Invested Pension Plan. It's not for everyone but for some it represents a very attractive option as part of retirement planning.

Finally, as the major trading nations around the world continue to enjoy synchronised economic growth and central banks look to wind up their unconventional monetary strategies we contemplate the financial landscape as quantitative easing is gradually withdrawn and look through the current volatility to when markets are on a more secure and longer lasting foundation.



Barney Hawkins,
Investment Director.

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	1st Apr 2017 to 31 Mar 2018	1st Apr 2016 to 31 Mar 2017	1st Apr 2016 to 31 Mar 2018	1st Oct 2015 to 31st Mar 2018
DEFENSIVE	0.46%	7.67%	8.17%	11.50%
CAUTIOUS	0.26%	11.67%	11.96%	16.28%
CAUTIOUS +	0.81%	11.72%	12.62%	16.36%
CAUTIOUS INCOME	-0.38%	13.49%	13.06%	16.82%
BALANCED	1.36%	16.49%	18.07%	22.89%
BALANCED +	1.36%	16.55%	18.13%	24.57%
BALANCED INCOME	-0.18%	15.07%	14.86%	19.84%
GROWTH	2.11%	19.74%	22.26%	29.83%
GROWTH +	3.55%	18.62%	22.83%	29.66%
AGGRESSIVE	4.13%	21.79%	26.81%	35.74%

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: Q1 2018

One might say we have seen the good, the bad and the ugly over the first three months of 2018.

The year began where 2017 ended with a continuation of strong, positive returns set against a favourable economic backdrop. However, larger two-way movements in asset prices and a rise in volatility was not only overdue but inevitable.

Whilst positive returns were made in January, returns for the quarter as a whole were negative. Global equities were down -1.2% in local terms but for those translating returns into Sterling, returns fell to -4.8%. As we have discussed in previous True Insight editions, currency can have a big part to play in investor returns. Over the quarter Sterling strengthened against both the US Dollar (3.7%) and the Euro (1.0%) benefiting from a transitional agreement with the EU, average earnings outpacing inflation and the Bank of England hinting at higher interest rates in May.

In the US, the period was littered with economic and political headlines, ranging from the imposition of new trade tariffs by Donald Trump to interest rate guidance set by Jerome Powell, incoming Chairman of the Federal Reserve Board. Markets in February sold off, triggered by a data print showing hourly US wages rising faster than expected causing US bond yields to rise and the inflation outlook to be reappraised.

Equity investors spied higher borrowing costs and demanded greater compensation for taking risk. Unrest from leading technology stocks caught up in political, operational and ethical disputes contributed to the decline so that over the quarter US equities fell -0.8% in local terms but after conversion to Sterling were down -4.3%.

The UK has been the most challenging market this year, falling -7.2% over the three months to the end of March. Uncertainty about the UK's long-term relationship with the European Union, its biggest trading partner, remains a dominant theme. Concerns surrounding an escalating trade war between China and the US, creeping inflation and a strengthening pound have all been headwinds for internationally oriented companies within the UK's leading index.

Illustrating that the pullback this quarter has been broad based, European equities also fell, down -3.4% in local terms. Despite the sell-off, largely prompted by expectations of rising inflation and higher US interest rates, earnings released by European companies continued to be positive, many companies beating expectations.

With hiding places being few and far between, Emerging market equities have offered some respite, delivering investors positive returns for the quarter, up 1.4% (local) - building on 2017's very strong returns. However, breaking the quarter down into its individual months illustrates that Emerging Markets have not been immune from the wider market volatility, recording negative one month returns in February and March.

Lower risk assets such as bonds, produced mixed returns. On the one hand, investors were forced to revise inflation expectations and digest signals of higher interest rates, which pushed up on bond yields.

On the other, the pullback in equities increased demand for bonds - weighing down on fixed interest yields. Global bonds returned 2.9% (local) to investors, with UK gilts too providing positive returns of 0.3%.

UK corporate bonds, however, fell -2.3% with investors demanding greater compensation for the risk they represent.

In summary...

The unusually calm and remunerative conditions of 2017 have been replaced by greater price volatility as interest rates "normalise" to levels more appropriate to the current level of economic growth. The issue is not whether the first quarter's volatility will persist, it is whether this ends up being part of a healthy medium-term resetting that establishes the global economy on a firmer, more sustainable footing.


%Chg
+25.00%
+18.75%
+15.58%
+9.52%
+2.22%
+10.28%
+10.22%

INVESTMENT OUTLOOK

The global economy is continuing to enjoy synchronised growth, albeit with countries at differing stages. The US is in late cycle, coming to terms with monetary tightening but enjoying strong corporate earnings growth. Japan, at the other extreme, looks set to retain its programme of quantitative easing for the foreseeable future but is also reaping the benefits of economic reform. The UK and Europe lie geographically and economically somewhere between the two.

The **US** remains popular. Valuations appear full but are being supported by corporate earnings which are continuing to grow. The twin trade and budget deficits are a cause for concern as is the potential for tariffs to escalate into a fully-fledged trade war. However, a weakening dollar will help boost trade and most of our managers remain positive.

