TRUE

INSIGHT

True Potential Portfolios | Issue 17

PAGE 10

AI has Potential for Investments

Over the next decade, artificial intelligence will touch many more aspects of daily life. At True Potential, the future is already here.

true potential investments

Contents

CARBON BALANCED PAPER

WORLD LAND TRUST™

www.carbonbalancedpaper.com
CBP002244

By using Carbon Balanced Paper for True Insight Magazine, True Potential LLP has balanced through World Land Trust the equivalent of **5,905kg of carbon dioxide.** This support will enable World Land Trust to protect **4,133m² of critically threatened tropical forest.**

View from the Riverside

Welcome to this latest edition of True Insight.

It's easy at this time of year to get carried away with forecasts for the year ahead and imagine that for some reason the new dateline, in this case the mark of a new decade, signifies a material change in fortunes for global markets.

In fact, December to January consists of about 20, generally quiet, business days and nothing much actually changes.

On this occasion, though, there does appear to be more of a sea change affecting markets, over and above the usual, arbitrary, short lived optimism that often accompanies new year celebrations. On page 12 we set out our manager partner forecasts and financial outlooks for the new year in which they give their favourite asset classes for 2020 and their best estimates for interest rates and inflation going forward.

The resolution of various issues, ranging from trade wars to Brexit, have imbued markets with a distinct sense of well-being which should benefit all investors and bears out our unwavering message of remaining invested for the long term.

We return to this theme on page 16, reviewing the benefits afforded by pensions freedom legislation introduced five years ago which no longer requires the newly retired to crystallise their pension savings pots and take out an annuity but enables them to leave their funds to grow, drawing down income as required.

We are constantly looking at new ways True Potential can harness technological innovation for the benefit of our clients. Sometimes these are obvious, as in the case of our impulseSave app. On other occasions the advantages may not be as apparent.

On Page 10 we consider AI, Artificial Intelligence or "machine learning" and illustrate how we are taking this favourite subject of science fiction and Hollywood fantasy and applying it to improve client experience and further the continual improvement we perpetually strive for.

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	31 Dec 2016 to 31 Dec 2017	31 Dec 2017 to 31 Dec 2018	31 Dec 2018 to 31 Dec 2019	Since inception 1 Oct 2015 to 31 Dec 2019
Defensive	+4.00%	-2.44%	+6.18%	**+17.29%**
Cautious	+5.29%	-3.89%	+9.90%	**+26.01%**
Cautious +	+6.22%	-4.37%	+11.32%	**+27.24%**
Cautious Income	+6.33%	-4.03%	+13.06%	**+31.48%**
Balanced	+8.31%	-5.86%	+13.66%	**+36.00%**
Balanced +	+8.89%	-5.24%	+14.86%	**+40.14%**
Balanced Income	+6.80%	-5.07%	+15.84%	**+36.76%**
Growth	+10.86%	-6.35%	+16.63%	**+47.35%**
Growth +	+12.86%	-6.65%	+17.80%	**+47.99%**
Aggressive	+13.54%	-7.52%	+17.63%	**+53.41%**

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: Q4 2019

A year that has seen strong returns from both bonds and equities ended with global equities gaining 8.7% and global bonds off 0.25% over the final three months of the year.

However, a strong upward movement in sterling after the December election meant that for UK based investors the return from global equities was reduced to 0.7% with global bonds ending the quarter down 7.5%.

Domestically, the period was dominated by the general election, a bruising contest which sought to end the Brexit deadlock but one which also provided the potential for a radical socialist agenda to be adopted in the event of a Labour victory. With the Brexit issue and a Corbyn led government having wide ranging consequences for the UK economy it was unsurprising that for much of the three month period both equity and bond markets remained in limbo.

On the international stage news flow was dominated by ongoing trade negotiations between the United States and China. With both parties to the dispute having a vested interest in a successful outcome, a resolution of some sorts was always going to be reached.

However, with both President Xi and President Trump having a large domestic audience to play to and much personal authority at stake, any deal was always going to be hard fought and finely wrought. The influence that both nations have on the global economy, generally, also meant that any agreement would have far reaching implications for financial markets around the world. Throw into this mix debate over whether the next move in interest rates would be up or down and you have the perfect conditions for indecision to reign supreme.

