TRUE INSIGHT

True Potential Portfolios | Issue 16

PAGE 12

Many happy returns

The True Potential Portfolios introduced advanced diversification to the world, with impeccable timing.

true potential investments

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View from the Riverside

Welcome to this latest edition of True Insight.

This month marks the fourth anniversary of the True Potential Portfolios which were launched in 2015. Much has changed in that time, not least the value of funds under our direct management in the portfolios which now tops £7 billion, an increase of roughly £2 billion on this time last year.

On page 12 we celebrate this milestone and on the following pages highlight some of the events that have accompanied this growth and made headlines in the intervening years; the business successes and upsets, and the changing face of politics in Europe, the United States and here in the UK.

Change is, of course, a constant in investment and one of the aspects which makes financial markets so fascinating. On page 16 we examine the changing face of the UK's index of 100 leading companies since it was launched in 1984. We consider those companies that have adapted to survive and stay the course, and those that have fallen by the wayside over the last 35 years. We look at how the character and composition of the index has changed since its launch from a predominantly domestically focussed index to one which reflects the global economy and why this matters for investors.

Last, but by no means least, we have a change of our own. Jeff Casson joins us from Global Equity specialists Martin Currie to take up the role of Chief Investment Officer. Jeff has a background in active investment management across a diverse range of markets and sectors, ideal preparation for his role heading up True Potential's multi asset investment proposition. On page 10 he takes time out of his busy schedule to provide an insight into his background, his area of expertise and his first impressions of True Potential.

Jeff's knowledge and experience will help us continue to deliver investment returns for our clients through innovative and value for money solutions. We welcome him to True Potential and wish him well.

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.

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	30 Sep 2016 to 30 Sep 2017	30 Sep 2017 to 30 Sep 2018	30 Sep 2018 to 30 Sep 2019	Since inception 1 Oct 2015 to 30 Sep 2019
Defensive	+3.24%	+1.65%	+3.24%	**+17.37%**
Cautious	+4.91%	+2.57%	+4.09%	**+24.97%**
Cautious +	+5.82%	+3.09%	+4.52%	**+26.08%**
Cautious Income	+6.61%	+1.78%	+4.36%	**+27.63%**
Balanced	+8.27%	+3.84%	+4.30%	**+33.95%**
Balanced +	+8.24%	+4.81%	+5.24%	**+38.16%**
Balanced Income	+7.82%	+2.46%	+4.58%	**+32.15%**
Growth	+10.63%	+5.81%	+4.57%	**+44.28%**
Growth +	+12.05%	+6.98%	+4.39%	**+44.63%**
Aggressive	+12.85%	+7.23%	+2.99%	**+49.41%**

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 2019

The summer months were characterised by a return of volatility with markets ruffled by a number of factors, most notably the ongoing trade wars between the United States and China, signs of a slowing in the pace of global growth and a series of technical factors in the bond markets.

Increasingly fractious trade negotiations between the US and China remained unresolved amid growing signs that the impasse was beginning to affect not only the two protagonists but global growth and trade generally. Threats by President Trump to impose ever higher tariffs were met by the Chinese allowing their currency to fall below the symbolically important level of 7 renminbi to the dollar.

In a sign of increasing risk aversion, Japanese and several European government bonds have traded on negative yields, investors effectively paying to lend money to these governments.

Markets were further unsettled by the "inversion of the yield curve", a technical feature which describes the unusual situation where investors receive a higher return on short dated bonds than they do from longer dated maturities. Historically an inversion has sometimes been a prelude to recession but with global bond markets still displaying the side effects of quantitative easing (QE) and more stringent financial regulation some investors question how accurate a signal it remains.

Moreover, this time the effect has occurred when all the data points to a US economy which appears to be in rude health, growing at over 2% per annum, with one million more job opportunities than job seekers, consumer confidence high, productivity improving by 2.3% and inflation remaining subdued.

Notwithstanding the strength of the US economy the Federal Reserve has twice cut interest rates by 0.25% in a move designed to reassure financial markets that it remains alive to the potential risks posed by the continued trade war with China and will do all it can to prolong the economic cycle.

Other central banks have followed suit. In one of his final acts, Mario Draghi, outgoing President of the European Central Bank, cut rates by 0.1% to -0.5% and has committed his successor, Christine Lagarde, to a resumption of QE.

During the period Boris Johnson succeeded Theresa May as British Prime Minister and, in the face of a Parliament unwilling to leave the European Union without a deal, nevertheless, signalled his determination to 'get Brexit done'.

