

# TRUE INSIGHT

True Potential Portfolios | Issue 21

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## America Awakens.

As the USA begins a new chapter, what can we expect from President Biden?

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# View from a (Virtual) Riverside.



**2** 020 proved to be a year of great change, the effects of COVID-19 are evident in most aspects of our lives.

Some have been profoundly sad, others will see societal change and in business there has been an acceleration in the speed of change. The evidence is all around us.

As a business we stood strong and, in every situation, put our clients first, our responsibility to you is paramount.

We aimed to help you understand the economic implications of a fast-evolving situation, which will go down in history in terms of human impact and market resilience.

Never before have we witnessed such rapid market movements from the falls in March through to the mid-year recovery and vaccine related highs in November and December.

As part of our investment processes we carry out stress testing on our portfolios, going back and simulating the effects of significant adverse world events.

In 2020, there was no need to simulate, the portfolios were all stress tested and the results show that diversification does work, it protects from the biggest falls and participates in rising markets.

Our clients have responded and 2020 saw more than £4bn of new investment into our portfolios, a sign of optimism as we now look at what is ahead and how to invest for the future.

In this edition we follow up on the US Election now that the result is known, we also take a look at another significant, but less widely publicised event, which is the latest Chinese 5 Year plan. We also have a feature on True Potential and how we evolved during the year.

We have now closed off 2020, a year which will be studied by future generations and whilst it is now consigned to history none of us will forget the highs and lows of global investing during a pandemic.

Let's hope for less drama in 2021 but we know that whatever the world throws at us, we will be here to take impartial, informed investment decisions for you.

With our very best wishes for 2021.

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

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

# Performance Update

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

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

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

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

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



## Portfolios

	31 Dec 2015 to 31 Dec 2016	31 Dec 2016 to 31 Dec 2017	31 Dec 2017 to 31 Dec 2018	31 Dec 2018 to 31 Dec 2019	31 Dec 2019 to 31 Dec 2020	Since Launch 1 Oct 2015 to 31 Dec 2020
Defensive Portfolio	+7.90%	+4.00%	-2.44%	+6.18%	+3.02%	+20.83%
Cautious Portfolio	+11.03%	+5.29%	-3.89%	+9.90%	+3.69%	+30.66%
Cautious + Portfolio	+10.09%	+6.22%	-4.37%	+11.32%	+2.80%	+30.80%
Cautious Income Portfolio	+11.46%	+6.33%	-4.03%	+13.06%	+0.52%	+32.16%
Balanced Portfolio	+13.83%	+8.31%	-5.86%	+13.66%	+3.53%	+40.80%
Balanced + Portfolio	+14.22%	+8.89%	-5.24%	+14.86%	+3.57%	+45.15%
Balanced Income Portfolio	+13.41%	+6.80%	-5.07%	+15.84%	-0.78%	+35.70%
Growth Portfolio	+16.39%	+10.86%	-6.35%	+16.63%	+4.07%	+53.35%
Growth + Portfolio	+13.84%	+12.86%	-6.65%	+17.80%	+2.47%	+51.65%
Aggressive Portfolio	+17.70%	+13.54%	-7.52%	+17.63%	+3.81%	+59.25%

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 2020

**G**lobal markets continued to rise during the fourth quarter of last year, with global equities returning 7.9% in sterling terms.

Strong growth was pleasing given the volatility witnessed in the opening weeks of the period. A surge in COVID-19 cases led to the imposition of 'circuit breaker' lockdowns across much of Europe, reigniting concerns around the economic vitality of the region. Likewise, the prospect of a contentious end to the US Presidential election, raised concern over heightened political uncertainty and Washington gridlock.

Fears of an inconclusive end to the Presidential race dissipated relatively quickly after polling day, with Joe Biden ultimately securing 57% of the Electoral College votes and over 51% of the popular vote.

The much vaunted 'Blue Wave' of Democratic victories did not initially materialise. This was seen as a positive by markets as some of the more extreme policies are unlikely to see the light of day.

November also brought welcomed optimism, with the race to produce a remedy for COVID-19 finally yielding very positive results. Over three succeeding weeks, vaccines with exceptionally high efficacy rates were announced.