As it turned out, the final weeks of the year saw conclusions reached on several fronts. The decisive Conservative victory in the general election closed down any speculation of a second referendum and confirmed beyond doubt that Britain will leave the European Union.

The "Phase One" trade agreement negotiated between the US and China has, for the moment, steadied nerves around the world and prompted forecasts for global growth to be upgraded.

The announcement by the Federal Reserve Board that it saw no reason to move interest rates has removed a degree of uncertainty in that quarter, effectively ensuring that monetary policy remains as accommodative as at any time since the financial crisis.

With these potential flashpoints all concluding satisfactorily, 2019 ended on a positive note with global bonds closing the year up 1.6% and global equities gaining 23.4% after adjusting for sterling.

1.6% ↑

Global bonds closing the year up 1.6%

23.4% ↑

Global equities gaining 23.4%

Investment Outlook

As we look out across 2020, a number of the issues that had been troubling markets appear to be dormant, albeit not completely resolved.

Boris Johnson's decisive victory at the polls in December has settled the Brexit question once and for all.

True, the precise details of our future arrangement with the EU have yet to be finalised and proposed legislation to block any extension of the transition period may increase the likelihood of a "hard" Brexit under which Britain leaves on World Trade Organisation terms.

However, this should focus negotiators' minds on both sides of the Channel and, after three and a half years of procrastination, prove to be no bad thing.

In terms of that other great saga, trade negotiations between China and the United States, "Phase One" has been agreed and a damaging imposition of tariffs on Chinese exports to America avoided. So too, the equally disruptive penalties that such action would inevitably have prompted by way of Chinese retaliation.

The agreement does not address the deep-seated issues at the heart of the dispute, which revolve around intellectual property theft and the jostle for ultimate economic supremacy.

However, with both leaders keen to promote themselves to a domestic audience and avoid any escalation to a full-blown trade war the deal is welcome news.

Monetary policy around the world continues to be accommodative.

The US Federal Reserve has signalled that, in the absence of runaway inflation, it is minded to leave interest rates at current levels until next year and in Europe, Christine Lagarde, newly installed as President of the European Central Bank looks set to continue the dovish policy of her predecessor Mario Draghi while also advocating greater fiscal stimulus from those countries, like Germany, that can afford it.

Given such fertile conditions, the global economy should continue to grow and financial markets to advance but investment may have to be nuanced. Style diversification will be key with value stocks potentially outperforming more growth focussed sectors.

US economic growth has outstripped the rest of the world over the past few years, driven by the tech giants. There is now the potential for convergence, with the rest of the world "catching up" as economic data in America starts to bottom out.

US equities still provide a good overall risk return trade off. However, with US stock markets testing new highs, there is a disparity between the valuation of the US stock market compared to other areas.

This is encouraging some investors to rotate elsewhere into areas such as Europe, Japan and Emerging Markets where they see better opportunities. Europe continues to be one of the most favoured equity markets with abating political risk and fiscal stimulus both potential drivers of returns.

Some of our manager partners believe the banking sector offers opportunity with many European banks trading at half their book value.

Japanese equities also look interesting from a valuation perspective with certain managers increasing their positions in this area. Others are less convinced and are waiting for more clarity, believing that Japan is too dependent upon global trade and therefore sensitive to any deterioration in the US /China powerplay.

Within high yield bonds, the lower quality areas of the market have underperformed the higher quality areas, investors moving from investment grade credit quality, hunting for yield but unwilling to look at the highest risk paper. For some managers this is offering up a tactical opportunity within lower rated issues to access the asset class at favourable pricing levels.

Gold remains a useful diversifier, exhibiting a degree of negative correlation to equity markets. However, there has been a partial rotation away from gold towards less defensive assets as investors look to more pro-cyclical investments.

Risks will always exist within investment but returns this year have illustrated why it is important to distinguish between risks and noise. Whether it be the riots in Hong Kong, US/China trade wars or the UK political situation, all have provided reasons to be uncomfortable.

The removal of these headwinds creates clarity. This in turn should allow investors to become more optimistic on equity markets.