In **Europe** valuations are cheaper. The outlook for corporate earnings is more subdued than in the US and uncertainties surrounding Brexit and the aftermath of the Italian election are affecting sentiment to some extent. However, the bloc is behind the US in terms of its recovery and so provides an opportunity to extend the business cycle.

In addition, the fundamental attractions of Europe represent a defensive play should we experience further market turbulence.

Japan too represents a means of tapping into growth in the global economy and should hold up well, buoyed by attractive valuations, economic reforms, quantitative easing and inflows of foreign capital.

Emerging Markets are likely to exhibit volatility in the face of rising US interest rates but enjoy modest valuations compared to their developed market counterparts. India is increasingly in focus as China matures as an economy and begins to slow.

By contrast the **UK** has long been out of favour with international investors. Despite attractive valuations, uncertainty over the course of Brexit negotiations and what the implications of life outside the single market will be have meant investors have remained on the side lines. However, the UK is now emerging as a non-consensus trade with some managers increasing their exposure, viewing it as a defensive market denominated in an undervalued currency.

"While trade wars and geo-politics remain a concern, the key focus remains on inflation. US consumer confidence is strong, unemployment is low and Trump's tax reforms will add further stimulus to an economy already firing on all cylinders."

In response to the expectation of stronger growth, the outlook for interest rates has changed markedly since the early part of the year. Markets now expect three to four rate hikes in the US this year and a further two rises in 2019.

This is the 'normalisation' we have spoken about previously.

In Conclusion...

It's important to remember that while the major economies are enjoying synchronised growth, they are not experiencing synchronised monetary tightening and opportunities remain. Corporate earnings are pulling through and provide a useful counterbalance to the valuation worry and the upward shift in bond yields that is taking place.

As interest rates, which are still at emergency levels, and global growth, which is accelerating, realign to some sort of equilibrium, volatility will be a natural consequence. And that's what we're seeing now. Events which perhaps should have happened in 2017 have occurred in the first part of 2018. Being adequately diversified is now more important than ever but with some of the froth blown off valuations, markets should be on a firmer footing looking out to the medium term.

Need help?
Speak with one of our transfer specialists on **0800 988 7139**

FINAL SALARY PENSIONS

Should I Stay or Should I Go?

An increasing number of companies are closing the doors on their final salary pension schemes for employees. As people live longer, employers are having to pay more to provide these guaranteed pensions and the cost of running such schemes can be too expensive to maintain.

By leaving, you would be able to take advantage of the pension freedoms introduced by the Treasury in 2015 and would receive a pension lump sum, that could be substantial, to be reinvested into a personal pension of your choice.

However, having transferred your pension fund away from the final salary arrangement you would not be entitled to any future benefits under the scheme.

Record Transfer Values

Final salary pension scheme values are based on discounted cash flow models and are high when interest rates are low and low when interest rates are high.

Transfer values are, therefore, currently at record highs but it is not known how long this will continue.

Despite this peak, research suggests that only two thirds of final salary members* are even aware of the high transfer values available to them and are potentially missing out on the opportunity to take advantage of these generous offers.

There are a lot of things to consider when it comes to transferring a final salary pension and it's important to make a decision that's right for you.