As well as action by central banks, a series of financial stimulus packages have been announced. The German government has a €50 billion package of measures in place designed to support the economy while Boris Johnson has promised a raft of pay increases and public spending initiatives in preparation for the UK's departure from the EU. China, too, has introduced a series of lending reforms and spending initiatives to bolster its economy.

With monetary authorities around the world committed to extending the current upturn, both equity and bond markets have enjoyed positive returns. Over the quarter global equities returned 4.7% in sterling terms with global bonds up 4.2%.

Investment Outlook

Central banks are maintaining their "dovish" stance and with policy still directed at generating low levels of inflation this should continue to underpin risk assets. Economic data remains mixed with the service sector holding up although manufacturing data remains weak.

UK – Sentiment towards the UK remains clouded by the uncertainty, both political and economic, surrounding Britain's departure from the European Union. Valuations remain cheap, by historical standards, and the weakened currency also provides the opportunity for overseas investors to access UK assets at depressed levels.

Europe - Mario Draghi, outgoing head of the European Central Bank has declared that the Bank's quantitative easing programme will restart in November, with the ECB purchasing €20bn of bonds each month. The key question is whether a relaxation of monetary policy will be sufficient or will fiscal policy – tax cuts and increased public spending- be required to extend the current economic cycle?

United States – Dovish policy from the Federal Reserve, a healthy US consumer, generally good economic data and a more domestically focussed economy all point positively towards US equities.

The US consumer is in rude health, with low unemployment and rising wages encouraging spending but the Federal Reserve nevertheless finds itself under intense pressure from the White House to lower interest rates again. While the markets are discounting a further two quarter point cuts, the signs from the Fed don't, as yet, indicate such an outcome.

Japanese equities – Despite low valuations relative to other geographies, the benefits deriving from structural reform and a more shareholder friendly attitude, many of our manager partners see Japan as more geared towards global trade and don't have the conviction to add to Japan at this time.

Emerging Markets – Debt is the preferred way to access emerging markets. The hunt for yield and low issuance have driven prices up in this asset class, with investors moving up the risk spectrum in order to find income.

Bond Markets – The exceptional performance of bond markets has been beneficial to multi-asset investors and now many are questioning the validity of sovereign debt pricing on negative yields. This is encouraging investors to look to more esoteric areas to access yield opportunities. With over $16trn of sovereign debt now pricing on negative yields some of our manager partners are questioning why investors are still purchasing this type of paper.

Many institutions have an obligation to buy from a hedging or a liability driven standpoint and depending on where an investor is based, there can be the potential to hedge back returns allowing for a positive return due to interest rate differentials. However, for yields to move decisively upwards there would need to be an inflation shock or a reacceleration of growth.

Precious metals – Gold, silver and platinum have performed well and continue to offer a form of portfolio insurance against a deterioration in the economic outlook.

Overall the general investment outlook remains positive. Risk assets are still seen as offering the most attractive return prospects, but in a fast-changing environment, with many moving parts, diversification is essential, a way to help guard against unforeseen events.

This means diversification by asset class, currency, geography and style. Opportunities arise when asset prices ebb and flow.

Diversifying into different asset classes and within asset classes means our manager partners can capitalise on volatility during periods when it is elevated. Diversification also helps manage liquidity risk. Investors expect to be able to access their money when needed.

At the risk of repeating ourselves, advanced diversification is not just about dampening volatility, it also ensures liquidity for clients invested in our portfolios.

Q&A

Since the last edition of True Insight, True Potential has made a strategic investment of its own.

The arrival of Jeff Casson, who will be appointed as the Chief Investment Officer of True Potential Investments LLP, adds significant expertise and experience to our investment team. We put Jeff Casson in the spotlight.

1

As you join True Potential there's a US/China trade war underway, Brexit and its aftermath continue to dominate and greater tensions in the Gulf look to be on the way. That's quite a backdrop.

It certainly is and thankfully I don't have solve those problems. But what we are doing is trying to manage our clients' investments through them and take advantage of the opportunities that arise. Diversification has never mattered more and along with compounding, is amongst the most sustaining factors in finance.

The old adage of not putting all your eggs in one basket holds true.

If we think about this in terms of the True Potential Portfolios, all have diversification from many perspectives, whilst not jeopardising the return potential. Our portfolios offer diversification by manager style, opportunities across multiple regions, multiple asset classes, hedging levels and portfolio implementation.