Artificial Intelligence has great Potential for investments

Artificial Intelligence, has long been a source of inspiration for Hollywood scriptwriters. Think I Robot or Schwarzenegger's Terminator series. While humanoid robots remain a distant prospect, AI is in fact already becoming increasingly prevalent in our everyday lives. Sometimes hidden. Sometimes apparent.

We live in an age of "Big Data" or as it was described recently, "trying to drink from the fire hydrant of information". And AI is already in place, helping us make sense of and use the vast amounts of information that make up the digital environment that we now consider the norm.

Every time we consult Google and type in a few words relevant to our query, AI is employed to sift, at lightning speed, through billions of items of data, to provide us instantaneously with the information we require. Every time we buy something from Amazon's web site and receive a follow up suggesting that we might also be interested in a similar or related product, AI has been harnessed to examine thousands, millions of earlier transactions by multiple consumers and make possible connections.

The online clothing company ASOS doesn't attempt to predict what will be fashionable next season and fill its warehouses hoping they guess right, they use algorithms, to identify, source and efficiently distribute more of those items that actually are selling well, removing the guess work.

It's also noticeable, particularly for those who use social media, how often a casual conversation about, say, buying a new car can prompt a rash of online ads offering deals on new registration Volvos.

AI is perhaps too fancy a term: "Machine Learning" might be a more appropriate nomenclature. Somewhere, something is watching, listening, learning.

What machine learning and AI does well is to take massive amounts of data, collate and organise it into information which gives us knowledge, from which we can derive actionable insight.

Not surprisingly the investment world has embraced the concept. An increasing number of hedge funds and investment vehicles employ AI to screen vast amounts of anonymised data in search of patterns they can then use to identify opportunities. The marketing departments of the investment world are also keen to promote AI themed funds to capitalise on the popularity of the latest buzzword.

It's easy to be sceptical but like "Tech" before it, AI or machine learning is not the preserve of Silicon Valley, the City of London or Wall St.

At True Potential the latest upgrade to our operating system utilises AI to provide users and end clients with a quicker and more individualised service. For example, there is a popular conception that the under 50's use smart phones to access their account whereas those over 50 prefer traditional computers, laptops or paper statements. The reality, however, is quite different. In fact our own data shows 53% of over 50's prefer to login to their accounts on smart devices.

Using AI we are able to see how clients actually access their accounts and then tailor our service, our communications and our whole approach appropriately. We also know older clients are actually much more tech savvy than popular opinion suggests.

As more contact and interaction occurs via smart phones and tablets, AI enables us to simplify the process and speed up requests by identifying the key elements of a message and directing queries accordingly. The initiatives we are putting in place in the next upgrade will make our operating system more intuitive. By adding AI processes to systems our Development Team is doing what we have always done, which is to harness cutting edge technology to improve the service we offer and continue to position the client at the heart of all we do.

2020 Vision

As we enter 2020, our fund manager partners have provided their respective views on which asset classes and regions they believe will perform well in the coming 12 months.

This follows strong performance across multiple asset classes in 2019 against a background of political uncertainty, which is beginning to settle following the UK general election result.

Our fund manager partners view equities overall as offering the strongest asset class for returns in 2020, with the UK, Europe and Japan all viewed as offering attractive opportunities. Monetary policy remains supportive globally, bolstering economic growth, preserving the business cycle and cushioning the impact of any deterioration in geostrategic risk.

Tensions between the US and China are only partially resolved by the Phase One trade deal and the Euro Zone is continuing to grapple with social and political unrest in a number of member states as well as, collectively, facing up to the certainty of the UK's departure from the Union.

With attractive valuations, UK Equities stand to benefit substantially once Brexit-related uncertainty dissipates. Sterling should also benefit relative to other currencies, keeping inflation in check and supporting consumer spending. On balance our manager partners are positive on the outlook for Sterling in 2020.

Attention will now move to the crucial negotiations with our global trading partners. With signs that a Sino-US trade deal could materialise, the fortunes of a European economy closely linked to the global trading environment should recover and improve the outlook for European Equities.

Mirroring the prospects for European Equities, a reduction in trade tensions will also prove beneficial for Japanese Equities and reinforce the positive results of structural improvements in corporate governance, productivity and the profitability of Japanese corporates.