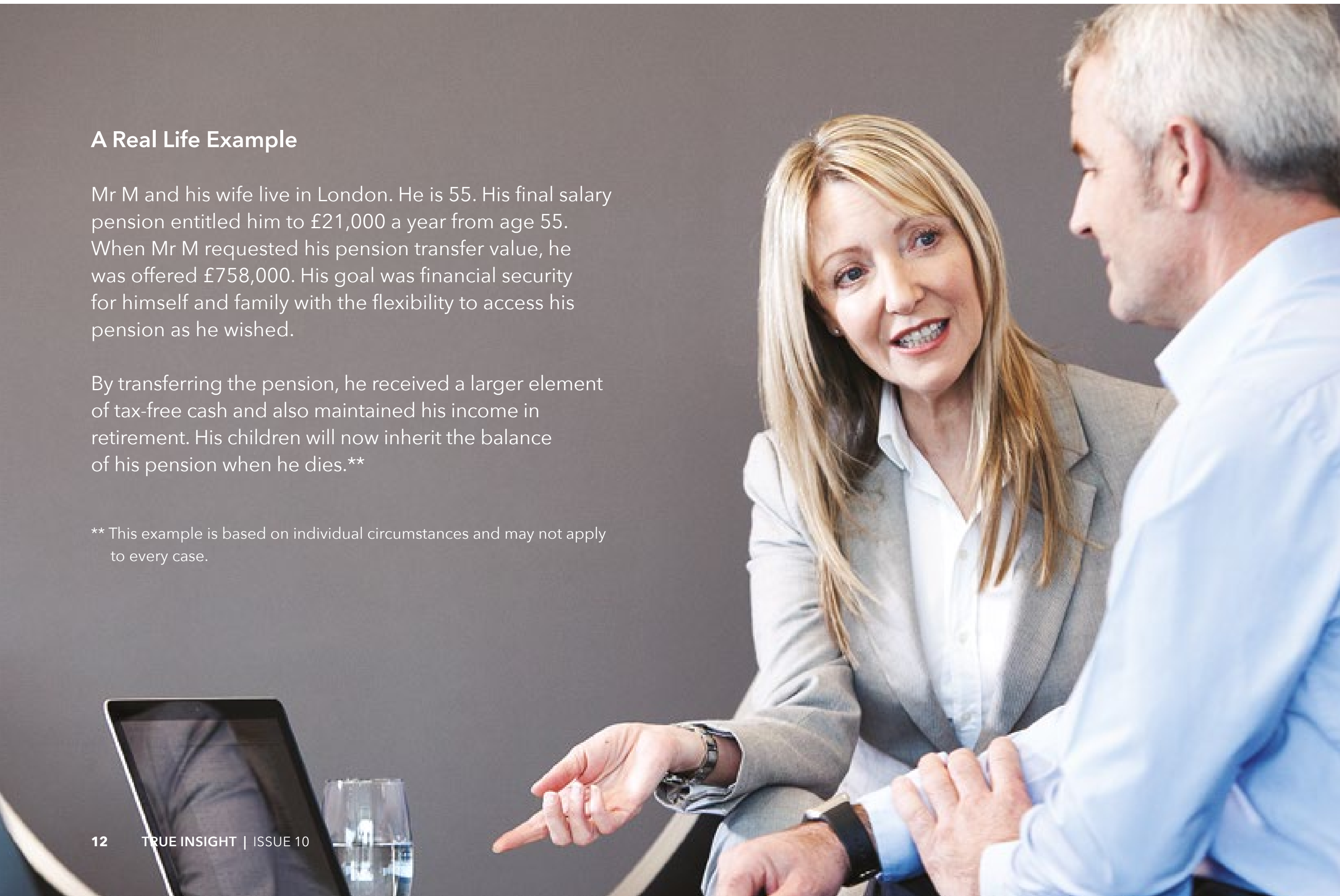
*Source: Money Observer June 2017

Making the Right Choice For You

Transferring out of a final salary pension scheme would allow you to benefit from the reforms introduced by the Chancellor of the Exchequer almost three years ago and may give you greater value for your pension plus far more flexibility when you retire.

Transferring out of a final salary pension scheme is not an easy decision and should not be taken lightly. Factors such as your income in retirement, health, lifestyle, age, marital status, life expectancy and retirement date should all be taken into account before considering a transfer and professional advice should be taken.

In fact, if your final salary pension has a transfer value of £30,000 or more, you are required by the Financial Conduct Authority to seek impartial financial advice before transferring. There may be valuable guarantees or benefits that you could stand to lose upon transfer so it's an important decision to make.



A Real Life Example

Mr M and his wife live in London. He is 55. His final salary pension entitled him to £21,000 a year from age 55. When Mr M requested his pension transfer value, he was offered £758,000. His goal was financial security for himself and family with the flexibility to access his pension as he wished.

By transferring the pension, he received a larger element of tax-free cash and also maintained his income in retirement. His children will now inherit the balance of his pension when he dies.**

** This example is based on individual circumstances and may not apply to every case.

What's The Next Step?

Everybody's circumstances are different which is why it's important to get in touch with your financial adviser to assess your situation. You also need to be aware that by transferring your pension you may lose certain benefits or guarantees. As part of the advice process your adviser will assess these benefits and, if the advice is to transfer, will explain fully the benefits that you will gain and those that you will be giving up.

Deciding to transfer your pension or, indeed, to remain within your existing scheme is a key life decision. It is therefore important that you understand the benefits you will receive by making the decision to stay or remain. Seeking the advice of a Pension Specialist is essential in ensuring you achieve the best outcome.

For help and information about Final Salary Transfer Pensions and how to transfer please visit www.myfinalsalarypension.com

WHO CARES, SO WHAT, WHAT'S IN IT FOR ME?

It is easy to imagine Bart Simpson, the cartoon character, asking these questions. Answering the simple questions is challenging because they demand precise answers. In this article we direct these questions towards a controversial policy operated by major central banks over a period of almost 10 years, Quantitative Easing.