So we are as well positioned as anyone could be.

2

Tell us about your previous career roles and proudest achievements?

I started as a graduate trainee with an investment trust. As my career evolved I became a fund manager, focusing on a number of different areas, from sector specific such as global technology, through to region specific, global and ultimately for the majority of my investment career focusing on emerging markets.

I've led investment teams, specialising in the strategic aspect of the investment business and how to achieve better outcomes for clients.

3

What would you say is your particular area of expertise?

The investment environment is constantly changing, and this requires everyone to enhance their knowledge and skills in order to bring current thinking to the decisions they make on behalf of clients.

My experience in managing multi billions in fast moving markets has taught the importance of being dispassionate, taking a step back to think about the fundamentals and not getting caught in the headlines. Marrying this approach with robust and diversified portfolio construction is crucial to help clients reach their financial goals. Investment structure and process is a vital area and one that is often overlooked. Despite the rise of the machines and their role in investment, this is still a people business.

4

Coming from the outside, in what way is the True Potential offer different from the rest of the market?

That's easy. True Potential has taken away layers of complexity and uses technology to turn what can be a daunting and challenging process into a simple solution. It is both differentiated and can be implemented efficiently and cost-effectively.

The evolution of technology has radically changed how we can meet and achieve our saving goals. For example, the True Potential technology has been developed with the customer experience at the heart of the proposition. This is a real differentiator. Many other solutions are not as intuitive or straightforward for the client to navigate, they are built on legacy systems with the inherent flaws and challenges that this brings.

A crucial part of our investment process is how we optimise the True Potential Portfolios. This is based on a number of criteria one of which is cost, which has fallen in the four years since the portfolios were launched. Our optimisation process ensures that the interests of clients are at the heart of our considerations.

Another differentiator is the sheer level of our diversification. It's the reason why over 4,000 financial advisers use True Potential's technology and investment funds and we see that diversification in the number of holdings across our multi asset funds and in the way we invest in our portfolios. Each client benefits from spreading money across the world, in different industries using the global investment expertise of our investment partners to help realise goals. Nowhere else brings all this together in a simple, effective and unique way.

5

What's in your in-tray today?

Joining the business relatively recently the in-tray is very focused on building my understanding of our manager partners.

Regular dialogue with them helps me understand how they are interpreting events in financial markets and why they are taking certain decisions in our portfolios.

Financial markets have a habit of altering the in-tray, that's what makes the job interesting.

Many Happy Returns

On October 1st we celebrated the fourth anniversary of the True Potential Portfolios which were launched in 2015. From a standing start, the Portfolios now account for over £7billion worth of clients' investments and in that time they have grown by up to 49%.

This sustained rise in terms of both performance and funds under management has been achieved over a period that has contained both favourable and more challenging market conditions and against a backdrop of ever-changing world events. On the chart on the next page we highlight just some of the more notable milestones and personalities to have hit the headlines over the last four years, a reminder that in changeable times diversification remains key to investment success.

Headlines over the years

October 2015

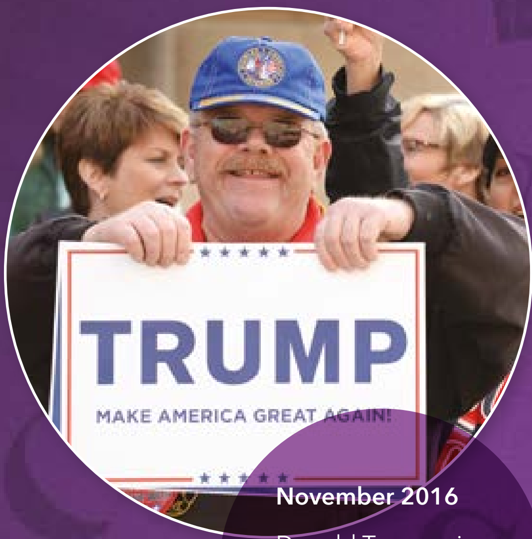
Volkswagon hit by emissions scandal.

June 2016

Britain votes to leave the EU and David Cameron resigns as PM.

August 2016

Bank of England cuts rates to historic low amid Brexit fall-out.



November 2016

Donald Trump wins American election - becomes 45th US President.

May 2017

Emmanual Macron won a decisive victory in the French Presidential election.

September 2017

Angela Merkel secured 4th term as German chancellor.

April 2018

Mark Zuckerberg testifies about the use of Facebook data targetging American voters in 2016 election.