Despite the abiding strength of the economy, US Equities may not lead the way in 2020 as their recent strong run has seen the market hit all-time highs. Despite this, the world's largest economy will still present investment opportunities and will form a large part of our portfolios and strategic thinking.

The Federal Reserve has been proactive through 2019, reducing interest rates three times and increasing liquidity in the system to support the economy and provide the potential for earnings growth to be more robust than currently forecast. The 2020 US political calendar could also be a source of some disruption with US equity markets likely to be volatile as the Democratic Presidential nominee is decided and policy direction is indicated.

Bond markets were the surprise last year and we believe there remain opportunities. A number of our manager partners are highlighting Emerging Market and High Yield bonds as potential areas to provide further strong returns.

The second half of 2019 saw some change in the prevailing style of equity markets. "Value" stocks, those that appear to be trading for less than their intrinsic value, have taken over the running from their "growth" counterparts, those companies whose earnings are expected to increase at an above average rate, indicating a degree of caution.

A number of our manager partners are conscious that "value" as an investment style could be a relatively strong performer in the coming year.

However, whilst this is the prevailing view, it is not unanimous, with some of our managers expecting large-cap growth to perform well in a continuation of the trend seen in 2019.

The previous points have highlighted many competing views from our manager partners on asset classes, economic region and investment style.

One area of consensus is their view that Sterling is undervalued and should strengthen against a basket of developed market currencies. In other areas opinions differ. Our job is to absorb all views and position the multi asset portfolios to take maximum advantage of investment opportunities across domestic and overseas markets.

In Conclusion

As ever, divergent market views create opportunities for investors and emphasise the benefits of the True Potential Portfolios' mantra of Advanced Diversification.

2020 Vision - Survey

As we enter 2020, our fund manager partners have below provided their respective views on which asset classes and regions they believe will perform well in the coming 12 months.

Thinking about the principal asset classes please rank the following based on the expected return over 2020.

1. World Equities (ex UK)
2. UK Equities
3. Direct Property
4. UK Bonds
5. World Bonds

Rank the following equity markets based on expected return over 2020.

1. European Equities
2. Japanese Equities
3. UK Equities
4. Emerging Markets
5. US Equities
6. Asia Pacific (Ex-Japan)

Thinking about opportunities within the Fixed Income spectrum, rank the following based on expected return over 2020.

1. Emerging Market bonds
2. UK corporate bonds
3. Global High Yield
4. International Investment
5. UK Gilts
6. Global Inflation linked
7. UK Index-linked bonds
8. Cash

Rank the following investment styles according to which you expect to be most effective this year.

1. Value
2. Large Cap
3. Risk Premium
4. Stability
5. Small Cap
6. Growth
7. Momentum

What are your expectations for UK government bond (gilt) yields in 12 months' time?

0.5% - 1.0%	63%
1.0% - 1.5%	37%

Please state where you think interest rates will be by the end of 2020 for the following countries.

UK	0.7%
Eurozone	-0.4%
US	1.5%

Give your estimate for inflation (CPI) for the following countries as at the end of 2020.

UK	1.9%
Eurozone	1.4%
US	2.1%
Japan	0.6%

Revving up for Retirement

It's been nearly five years since the rules around retirement provision were relaxed in April 2015. With nearly one million people due to reach age 55 this year, how have pension freedoms bedded in and how has retirement thinking changed?

Traditionally, pension pots that had been built up were cashed in on retirement and used to buy an annuity, which guaranteed a set level of income for the remainder of the holder's life.

However, historically low interest rates, a relic of the 2008-9 financial crisis, which we're still living with today, made the return from annuities unattractive and new rules were introduced, the main advantages of which were that from age 55:

- It is no longer necessary to buy an annuity.
- Up to 25% of the pension can be taken as a tax-free lump sum.
- Any or all of the remaining pension pot can be withdrawn or "drawn down" as required, subject to the holder's marginal rate of income tax.

At the time there were fears that wastrel pensioners would take advantage of the new freedoms to withdraw the lot and blow it on an extravagant lifestyle. One cabinet minister at the time warned of a nation of Lamborghini driving OAPs. He needn't have worried.