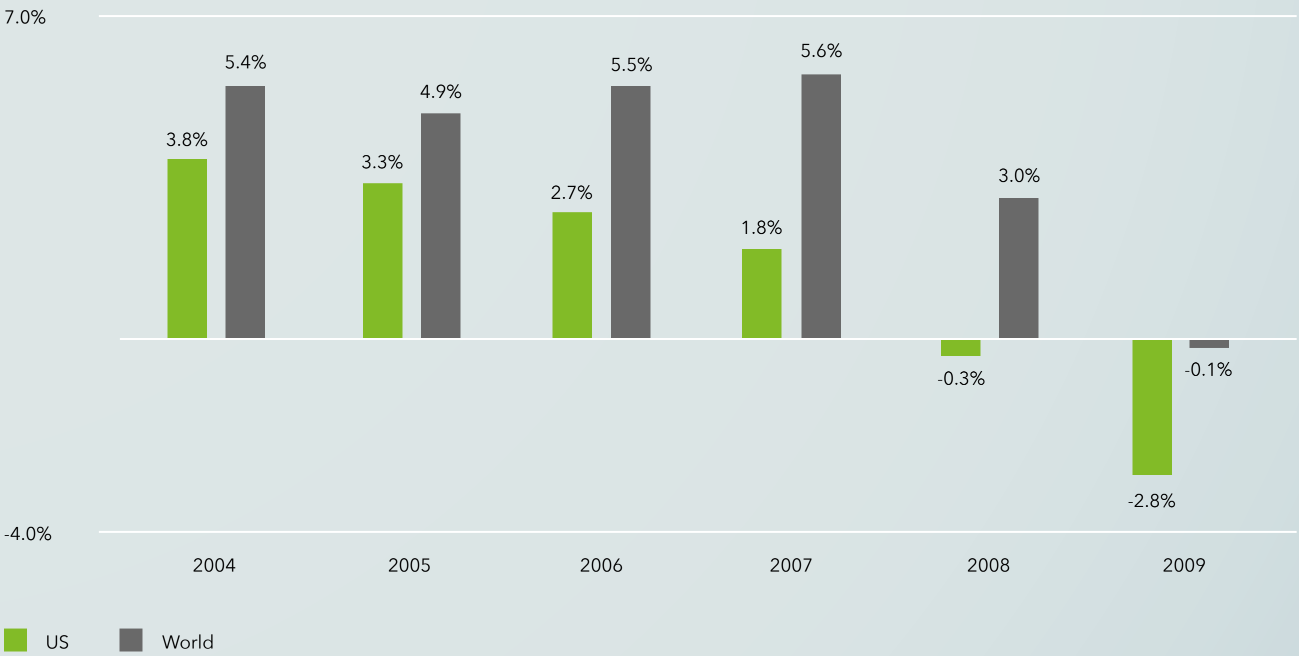
Who cares?

The answer to the first question is straightforward - central banks care. Central banks generally act conventionally. They raise and lower interest rates to restrain or stimulate the economy. However, when rates are at or near zero, and so cannot be reduced further, the authorities are forced to contemplate more extreme measures.

So what?

The second question is tied up with the credit crisis. Our chart shows economic growth ticking along nicely until it received a massive blow in late 2007. The origin of the upset was located in the US housing market which collapsed under a massive wave of debt and sent shock waves around the world.

US & World GDP Growth (YoY%)



Source: Bloomberg

Cutting rates sharply wasn't enough to spur growth and inflation. Central banks needed to do more. As a result, the US Federal Reserve began buying debt (bonds issued by the Government and companies) with money created electronically. This increases the supply of money in circulation and so this "Quantitative Easing" or QE is essentially pumping more money into the system. Buying bonds with more money causes their prices to rise and yields to fall. Income from less risky assets also falls and this encourages investors to turn their attention to buying other types of investments e.g. equities. Thus QE also encourages greater risk taking. So, QE effectively causes the price of nearly all financial assets to inflate.

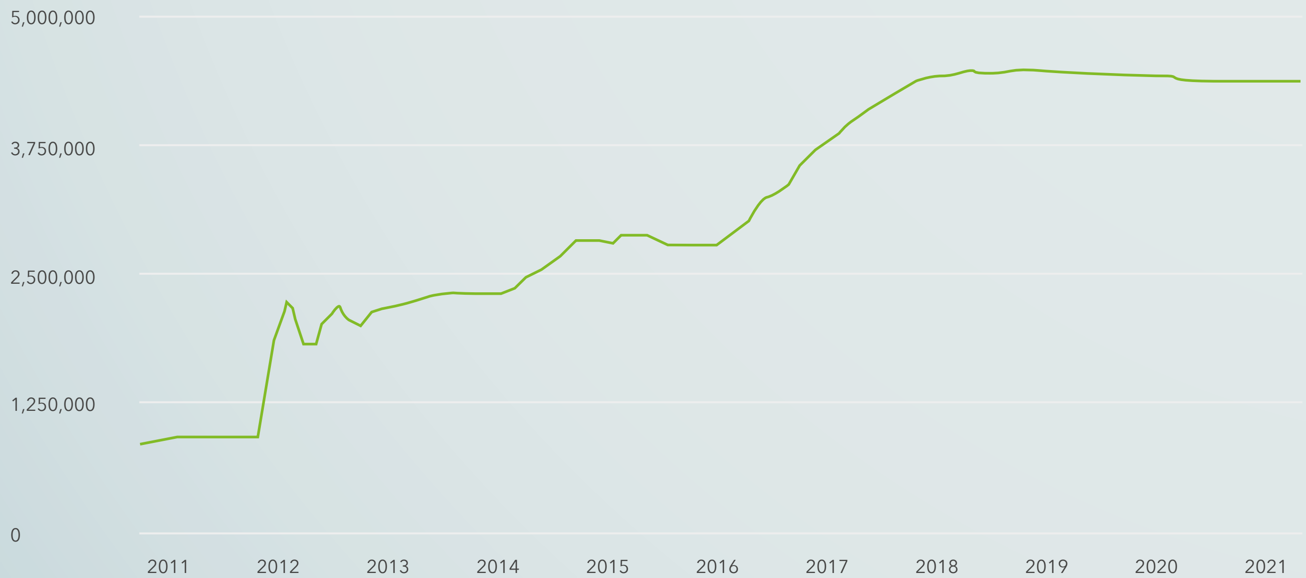
What's in it for me?