51%

OF THE POPULAR  
VOTE WON BY  
JOE BIDEN.

These signs of light at the end of the COVID-19 tunnel led to significant equity market rotation and the adoption of a risk-on stance. Short-term economic worries from rising COVID-19 cases were eclipsed by vaccine enthusiasm.

Cyclical stocks, hitherto the most adversely affected, assumed market leadership from growth equities. Overall US equities, as measured by the S&P 500, returned 12.1%. Previously unloved regions were also the beneficiaries of the cyclical rotation. UK equities soared with investors enticed by deeply discounted valuations, a relatively undervalued currency and a positive resolution to Brexit.

However, progress halted on the familiar sticking points of regulatory divergence and fishing rights, raising the spectre of uncertainty once again. Increased appetite for small cap equities was evident across regions.

Looking to Asia and beyond, emerging market equities delivered a strong performance and the Asian region continued to benefit from being further down the road to recovery than western economies. Renewed optimism, supportive policy conditions, continuing US dollar weakness and China's economic strength led to solid gains over the quarter.

Traditional bond markets were much more subdued over the period but still provided the opportunity for growth, the highlight being demand for global high yield bonds with a return of 7.7% during the period.

Finally, locally denominated emerging market debt mirrored the impressive performance of emerging market equities returning 8.7% at an index level, with dollar weakness a supportive factor for the asset class.

57%

OF THE ELECTORAL  
COLLEGE VOTES  
WON BY JOE BIDEN.





CONGRATS  
BIDEN  
HARRIS



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Together  
make the  
New York







# Investment Outlook

**A** sense of optimism prevails as we move into 2021 and look towards assets that will benefit from the global economy reopening.

As the case for a long-term recovery continues to build, we maintain a balance of styles and extensive diversification across the portfolios. There may be “speedbumps” on the way, as in any year, but we are equipped to take advantage of volatility and opportunity.

Investors have welcomed vaccine production and are now concentrating on how it will be distributed. A significant proportion of the developed world is expected to be inoculated by mid-2021 with some vaccines easier both to transport and store. Each additional vaccine approval brings us closer to that point.

Thoughts are now turning to world central banks and governments who showed support last year in unusually quick fashion.

From a monetary perspective, interest rates are at very low levels or even negative.

Over the longer term, there will be challenging decisions for central banks as they decide how to reduce monetary support, whether that be a reduction in quantitative easing or increasing rates. We believe a rate increase is highly unlikely. Borrowing levels are high and increasing interest rates would challenge the ability to service those debts.

Currency movements, in particular sterling versus the dollar, have to be closely monitored, consensus is that the pound is undervalued however there are many moving parts which will determine the exchange rate. This is an area of focus.

Within equities we see a continuation of rotation, this is the movement between economic regions and at a deeper level between industries and individual stocks. We are particularly interested in a timely increase in exposure to small and mid-capitalisation stocks and other undervalued areas within regions.

Meanwhile Government bonds provide stability, being underwritten by the country of issue. Within the portfolios we also generate returns from the corporate bond markets.

In investment grade bonds, issued by large companies with good credit ratings, we see value relative to Government bonds with returns coming from interest payments and careful selection, taking into account the company issuing the bond and its maturity date.

Looking at higher risk areas of bond markets, emerging market debt is preferred over higher-yielding bonds, due to a weakening US dollar, enhancing returns.

Within alternative assets, the quest continues to find innovative products that have similar diversification credentials as Government bonds. Products using volatility or those active in currency markets are some of our current considerations.

There's much to look forward to; the normalisation of economic factors will continue to be driven by the consumer and investment by companies and governments. We will position our portfolios accordingly, shaped by the research carried out by our global investment partners.



# 2020 A YEAR LIKE ~~EVERY~~ NO OTHER.

**2** 020 was a year unlike any other in living memory. This is the inside story of how True Potential navigated many of the challenges that presented themselves this year, overcame the barriers and finished the period in a stronger position than when we went in.