August 2018

Apple Inc becomes the world's first public company to achieve a market cap of $1 Trillion.

December 2018

US Government shutdown - longest in US history.

March 2019

EU fines Google €1.49 Billion for freezing out rivals in the online advertising business.

June 2019

Theresa May officially steps down as leader of the Conservative Party.

July 2019

Boris Johnson becomes UK Prime minister.

The times they are a changin'

So sang Bob Dylan and when he wrote those lyrics in 1963 I doubt he was imagining a stock market review some 56 years hence. However, his words came to mind on the occasion of the quarterly reshuffle of the UK's index of 100 leading companies.

In the latest reorganisation, one of the founding members, Marks and Spencer, was demoted to the 250 Mid Cap Index, a casualty of the decline in High Street spending and our change in shopping habits. This prompted a series of questions around how the index has changed in the thirty five years since it was launched in 1984.

How many members make up the top 100 Index?
Stupid question? Actually, there are 101 shares in the index. Royal Dutch Shell, the oil company, has two lines of stock, A shares and B shares, a legacy of its Anglo/Dutch heritage and dual listing.

What proportion of earnings comes from overseas?
UK focussed concerns have now largely been replaced by blue chip multi nationals with about 70pc of sales made overseas. As a result, the relationship between the index and the UK economy is fairly loose.

How many of the companies report in Sterling?
71 report in Sterling, 21 in Dollars and 8 report in Euros.

Given the international nature of the companies and the multi-currency basis of their accounts, what effect does a 1% movement in sterling have on the level of the index?
One of the strongest determinants of how the index moves on a day to day basis is the performance of the pound because such a large proportion of profits for FTSE 100 companies is made in dollars.

If sterling weakens then dollar revenues, once converted back into sterling, are worth more. In the aftermath of the Brexit referendum in June 2016 the pound fell 12.8% against the dollar but because of the translation effect of the currency movement the main index jumped 10.4%.

GISC Sector (Sept 2019)	Weight (%)	Number of Companies in Sector
Financials	19.8	19
Consumer Staples	16.3	10
Energy	15.4	3
Materials	10.6	13
Health Care	10.2	4
Industrials	10.1	14
Consumer Discretionary	6.5	17
Consumer Services	5.5	8
Utilities	3.0	5
Information Technology	1.1	4
Real Estate	1.1	3
N/A	0.4	1

Of the original 100 companies how many remain?
Of the original cohort just 25 are left.

How has the character of the index changed over the period?
The index looks very different now. The original selection mostly comprised UK focussed household names often reflecting the British consumer such as retailer MFI Furniture, Boots the pharmacy and kitchen maker Magnet & Southern.

Ten of the companies had the word “British” in their name or abbreviation, British Electric Traction Company and British Insulated Callender’s Cables to name but two.

There were five world-beating electronics companies and four property groups, five heavy manufacturers and six banks, two conglomerates, five oil and gas companies, eleven retailers and eight construction groups.

During the “dot com” boom of the early 2000’s there were fourteen technology and telecoms firms in the FTSE 100, including Misys and the now-defunct Marconi, which went into administration in 2006.

Tobacco companies British American Tobacco and Imperial Brands were once considered defensive plays offering a strong and sustainable dividend income. Today the picture is different with fewer people smoking as global governments crack down on the industry.

What is the basis for relegation to/promotion from the mid cap index?
Each quarter, the index is reviewed to see if any members should be relegated or promoted. For a company to enter the main index at a reshuffle, it has to have a market capitalisation that puts it in the top 90 by size. Similarly, once in the index of top 100 shares, a stock has to fall quite far to be relegated – it has to have a market cap below that of the 110th biggest company in the UK stock market. This prevents stocks from constantly dipping in and out of either index at each reshuffle.

What was the index originally worth and what is its combined value now?
When the index was first launched in 1984, the combined value of companies was around £160 billion. Today this stands at around £2 trillion – a testament to the growth of our global capital markets.

Why does this matter to me?
UK holdings account for approximately 10% of the True Potential Balanced Portfolio. That exposure is diversified across both large cap stocks in the main index and mid caps in the 250 index.

The Darwinian principles determining the fluctuating membership of both indices mean the underlying holdings remain relevant, profitable and adaptable to changing conditions.

Our active managers seek to build upon the evolution that is naturally inherent in the process, identifying opportunities, and acutely aware that:

“The slow one now may later be fast and the first one now will later be last”. As someone may have written in 1963…

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 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.