If you have a mortgage, a job, a pension or are reliant on public health systems or social support mechanisms, QE for you has acted as a prop. It has, arguably, helped restore confidence in the minds of consumers and businesses, helping to lower borrowing costs, encourage businesses into hiring more people, making people feel wealthier and lifting government tax receipts to help fund vital services.

Whether it is causation or correlation, QE coincides with the restoration of economic growth and inflation picking up. Not just in the US but also in the UK and Europe. QE was rolled out by the Bank of England in 2009 (£435bn of bonds purchased to date) and by the European Central Bank in 2015 (still buying bonds but purchases cut from €60bn a month to €30bn). The US central bank injected 3 doses of QE ($4.4 trn) over a period of almost 10 years with increasing impetus behind the programme to force improvement.

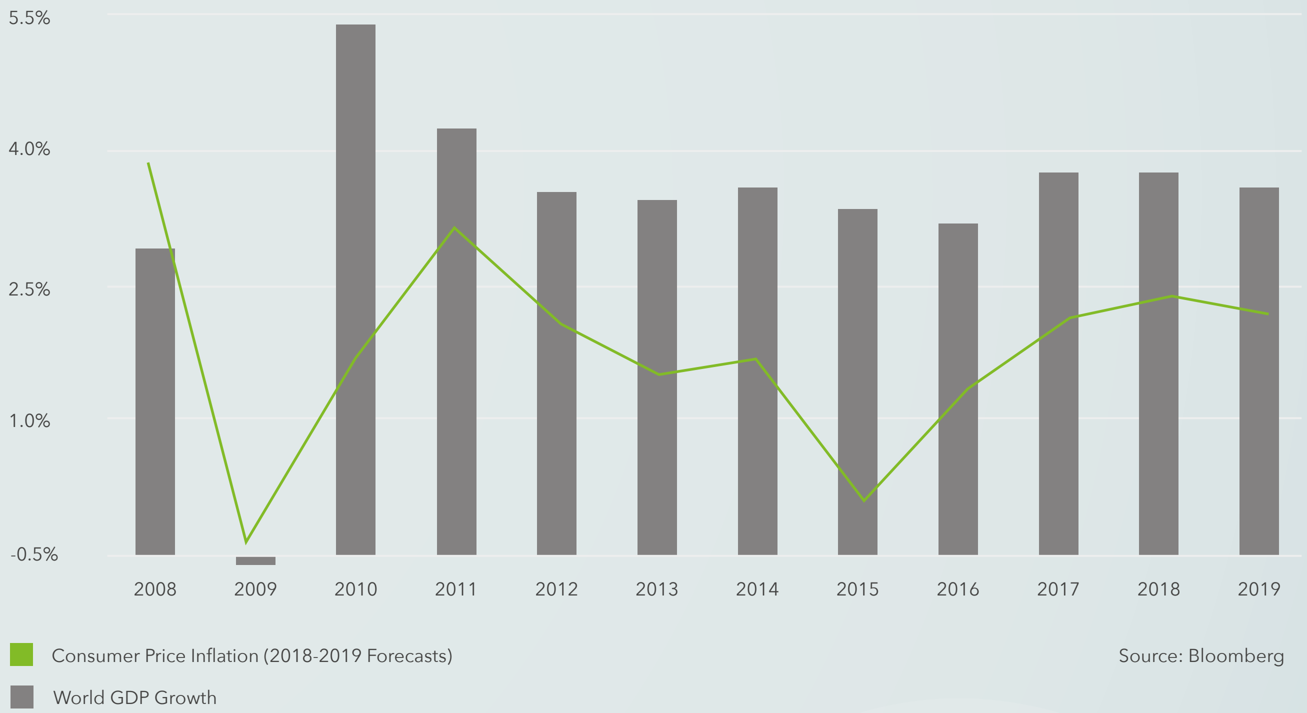
" Whether it is causation or correlation, QE coincides with the restoration of economic growth and inflation picking up."

Total Assets of the Federal Reserve (in $ Billions):



Source: FederalReserve.gov

World GDP Growth & Inflation YoY



When an economy is on life support, it needs to be propped up artificially but the aim is self-sustaining growth and core inflation at a target level. So, when Janet Yellen, former Chair of the US central bank, announced recently that the Fed was cutting its $4.4trn balance sheet of bonds purchased under QE, she was tacitly declaring that the medicine had worked and the patient was back to health.

This recovery is not without consequences. As the chart above illustrates, markets are now expecting higher growth and a tight labour market to push up inflation in the US as the cycle matures. This in turn will mean higher interest rates as central banks around the world work towards policy normalisation, aligning current levels of economic growth with appropriate levels of interest rates.

The global economy, like the human body, is complex. Relapses in health can occur but through strength, human ingenuity and the desire to innovate, fresh challenges can be faced with resilience. The world is in a constant state of change and change generates uncertainty. By working with eight different global investment partners, practiced in what they do, we look to a post-QE world not with apprehension but a readiness to seize opportunities as they occur.