The long-lasting effects of COVID-19 may take many years to be truly unmasked, but we can already see them taking shape. High street businesses, healthcare systems around the world and political decision-making have come under extraordinary strain.

The routines and customs we took for granted have been upended and the fragility behind many business models has been brutally exposed.

But rising from the ashes of the coronavirus chaos, is newfound strength. The successful development of a vaccine and its mass roll-out, shows the UK can lead the world in science. New businesses have arisen and ways of working, which were once the exception, have now become the norm. Ideas on boardroom whiteboards have been fast tracked into reality.

The seeds of True Potential's capacity to respond positively to COVID-19 were not sewn in January 2020, but in January 2007.

The business was founded at the height of the financial crash and it was always our intention to embed technology at the heart of our operations.

We took a digital-first approach to reflect the way consumer behaviour was changing 14 years ago, while others in our industry persisted with paper.

Everything we've done in the years that have followed has been technology-led; to save time, reduce costs, add value to our advisers and clients, and to underpin solutions that are simple, effective and unique.

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We tore up paper-based systems and, with every step, have found ways to adapt them for online use, doing away with scanning, photocopying, posting and uploading.

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We've seen over the last decade how much time this saves our advisers and how it puts power and convenience in the palms of our clients via the mobile devices which are now an essential part of everyday life.



Our digital-first approach meant that we could switch to remote working instantly and seamlessly, with no disruption to our advisers or clients. Every client can make adjustments to their investments and get instant valuations via their app or website and all with the oversight of their adviser. But they've been doing that for years, not just going into a pandemic that no one saw coming.

As news of COVID-19 emerged from China in the first months of 2020 plans were put in place for the business to function as normal should coronavirus spread across Europe and throughout the UK.

By mid-February those plans were at an advanced stage as the virus made its way around the world at devastating speed.





In early March, the decision was made to move to homeworking with the exception of a small team that remained on site to process some of the remaining paperwork that resulted from the daily delivery of post.

Our business and people performed as we knew they would, but what about our funds? It's an immense privilege to manage over £14bn of clients' money on our investment platform and looking after it is our top priority.

Our investment management team of experts and global investment partners have built a set of investment portfolios rooted in advanced diversification. When we launched the True Potential Portfolios in 2015, the philosophy was to manage volatility while seeking opportunities for growth.

With over 220,000 holdings within our portfolios, we have enormous diversification meaning that our clients' money is not all held in one basket.

In early March, as the effect on the markets and economies around the world took hold, the True Potential Portfolios performed as they were intended to under stress. We worked day and night with our global partners to manage the inevitable volatility and to find value looking ahead.

This was an uncomfortable time to be invested and we are pleased to say that our clients recognised the longer term benefits of asset-backed investment, they held their nerve and stayed invested making gains as the markets rebounded throughout 2020.

No one will be in a hurry to experience another year like 2020, but we're pleased that our business and our investment funds were not found wanting. Our digital approach to operations and our investment proposition rooted in diversification are the two reasons as to why 2020 has been True Potential's best year on record.

In contrast to fragile or even resilient businesses, we believe True Potential is antifragile and our business performance over the last year proves it. In a time of extreme stress, True Potential did not go backwards or even stand still, but got stronger as it was built to do.

We'd like to thank all of our advisers and our clients for being with us in 2020 and to assure you that looking after your business and your investments remains our number one priority as we enter a new year with new opportunities. None of the above would have been possible without you.



**A**s America was preparing to elect its President for the next four years China's ruling Communist Party gathered for its fifth plenary session under the steely gaze of Xi Jinping, its General Secretary and effectively President for life.

Since 1953 the country has outlined its development priorities in terms of a five year strategy and the conference is a major feature of China's system of governance. 2020

marked the end of the thirteenth such plan so this meeting was significant - a review of the last five years and the laying down of a blueprint for the next five which will guide the lives of the 1.4 billion Chinese population.

Over the last five years the Chinese economy has grown to about \$15 trillion, (second only to the United States at around \$20 trillion) and its share of the world economy has grown to over 16%.

The country now has the largest middle income population and is set to end absolute poverty.