The reality has been that, having built up a pension pot throughout their working life, the vast majority of investors are prudent in how they access their retirement savings.

Since pension freedoms were introduced, data published by HM Revenue & Customs shows almost £28bn has been withdrawn. However, to put this into context, the average quarterly withdrawal is between £8,000-£9,000 or £2,500-£3,000 per month. Hardly a Lamborghini lifestyle.

It would appear that while the newly retired may have the wherewithal to buy one of Turin's finest supercars they have the self-restraint and common sense not to blow it all and to stay invested for the long term.

True Potential's own research involving more than 2,000 people shows 48% of those aged 55 and over, have no immediate plans to take their tax-free lump sum.

And it's easy to see why. Were you to retire with a pension pot of, say, £300,000 you could take the 25% 'Pension Commencement Lump Sum' (PCLS) equivalent to £75,000.

However, were you to leave it within the pension, continuing to grow for the next ten years, your £300,000 pension could be worth nearly £489,000 and the 25% lump sum over £122,000 – £47,000 more (assuming 5% annual growth before costs and inflation).

Alternatively, for those investors wishing to diversify, cash can always be taken from the pension and used to fund an ISA each year, another way of keeping it growing within a tax efficient wrapper.

If you do need some money from your pension, you can withdraw just what you need. You don't need to take the full tax free 25% in one go. The rules around pension drawdown can be complicated and advice is the starting point.

The rules around investing are more straightforward. The longer you leave your money invested and working for you, the more you could benefit from the growth in your pension and the 25% tax-free lump sum.

So, while a Lamborghini lifestyle may be an attractive retirement prospect for some, most investors are savvy enough to know it's unlikely to be a comfortable one. The benefits of maximising the tax efficiency of pensions by not emptying the pot too quickly result in a more comfortable retirement for longer.

£489,000

Larger pension value

£122,000

Increased 25% lump sum

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. Tax rules can change at any time. This document is not personal financial advice. Calculations used in this document take into account our average annual fee of 1.16%, they don't take into account the impact of inflation, which will reduce returns, and assumes you only make the contributions as set out.

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									✓	✓

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	**15.00%**
Direct Equity & Bond Investing - True Potential Close Cautious	**17.00%**
Momentum with Volatility Control - True Potential Allianz Cautious	**14.00%**
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 8.50%
- **Direct Equity & Bond Investing** -True Potential Close Balanced 17.00%
- **Momentum with Volatility Control** - True Potential Allianz Balanced 10.50%
- **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 17.50%
- **Agile, Low-Cost Value Investing** - True Potential UBS Aggressive 29.50%
- **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	4.49%	9.72%	11.80%	15.47%	20.49%
North American Equities	11.11%	15.96%	23.53%	30.76%	36.16%
European Equities	4.22%	7.15%	10.68%	13.58%	13.64%
Japanese Equities	2.71%	3.78%	4.71%	6.24%	8.10%
Asia Pacific Equities	0.49%	1.37%	2.15%	2.60%	2.57%
Emerging Market Equities	1.77%	3.29%	4.69%	7.05%	9.61%
Global Bonds	18.96%	11.67%	10.08%	4.07%	0.94%
Global Inflation Linked Bonds	2.77%	2.06%	1.30%	0.88%	0.44%
Emerging Market Bonds	3.01%	3.27%	3.52%	3.63%	2.12%
Global High Yield Bonds	2.86%	2.87%	5.03%	2.00%	0.88%
UK Gilts	5.09%	8.39%	5.02%	2.34%	0.23%
UK Credit	5.77%	8.13%	5.72%	2.65%	1.26%
Property	0.18%	0.47%	0.37%	0.52%	0.42%
Commodities	0.81%	2.66%	1.93%	1.95%	0.73%
Cash	35.76%	19.21%	9.47%	6.26%	2.41%