ALTERNATIVES

Today's use of what are loosely termed Alternative Investments has its origins in central banks' response to the global financial crisis in 2009.

To revive the global economy, authorities around the world embarked upon a programme of money printing, Quantitative Easing.

Over the ensuing years this liquidity worked through the financial markets gradually pushing up the price of conventional investments such as bonds and equities.

In response, investors began to seek out alternative areas which not only afforded the potential for higher returns but also offered risk and return characteristics that differed from traditional equity and bond portfolios.

At True Potential two of our fund manager partners in particular, 7IM and Goldman Sachs, are increasingly focussing on alternative investments as part of their multi asset strategies.

Below, we provide some insight into the myriad of diversified, uncorrelated investments and some of the most popular strategies amongst our investment professionals.

REAL ESTATE & PROPERTY

Real Estate is one of the original alternatives and covers investment in both residential and commercial property. Investment can either be direct, in "bricks and mortar" or indirect through Real Estate Investment Trusts (REITs). REITs are quoted on the public stock markets and represent a more liquid and accessible exposure to this asset class. Commercial property can include shopping malls and retail parks, office space, warehouses or industrial property.

Most recently there has been a surge in purpose built university student accommodation blocks. Real estate provides a source of income and capital return, along with a degree of hedging against inflation. While long term returns may be similar to equities, the illiquid nature of property and the long term approach property investors generally have mean that the returns from property often exhibit lower volatility than stocks and shares.

PRIVATE EQUITY

Private equity ranges from investing in small venture capital start-ups to privately arranged investment in companies which may be large, established concerns but which are not quoted on a stock exchange and remain under private ownership.

Investment takes place directly, or indirectly via comingled funds allowing investors access to a portfolio of what would otherwise be highly illiquid private businesses.

HEDGE FUNDS

Hedge funds are pooled investments that deploy numerous strategies to earn a positive return for investors. They typically have little restrictions to investing, and the capacity to utilise leverage and derivatives. However, like all assets, hedge funds have their risks, such as lock-up periods where withdrawals may be restricted for a length of time, irregular valuations and limited transparency on the underlying holdings.

PRECIOUS METALS

Gold is the most popular of the metals, offering 'safe-haven' properties and protection against long term inflation. Other precious metals include Silver, Platinum and Palladium.

COMMODITIES

Commodities cover physical assets such as oil, metals and agricultural products. Rather than investing in the actual commodities themselves, our manager partners generally invest via financial instruments linked to the price of the underlying asset, such as an ETF (Exchange Traded Fund).

LONG / SHORT STRATEGIES

"Going long" is the usual practice of investing in securities which are expected to appreciate in value.

"Going short", is a slightly more complex strategy which involves borrowing shares from existing, long term investors in order then to sell them in the market, hoping they drop in value and then buying them back at a lower price. Having an investment which involves both long and short trading strategies can help dampen the volatility of returns whilst enabling investors to benefit from both falling and rising prices.

INFRASTRUCTURE

Infrastructure funds invest in companies concerned with the management of fixed assets such as roads, schools, hospitals or ports that aim to generate stable, long-term inflation linked returns.

SUMMARY

As interest rates normalise market volatility may persist and we have been increasing our exposure to those managers who have a greater allocation to alternative investments.

These alternatives, in combination with other asset classes and different styles of investing, should enable us to reduce the overall level of riskin the portfolios and enhance returns for clients.

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 eight 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 12.5%.

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.

	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									✓	✓

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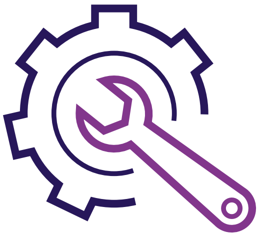
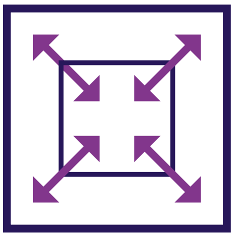


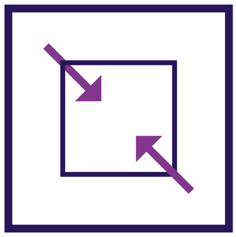
Risk (Baseline Portfolios)

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. 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.

Strategy Allocation

Defensive

Manager of Managers - True Potential SEI Defensive	38.0%
Active Management with Passive Implementation - True Potential 7IM Defensive	29.5%
Agile, Low-Cost Value Investing - True Potential UBS Defensive	32.5%

Cautious

Direct Equity & Bond Investing - True Potential Close Cautious	17.5%
Manager of Managers - True Potential SEI Cautious	18.0%
Active Management with Passive Implementation - True Potential 7IM Cautious	17.0%
Momentum with Volatility Control - True Potential Allianz Cautious	14.5%
Fund of Funds - True Potential Schroders Cautious	14.0%
Agile, Low-Cost Value Investing - True Potential UBS Cautious	19.0%

Balanced

- **Momentum with Volatility Control** - True Potential Allianz Balanced 12.0%
- **Direct Equity & Bond Investing -** True Potential Close Balanced 15.0%
- **Alternative Dynamic** - True Potential Goldman Sachs Balanced 8.0%
- **Income Funds** - True Potential Goldman Sachs Global Income Builder 8.0%
- **Fund of Funds -** True Potential Schroders Balanced 9.0%
- **Manager of Managers** - True Potential SEI Balanced 19.0%
- **Active Management with Passive Implementation -** True Potential 7IM Balanced 11.0%
- **Agile, Low-Cost Value Investing** - True Potential UBS Balanced 18.0%