In a break from tradition there were no specific targets for growth or industrial projects identified in the communiqué released at the end of the conference. This partly reflects the fact that an earlier "Made in China 2025" initiative highlighted particular sectors of the economy for development which were then targeted by the



# THE WAY OF THE DRAGON



Trump administration and made the subject of punitive trade tariffs during a two year trade war. Instead, the focus was more on the party's broader ambitions.

President Xi, due to be elected for an unprecedented third term in 2022, spoke of a "dual circulation" economy in which China's focus will be on developing domestic demand and self-sufficiency while the rest of the world battles with the effects of the Covid pandemic.

Attention will be directed more towards targets for environmental protection, innovation and initiatives to secure self-sufficiency in key areas such as food production, energy and computer chips.

There is a recognition that China is still lagging behind advanced economies in the mastery of key technologies. Beijing's push to build a credible domestic semiconductor industry took on a new urgency following the targeting of the tech sector by the Trump administration.

Washington has barred companies around the world from manufacturing silicon chips for Huawei, the communications technology company, and also

restricted American companies from supplying China's principal manufacturer of silicon chips with the machines required for their production.

The importance of scientific and technological self-reliance was emphasised during the session as was the requirement for a strong domestic market to counter efforts by the US to hamstring many of China's leading tech companies.

The US sanctions applied to Huawei, which were eventually adopted in whole or in part by the majority of western nations, illustrated just how vulnerable a national champion can be to a blockade on Chinese technology.

One of the many paradoxes surrounding China is that as it grows and potentially becomes more isolationist in its outlook, so its capital markets continue to open up and become more accessible to international investors. The big beasts of Wall St have all participated in recent Chinese government bond issues with overseas investors accounting for the purchase of 12% of Beijing's bond issuance this year.

As this evolution continues there may also be a realisation that new technologies are more effectively driven by private investment with market forces deciding how much investment should be raised and where it should be applied.

President Xi admires the leadership cult that surrounded Chairman Mao and increasingly appears to be modelling his premiership on that of his hero. History tells us that leadership cults rarely work out well and it will not be lost on many in China that while America has just chosen a new leader their country has no such mechanism.

However, China, for all its size, pace of growth, technological advances and rich history remains something of an infant in terms of economic development. But its naked ambition, increasingly accessible markets and hunger for technological self reliance continue to present attractive opportunities for those prepared to dance with the dragon.





**I**n a less than edifying spectacle of one of the world's greatest democracies at work, Donald Trump grudgingly agreed to an orderly transition of power and Joe Biden is now installed as 46th President of the United States.

So what now? What can we expect from "Sleepy Joe".

While Biden may owe much of his victory to the "anyone but Trump" constituency, he has a distinct agenda. At the end of his first 100 days in office the honeymoon period will be over and he will be judged on how well the Covid pandemic has been addressed, whether unemployment is still rising and how the economy is faring.

In this most immediate of assessments, he has two strong allies: the arrival of a vaccine and Janet Yellen, former Chair of the Federal Reserve Board, whom he has appointed as Secretary to the Treasury.

The approval of a COVID-19 vaccine at this critical juncture in his premiership is fortuitous but its roll out and implementation across such a large and diverse population will nevertheless constitute a firm test of the task force he was quick to establish in the days after his election victory.

By contrast the installation of Janet Yellen is an adroit political appointment made by an experienced statesman, keen to display his avowed credentials as a "moderate".

Her appointment, in place of the firebrand Elizabeth Warren who was widely tipped to sweep into the office on a programme of financial reform, has been welcomed by the markets. Yellen has a good relationship with her successor at the Fed, Jerome Powell, and the two can be expected to work well together.

Both advocate an "accommodative policy" of low interest rates but understand, especially now, the limitations of central banks in stimulating economic growth and the requirement for fiscal stimulus to play its part.

In this respect the composition of Congress appears key. Biden has sufficient Democrat support in the House of Representatives to get a support package voted through.

Already his "Made in America" initiative plans for a \$400bn package to boost manufacturing with an additional \$300bn earmarked for technological research and development and an aim to increase the minimum wage to \$15 an hour.

So, in terms of short-term policy objectives, we can expect vaccine roll out and economic stimulus packages to top the "To Do" list.