Source: Smith & Williamson, 30 November 2019

+ Portfolios

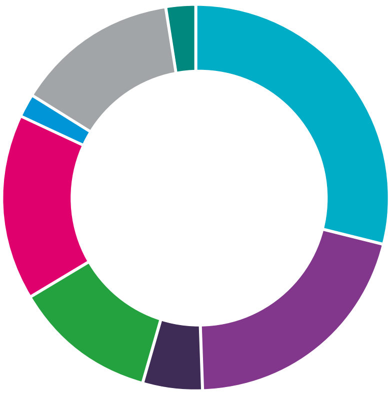
The + group of portfolios are more concentrated in their fund selection, containing larger fund positions than their risk category equivalents in the True Potential Portfolios. The + portfolios are constructed using funds from right across the risk spectrum, while staying within the risk band for their 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 Potential 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	5.0%
Momentum with Volatility Control - True Potential Allianz Growth	12.0%
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%
Active Management with Passive Implementation - True Potential 7IM Defensive	2.5%

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	27.0%
Agile, Low-Cost Value Investing - True Potential UBS Aggressive	10.0%
Momentum with Volatility Control - True Potential Allianz Balanced	10.0%
Active Engagement, Positive Alignment - True Potential Growth Aligned Aggressive	3.0%

Asset Allocation

Asset Class	Cautious +	Balanced +	Growth +
UK Equities	8.99%	12.89%	17.29%
North American Equities	18.84%	25.63%	33.55%
European Equities	9.04%	11.18%	13.99%
Japanese Equities	4.53%	5.14%	6.34%
Asia Pacific Equities	1.50%	2.05%	3.03%
Emerging Market Equities	3.66%	4.98%	6.40%
Global Bonds	10.21%	8.53%	2.36%
Global Inflation Linked Bonds	1.42%	1.63%	0.21%
Emerging Market Bonds	2.81%	3.22%	1.15%
Global High Yield Bonds	3.59%	2.65%	1.18%
UK Gilts	5.89%	4.75%	3.47%
UK Credit	5.09%	3.34%	3.79%
Property	0.50%	0.30%	0.09%
Commodities	2.11%	2.13%	1.65%
Cash	21.82%	11.58%	5.50%

Source: Smith & Williamson, 30 November 2019

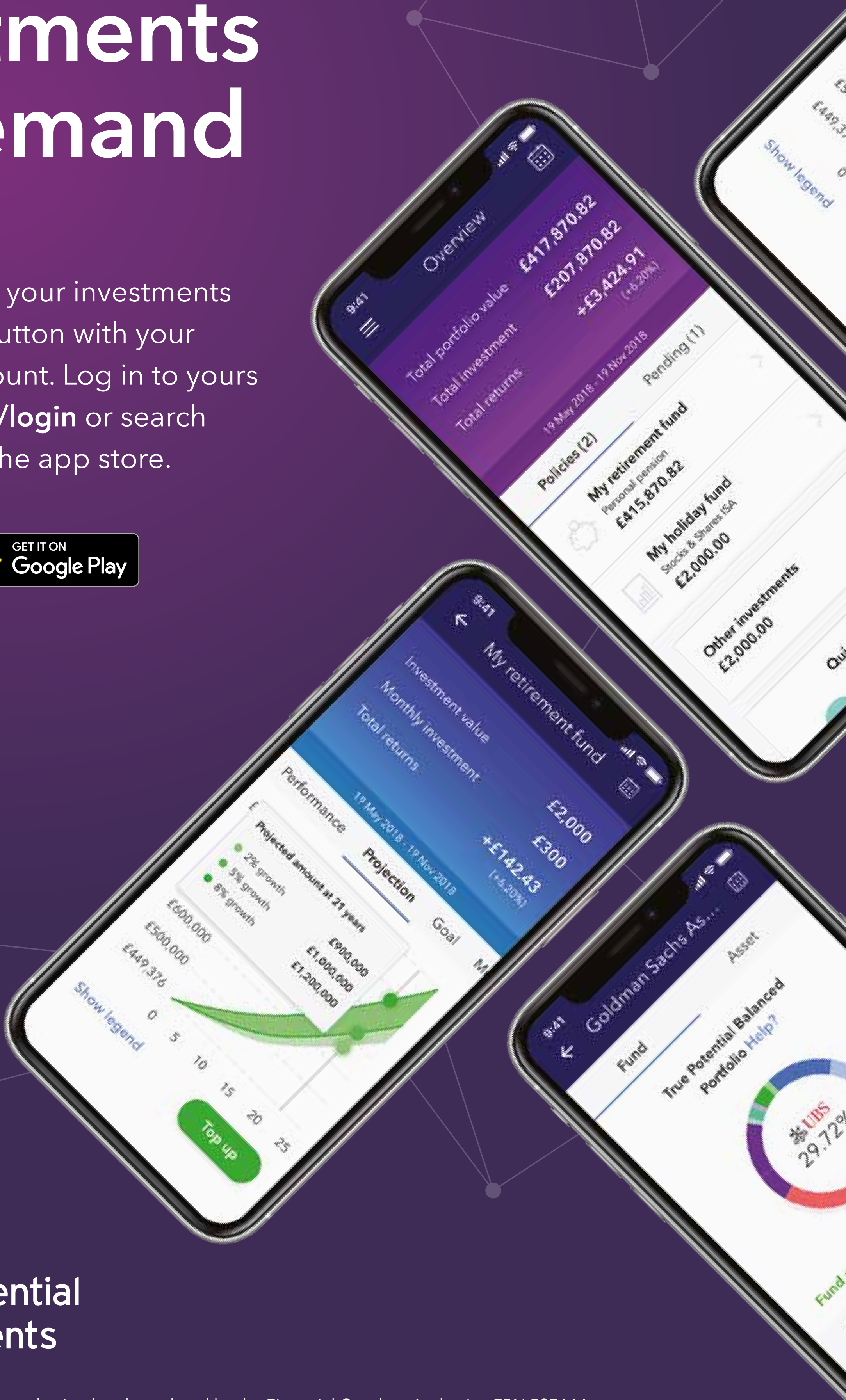
With investing, your capital is at risk. Investments can fluctuate in value and you may get back less than you invest.