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

Cautious

Manager of Managers - True Potential SEI Cautious	**14.25%**
Active Management with Passive Implementation - True Potential 7IM Cautious	**16.00%**
Direct Equity & Bond Investing - True Potential Close Cautious	**17.00%**
Momentum with Volatility Control - True Potential Allianz Cautious	**13.00%**
Fund of Funds - True Potential Schroders Cautious	**9.00%**
Agile, Low-Cost Value Investing - True Potential UBS Cautious	**16.00%**
Active Engagement, Positive Alignment - True Potential Growth Aligned Cautious	**14.75%**

Balanced

- **Manager of Managers** - True Potential SEI Balanced 16.00%
- **Active Management with Passive Implementation** - True Potential 7IM Balanced 9.50%
- **Direct Equity & Bond Investing** -True Potential Close Balanced 17.00%
- **Momentum with Volatility Control** - True Potential Allianz Balanced 9.50%
- **Fund of Funds** - True Potential Schroders Balanced 2.50%
- **Alternative Dynamic** - True Potential Goldman Sachs Balanced 7.00%
- **Income Funds** - True Potential Goldman Sachs Income Builder 9.50%
- **Agile, Low-Cost Value Investing** - True Potential UBS Balanced 15.00%
- **Active Engagement, Positive Alignment** - True Potential Growth Aligned Balanced 14.00%

Growth

- **Manager of Managers** - True Potential SEI Growth 16.00%
- **Active Management with Passive Implementation** - True Potential 7IM Growth 13.00%
- **Direct Equity & Bond Investing** - True Potential Close Growth 20.50%
- **Momentum with Volatility Control** - True Potential Allianz Growth 15.00%
- **Agile, Low-Cost Value Investing** - True Potential UBS Growth 18.50%
- **Active Engagement, Positive Alignment** - True Potential Growth Aligned Growth 17.00%

Aggressive

- **Manager of Managers -** True Potential SEI Aggressive 25.00%
- **Active Management with Passive Implementation** - True Potential 7IM Aggressive 19.00%
- **Agile, Low-Cost Value Investing** - True Potential UBS Aggressive 28.00%
- **Active Engagement, Positive Alignment** - True Potential Growth Aligned Aggressive 28.00%

True Potential Portfolios

Asset Allocation

Asset Class	Defensive	Cautious	Balanced	Growth	Aggressive
UK Equities	4.40%	8.80%	10.80%	14.70%	20.30%
North American Equities	10.70%	15.90%	24.00%	30.90%	35.60%
European Equities	4.20%	7.00%	10.40%	13.40%	13.20%
Japanese Equities	2.60%	3.80%	4.80%	6.30%	8.20%
Asia Pacific Equities	0.50%	1.40%	2.10%	2.70%	2.30%
Emerging Market Equities	1.90%	3.60%	5.20%	7.60%	10.10%
Global Bonds	19.10%	11.80%	9.70%	3.70%	0.70%
Global Inflation Linked Bonds	2.90%	2.30%	1.50%	0.80%	0.20%
Emerging Market Bonds	3.10%	3.40%	3.70%	3.70%	2.30%
Global High Yield Bonds	2.90%	2.90%	5.00%	2.00%	1.00%
UK Gilts	5.10%	8.50%	4.60%	2.30%	0.30%
UK Credit	5.50%	7.80%	5.40%	2.80%	1.20%
Property	0.10%	0.40%	0.40%	0.50%	0.50%
Commodities	0.90%	2.50%	2.20%	2.60%	0.60%
Cash	36.10%	19.90%	10.20%	6.00%	3.50%

Source: Smith & Williamson, 30 September 2019

+ 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	29.0%
Direct Equity & Bond Investing -True Potential Close Balanced	19.0%
Fund of Funds - True Potential Schroders Balanced	4.0%
Active Management with Passive Implementation - True Potential 7IM Growth	7.0%
Momentum with Volatility Control - True Potential Allianz Balanced	11.0%
Agile, Low-Cost Value Investing - True Potential UBS Growth	14.5%
Alternative Dynamic - True Potenital Goldman Sachs Balanced	4.5%
Active Engagement, Positive Alignment - True Potential Growth Aligned Defensive	11.0%