In terms of Biden's longer term aims, again, his years as a senior politician and international statesman lie at the heart of his political agenda.

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**Under Trump, America receded from the world stage. It withdrew from the Paris Climate Accord and became increasingly isolated on climate issues, prompting even China to accuse the US of a "major retrogression on climate change".**

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Biden has promised a green transformation of the country, making climate change issues a top priority of his administration with plans to invest \$2 trillion into clean energy infrastructure over the next four years, putting the US on the path to net zero emissions by 2050.

How successful he will be in this endeavor will depend on many things. Control of the Senate is finely balanced and the support of Democrat controlled states with substantial coal mining interests such as West Virginia may not prove reliable. However, climate change policies are increasingly being adopted by governments around the world and Biden has seized the opportunity to tap into the international zeitgeist.

By adopting a leading role in the climate change movement he can employ it as a potent force to affect economic regeneration at home, to re-establish American leadership on the world stage and, increasingly to use climate change and the alliances it forges to reassert geopolitical dominance over adversaries such as Russia and China in a far more effective way than the blunt, and double edged, instrument of trade tariffs so beloved of his predecessor.

At 78 Biden is the oldest man ever to be elected President. It is unlikely he will serve a second term. But he has ambitious plans. "Sleepy Joe" is a man in a hurry.

# Peace of mind when you need it most.

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

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

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

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





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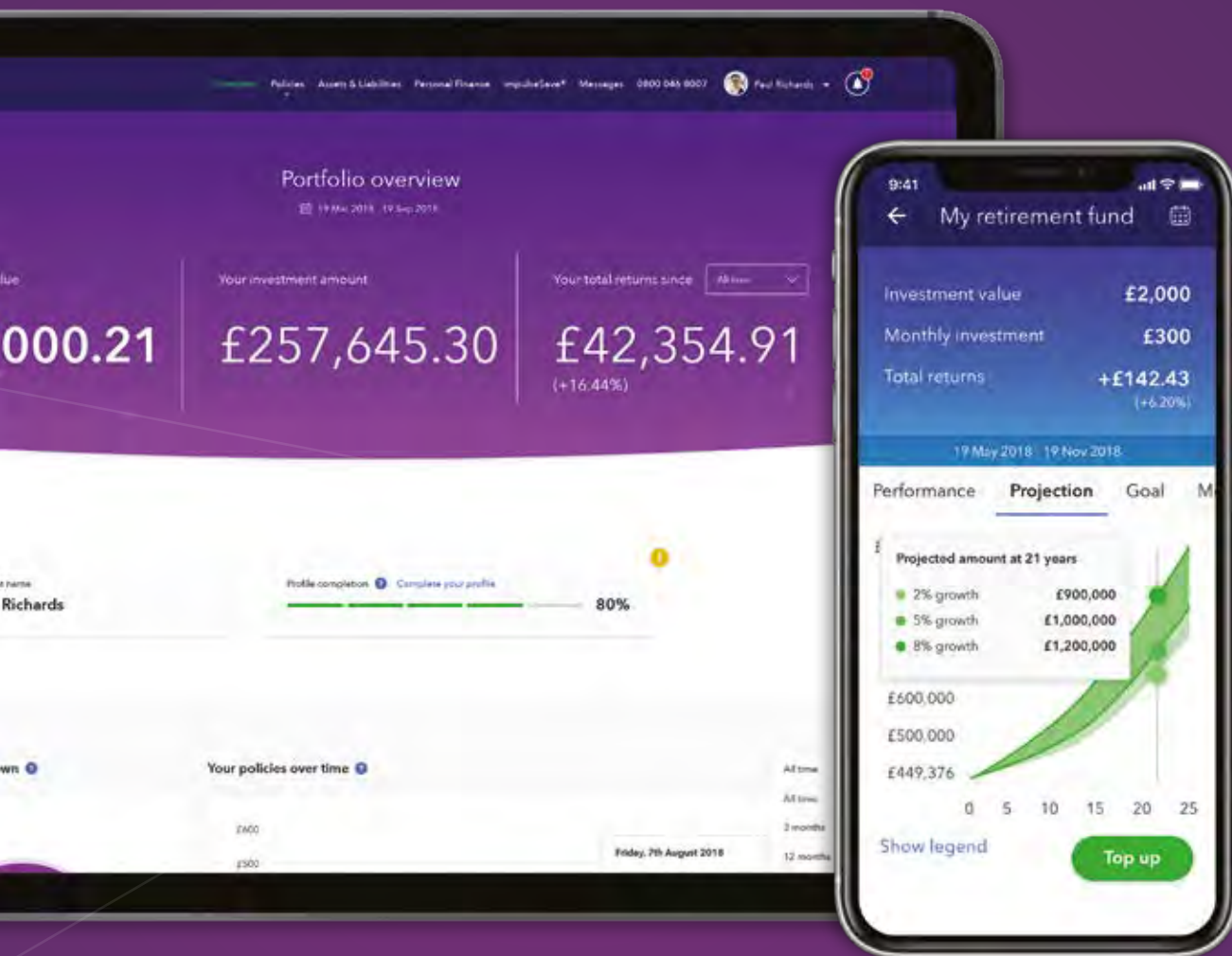
View your investments  
24/7 online and  
via our app