Investments on Demand

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

Download on the App Store

GET IT ON Google Play



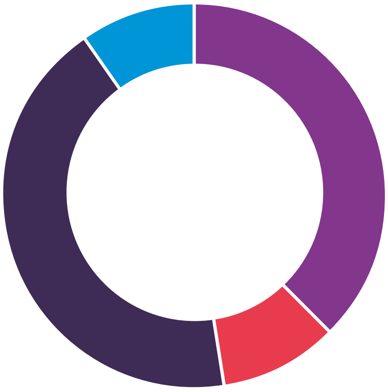
true potential investments

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.

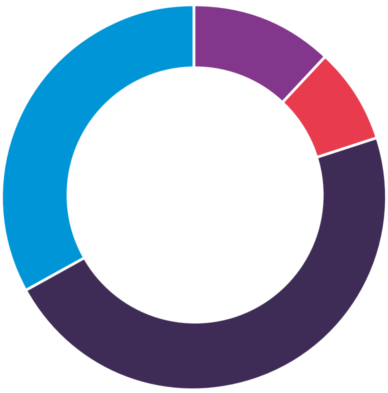
Given that investors in these portfolios are seeking income above capital growth, the income optimisation factor is our primary consideration. We have optimised on all factors for both portfolios; income, risk, cost, long-term expected return and risk-adjusted return.

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	17.36%	29.50%
North American Equities	11.45%	11.54%
European Equities	6.92%	6.53%
Japanese Equities	0.88%	0.60%
Asia Pacific Equities	1.07%	0.96%
Emerging Market Equities	0.00%	0.00%
Global Bonds	9.84%	11.12%
Global Inflation Linked Bonds	1.08%	0.35%
Emerging Market Bonds	2.21%	2.13%
Global High Yield Bonds	11.75%	12.84%
UK Gilts	1.92%	0.94%
UK Credit	16.74%	12.58%
Property	5.54%	1.95%
Commodities	3.48%	1.63%
Cash	9.76%	7.33%

Source: Smith & Williamson, 30 November 2019

Part of the True Potential group.

true potential LLP

simple. effective. unique.

secured mail

Delivered by Royal Mail

C9 10017

[name]
[address]
[address]
[address]
[address]
[post code]

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.

Return Address: Gateway West, Newburn Riverside, Newcastle upon Tyne, NE15 8NX