Balanced +

Manager of Managers - True Potential SEI Cautious	29.0%
Direct Equity & Bond Investing - True Potential Close Growth	20.5%
Active Management with Passive Implementation - True Potential 7IM Aggressive	8.5%
Momentum with Volatility Control - True Potential Allianz Growth	11.0%
Agile, Low-Cost Value Investing - True Potential UBS Aggressive	15.5%
Fund of Funds - True Potential Schroders Cautious	2.0%
Active Engagement, Positive Alignment - True Potential Growth Aligned Cautious	13.5%

Growth +

Direct Equity & Bond Investing -True Potential Close Balanced	24.0%
Manager of Managers - True Potential SEI Aggressive	26.0%
Active Management with Passive Implementation - True Potential 7IM Aggressive	7.0%
Agile, Low-Cost Value Investing - True Potential UBS Aggressive	27.0%
Momentum with Volatility Control - True Potential Allianz Balanced	6.0%
Active Engagement, Positive Alignment - True Potential Growth Aligned Aggressive	10.0%

Asset Allocation

Asset Class	Cautious +	Balanced +	Growth +
UK Equities	7.50%	12.40%	16.80%
North American Equities	19.60%	26.20%	33.90%
European Equities	8.90%	11.10%	13.80%
Japanese Equities	4.70%	5.50%	7.10%
Asia Pacific Equities	1.60%	2.10%	2.50%
Emerging Market Equities	4.40%	5.80%	7.80%
Global Bonds	10.10%	7.50%	1.40%
Global Inflation Linked Bonds	1.50%	1.40%	0.40%
Emerging Market Bonds	2.90%	3.40%	1.40%
Global High Yield Bonds	2.60%	2.60%	0.60%
UK Gilts	5.90%	4.50%	3.10%
UK Credit	5.10%	3.20%	3.60%
Property	0.50%	0.30%	0.30%
Commodities	2.40%	2.60%	2.10%
Cash	22.30%	11.40%	5.20%

Source: Smith & Williamson, 30 September 2019

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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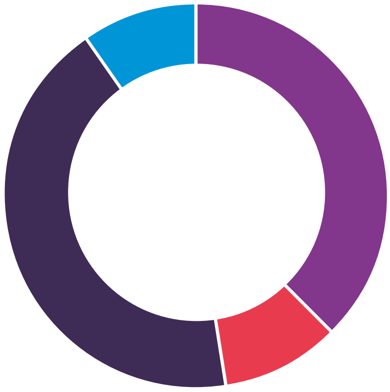
Income Portfolios

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.

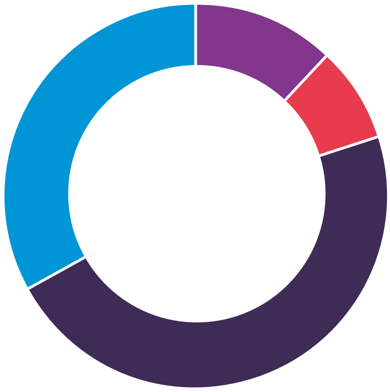
Given that investors in these portfolios are seeking income above capital growth, the income optimisation factor is our primary consideration. We have optimised on all factors for both portfolios; income, risk, cost, long-term expected return and risk-adjusted return.

Strategy Allocation



Cautious Income

Direct Equity & Bond Investing - True Potential Close Cautious Income	37.5%
Fund of Funds - True Potential Schroder Cautious Income	10.0%
Income Funds - True Potential Goldman Sachs Income Builder	43.0%
Income Focused- True Potential Threadneedle Monthly Income	9.5%



Balanced Income

Direct Equity & Bond Investing - True Potential Close Cautious Income	12.0%
Fund of Funds - True Potential Schroder Cautious Income	8.0%
Income Funds - True Potential Goldman Sachs Income Builder	47.0%
Income Focused - True Potential Threadneedle Monthly Income	33.0%

Asset Allocation

Asset Class	Cautious Income	Balanced Income
UK Equities	21.50%	32.70%
North American Equities	12.40%	13.50%
European Equities	7.00%	7.00%
Japanese Equities	0.80%	0.60%
Asia Pacific Equities	0.90%	0.80%
Emerging Market Equities	0.00%	0.00%
Global Bonds	8.70%	9.70%
Global Inflation Linked Bonds	1.00%	0.30%
Emerging Market Bonds	2.40%	2.50%
Global High Yield Bonds	10.80%	12.70%
UK Gilts	1.60%	0.70%
UK Credit	16.20%	10.30%
Property	5.30%	1.90%
Commodities	3.10%	1.50%
Cash	8.30%	5.80%

Source: Smith & Williamson, 30 September 2019

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