Growth

- **Momentum with Volatility Control** - True Potential Allianz Growth 20.0%
- **Direct Equity & Bond Investing -** True Potential Close Growth 22.0%
- **Manager of Managers** - True Potential SEI Growth 20.0%
- **Active Management with Passive Implementation -** True Potential 7IM Growth 16.0%
- **Agile, Low-Cost Value Investing** - True Potential UBS Growth 22.0%

Aggressive

- **Manager of Managers** - True Potential SEI Aggressive 32.5%
- **Active Management with Passive Implementation -** True Potential 7IM Aggressive 31.0%
- **Agile, Low-Cost Value Investing** - True Potential UBS Aggressive 36.5%

TRUE POTENTIAL PORTFOLIOS

Asset Allocation

Asset Class	Defensive	Cautious	Balanced	Growth	Aggressive
UK Equities	5.96%	12.92%	15.56%	20.68%	22.74%
North American Equities	15.70%	18.20%	23.85%	28.72%	32.94%
European Equities	4.99%	6.95%	9.88%	10.30%	12.12%
Japanese Equities	2.44%	4.05%	5.41%	7.48%	6.33%
Asia Pacific Equities	0.61%	1.05%	2.16%	2.28%	1.60%
Emerging Market Equities	1.58%	3.37%	6.70%	10.62%	12.38%
Global Bonds	14.48%	9.16%	6.66%	3.14%	1.43%
Global Inflation Linked Bonds	0.75%	0.79%	0.65%	0.60%	0.00%
Emerging Market Bonds	1.55%	2.34%	3.27%	2.65%	1.82%
Global High Yield Bonds	5.35%	3.92%	6.19%	3.00%	0.86%
UK Gilts	7.18%	6.52%	2.46%	1.99%	2.28%
UK Credit	6.04%	11.08%	7.93%	5.29%	4.85%
Property	0.26%	0.14%	0.25%	0.19%	0.00%
Commodities	0.60%	1.62%	1.10%	0.79%	0.00%
Cash	32.51%	17.89%	7.93%	2.27%	0.66%

Source: Smith & Williamson, 31 March 2018

+ 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 +

Direct Equity & Bond Investing - True Potential Close Balanced	14.5%
Fund of Funds - True Potential Schroders Balanced	11.0%
Manager of Managers - True Potential SEI Defensive	40.0%
Momentum with Volatility Control - True Potential Allianz Balanced	11.5%
Active Management with Passive Implementation - True Potential 7IM Growth	8.0%
Agile, Low-Cost Value Investing - True Potential UBS Growth	13.0%
Alternative Dynamic - True Potenital Goldman Sachs Balanced	2.0%

Balanced +

Direct Equity & Bond Investing - True Potential Close Growth	20.0%
Manager of Managers - True Potential SEI Cautious	34.0%
Manager of Managers - True Potential SEI Defensive	3.5%
Momentum with Volatility Control - True Potential Allianz Growth	11.5%
Active Management with Passive Implementation - True Potential 7IM Aggressive	9.5%
Agile, Low-Cost Value Investing - True Potential UBS Aggressive	14.5%
Fund of Funds - True Potential Schroders Cautious	7.0%