+

Track spending  
and learn about  
your financial habits

+

Top up your  
investments  
anytime with  
impulseSave®



+

Add your assets  
and liabilities to track  
your net wealth

+

Contact us through  
secure encrypted  
messaging

+

Complete your  
annual suitability  
review

# The science behind our portfolios

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

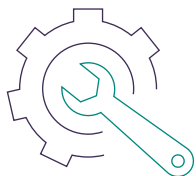
For example, we offer nine funds within the Balanced category, therefore if no preference was given to one fund over another, an equally-weighted allocation to each fund would be 11%.

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

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

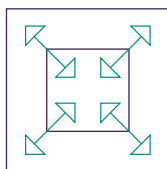
	Defensive	Cautious	Balanced	Growth	Aggressive	Cautious +	Balanced +	Growth +	Cautious Income	Balanced Income
Risk (Volatility)	✓		✓	✓	✓	✓	✓	✓	✓	✓
Risk (Mapped)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cost	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Long-Term Expected Return	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk-Adjusted Return	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Income		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

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



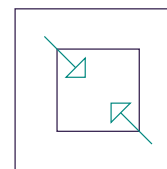
### Risk (Baseline Portfolios)

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



### Risk (+ Portfolios)

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



### Risk (Income Portfolios)

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



### Cost

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



### Expected Return

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



### Risk-Adjusted Return

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



# True Potential Portfolios

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

## Strategy Allocation



### Defensive

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



### Cautious

● <b>Manager of Managers</b> - True Potential SEI Cautious	14.25%
● <b>Active Management with Passive Implementation</b> - True Potential 7IM Cautious	15.00%
● <b>Direct Equity &amp; Bond Investing</b> - True Potential Close Cautious	15.00%
● <b>Momentum with Volatility Control</b> - True Potential Allianz Cautious	15.50%
● <b>Fund of Funds</b> - True Potential Schroders Cautious	9.00%
● <b>Agile, Low-Cost Value Investing</b> - True Potential UBS Cautious	16.50%
● <b>Active Engagement, Positive Alignment</b> - True Potential Growth Aligned Cautious	14.75%



**Balanced**

● <b>Manager of Managers</b> - True Potential SEI Balanced	<b>14.00%</b>
● <b>Active Management with Passive Implementation</b> - True Potential 7IM Balanced	<b>11.00%</b>
● <b>Direct Equity &amp; Bond Investing</b> - True Potential Close Balanced	<b>13.75%</b>
● <b>Momentum with Volatility Control</b> - True Potential Allianz Balanced	<b>13.25%</b>
● <b>Fund of Funds</b> - True Potential Schrodgers Balanced	<b>2.00%</b>
● <b>Alternative Dynamic</b> - True Potential Goldman Sachs Balanced	<b>9.00%</b>
● <b>Income Funds</b> - True Potential Goldman Sachs Income Builder	<b>7.00%</b>
● <b>Agile, Low-Cost Value Investing</b> - True Potential UBS Balanced	<b>16.00%</b>
● <b>Active Engagement, Positive Alignment</b> - True Potential Growth Aligned Balanced	<b>14.00%</b>



**Growth**

● <b>Manager of Managers</b> - True Potential SEI Growth	<b>15.25%</b>
● <b>Active Management with Passive Implementation</b> - True Potential 7IM Growth	<b>14.00%</b>
● <b>Direct Equity &amp; Bond Investing</b> - True Potential Close Growth	<b>17.50%</b>
● <b>Momentum with Volatility Control</b> - True Potential Allianz Growth	<b>17.25%</b>
● <b>Agile, Low-Cost Value Investing</b> - True Potential UBS Growth	<b>19.00%</b>
● <b>Active Engagement, Positive Alignment</b> - True Potential Growth Aligned Growth	<b>17.00%</b>



**Aggressive**

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

# True Potential Portfolios

## Asset Allocation

Asset Class	Defensive	Cautious	Balanced	Growth	Aggressive
UK Equity	4.38%	10.22%	12.36%	17.07%	21.38%
US Equity	6.66%	9.30%	14.32%	17.85%	24.20%
US Equity (GBP hedged)	3.71%	5.56%	9.52%	12.65%	14.69%
Europe ex UK Equity	2.58%	3.68%	5.40%	7.34%	8.82%
Europe ex UK Equity (GBP hedged)	1.14%	2.30%	3.94%	4.60%	4.22%
Japan Equity	1.56%	2.77%	3.28%	4.99%	5.85%
Japan Equity (GBP hedged)	1.07%	1.96%	2.05%	2.98%	3.35%
Pacific Ex Japan Equity	0.47%	1.13%	1.65%	1.90%	1.59%
Emerging Markets Equity	2.87%	4.43%	6.09%	7.60%	10.54%
UK Gilts	3.59%	3.34%	2.24%	0.75%	0.07%
UK Corporate Bond	7.79%	9.71%	6.07%	2.72%	0.52%
Global Agg Bond	17.20%	14.99%	9.52%	4.66%	0.14%
Global Inflation-Linked Bond	3.85%	2.60%	1.98%	1.67%	0.18%
Global High Yield Bond	2.84%	2.63%	4.47%	2.03%	0.09%
Emerging Market Bond HC	3.31%	3.34%	3.77%	3.55%	0.89%
Global REITs	0.00%	0.86%	1.13%	1.45%	0.85%
Gold	0.60%	1.02%	0.84%	0.97%	0.55%
Alternatives	4.91%	7.11%	6.23%	3.15%	1.02%
Cash	31.47%	13.05%	5.14%	2.07%	1.05%

Source: TPI. Data as of 31 December 2020



# + Portfolios

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

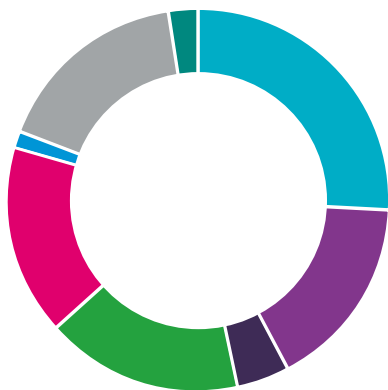
The + Portfolios do not include funds from the same risk category to which the Portfolio is mapped. In other words, the Balanced+ Portfolio does not select funds mapped to the Balanced risk category. To optimise the Portfolios in the + category we select from all of the funds outside of the Portfolios'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

## Strategy Allocation



### Cautious +

● <b>Manager of Managers - True Potential SEI Defensive</b>	<b>24.75%</b>
● <b>Direct Equity &amp; Bond Investing - True Potential Close Balanced</b>	<b>15.50%</b>
● <b>Fund of Funds - True Potential Schroders Balanced</b>	<b>3.00%</b>
● <b>Active Management with Passive Implementation - True Potential 7IM Growth</b>	<b>7.00%</b>
● <b>Momentum with Volatility Control - True Potential Allianz Balanced</b>	<b>13.00%</b>
● <b>Agile, Low-Cost Value Investing - True Potential UBS Growth</b>	<b>15.00%</b>
● <b>Alternative Dynamic - True Potential Goldman Sachs Balanced</b>	<b>6.50%</b>
● <b>Active Engagement, Positive Alignment - True Potential Growth Aligned Defensive</b>	<b>15.25%</b>