Growth +

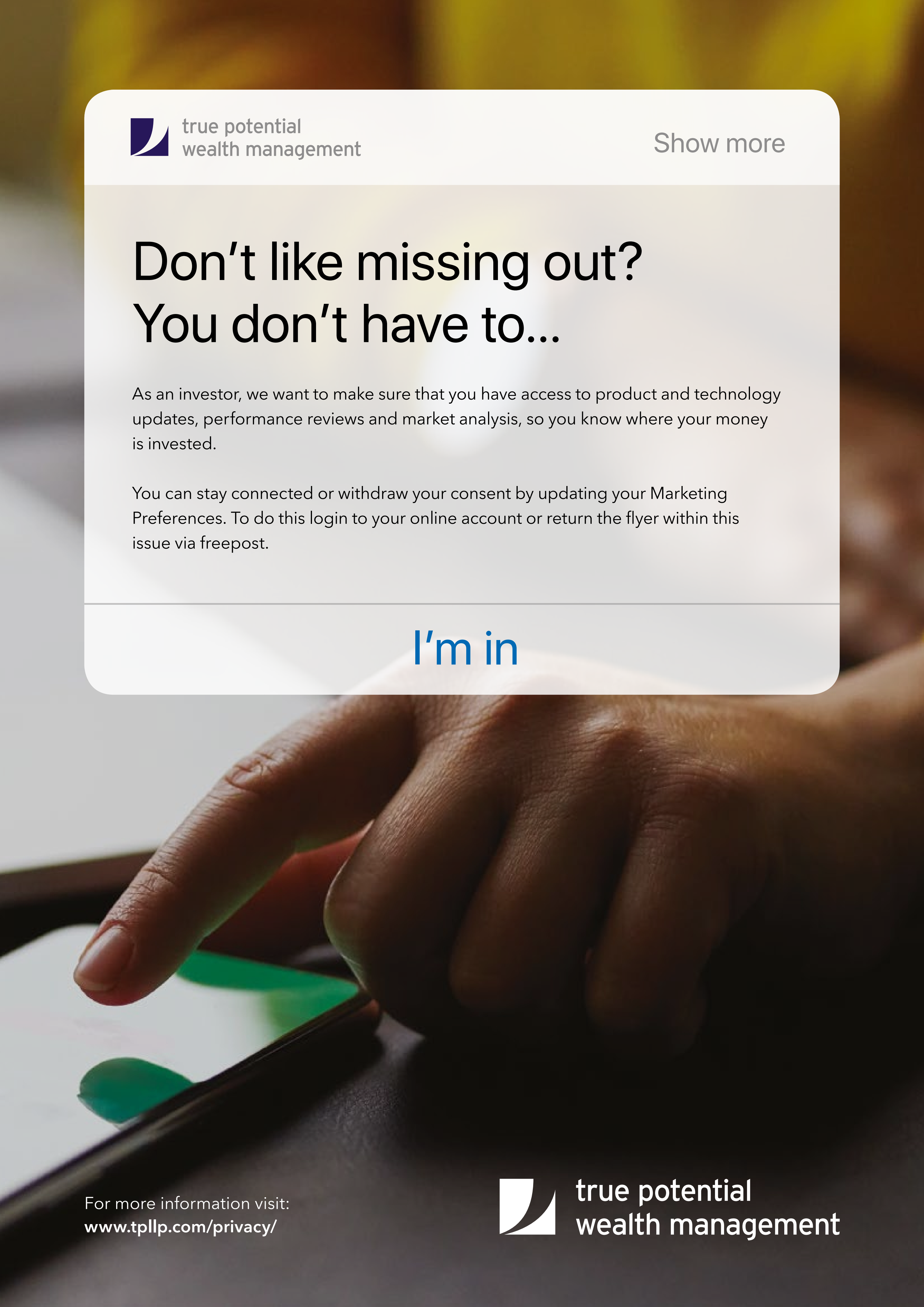
Direct Equity & Bond Investing - True Potential Close Balanced	24.0%
Manager of Managers - True Potential SEI Aggressive	28.0%
Active Management with Passive Implementation - True Potential 7IM Aggressive	16.0%
Agile, Low-Cost Value Investing - True Potential UBS Aggressive	26.0%
Momentum with Volatility Control - True Potential Allianz Balanced	6.0%

Asset Allocation

Asset Class	Cautious +	Balanced +	Growth +
UK Equities	12.8%	17.43%	22.82%
North American Equities	17.8%	24.36%	30.51%
European Equities	8.8%	9.50%	11.13%
Japanese Equities	4.8%	6.03%	5.58%
Asia Pacific Equities	1.6%	1.93%	2.20%
Emerging Market Equities	4.9%	6.68%	9.87%
Global Bonds	9.1%	6.63%	1.75%
Global Inflation Linked Bonds	0.8%	1.56%	0.00%
Emerging Market Bonds	1.0%	1.96%	1.27%
Global High Yield Bonds	5.0%	4.79%	0.94%
UK Gilts	4.3%	4.03%	1.84%
UK Credit	7.5%	4.69%	8.03%
Property	0.1%	0.17%	0.21%
Commodities	1.1%	1.15%	0.65%
Cash	20.4%	9.09%	3.20%

Source: Smith & Williamson, 31 March 2018

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.

Source: Goldman Sachs, Close Brothers, Threadneedle and Schroders, 31 March 2018

Strategy Allocation

Cautious Income

Direct Equity & Bond Investing - True Potential Close Cautious Income	32.5%
Income Focused - True Potential Threadneedle Monthly Income	15.0%
Income Funds - True Potential Goldman Sachs Income Builder	42.5%
Fund of Funds - True Potential Schroders Cautious Income	10.0%

Balanced Income

Direct Equity & Bond Investing - True Potential Close Cautious Income	6.0%
Income Focused - True Potential Threadneedle Monthly Income	35.0%
Income Funds - True Potential Goldman Sachs Income Builder	50.0%
Fund of Funds - True Potential Schroders Cautious Income	9.0%

Asset Allocation

Asset Class	Cautious Income	Balanced Income
UK Equities	24.81%	35.96%
North American Equities	13.12%	14.43%
European Equities	6.90%	7.15%
Japanese Equities	0.77%	0.43%
Asia Pacific Equities	1.14%	1.09%
Emerging Market Equities	0.02%	0.02%
Global Bonds	10.71%	10.32%
Global Inflation Linked Bonds	0.48%	0.09%
Emerging Market Bonds	0.51%	0.57%
Global High Yield Bonds	11.95%	14.05%
UK Gilts	1.43%	0.26%
UK Credit	11.46%	8.25%
Property	5.47%	1.49%
Commodities	2.43%	0.83%
Cash	8.80%	5.06%

Source: Smith & Williamson, 31 March 2018 true potential investments

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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