### Balanced +

● <b>Manager of Managers - True Potential SEI Cautious</b>	<b>26.00%</b>
● <b>Direct Equity &amp; Bond Investing - True Potential Close Growth</b>	<b>16.25%</b>
● <b>Active Management with Passive Implementation - True Potential 7IM Aggressive</b>	<b>4.50%</b>
● <b>Momentum with Volatility Control - True Potential Allianz Growth</b>	<b>16.75%</b>
● <b>Agile, Low-Cost Value Investing - True Potential UBS Aggressive</b>	<b>16.00%</b>
● <b>Fund of Funds - True Potential Schroders Cautious</b>	<b>1.50%</b>
● <b>Active Engagement, Positive Alignment - True Potential Growth Aligned Cautious</b>	<b>16.50%</b>
● <b>Active Management with Passive Implementation - True Potential 7IM Defensive</b>	<b>2.50%</b>



### Growth +

● <b>Direct Equity &amp; Bond Investing - True Potential Close Balanced</b>	<b>21.00%</b>
● <b>Manager of Managers - True Potential SEI Aggressive</b>	<b>21.00%</b>
● <b>Agile, Low-Cost Value Investing - True Potential UBS Aggressive</b>	<b>27.00%</b>
● <b>Momentum with Volatility Control - True Potential Allianz Balanced</b>	<b>12.00%</b>
● <b>Active Engagement, Positive Alignment - True Potential Growth Aligned Aggressive</b>	<b>12.00%</b>
● <b>Active Management with Passive Implementation - True Potential 7IM Balanced</b>	<b>7.00%</b>

## Asset Allocation

Asset Class	Cautious +	Balanced +	Growth +
UK Equity	9.39%	13.68%	18.29%
US Equity	11.94%	14.24%	20.84%
US Equity (GBP hedged)	8.49%	11.59%	13.80%
Europe ex UK Equity	4.63%	5.33%	7.00%
Europe ex UK Equity (GBP hedged)	3.07%	4.13%	4.78%
Japan Equity	3.19%	3.74%	4.12%
Japan Equity (GBP hedged)	2.19%	2.74%	3.34%
Pacific Ex Japan Equity	1.29%	1.62%	1.86%
Emerging Markets Equity	4.76%	5.92%	7.58%
UK Gilts	3.17%	3.14%	1.22%
UK Corporate Bond	5.51%	4.68%	2.89%
Global Agg Bond	11.12%	9.94%	4.02%
Global Inflation-Linked Bond	2.29%	2.26%	0.60%
Global High Yield Bond	2.34%	2.38%	0.75%
Emerging Market Bond HC	2.69%	2.45%	1.60%
Global REITs	0.95%	0.94%	0.84%
Gold	0.86%	0.93%	0.79%
Alternatives	5.01%	3.21%	2.51%
Cash	17.11%	7.08%	3.17%

Source: TPI. Data as of 31 December 2020

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

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



### Balanced Income

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

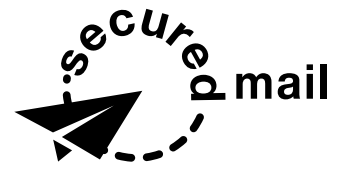
## Asset Allocation

Asset Class	Cautious Income	Balanced Income
● UK Equity	18.10%	30.47%
● US Equity	0.92%	0.45%
● US Equity (GBP hedged)	10.34%	10.78%
● Europe ex UK Equity	1.01%	0.47%
● Europe ex UK Equity (GBP hedged)	6.63%	6.63%
● Japan Equity	0.09%	0.07%
● Japan Equity (GBP hedged)	0.34%	0.34%
● Pacific Ex Japan Equity	1.01%	1.05%
● Emerging Markets Equity	0.03%	0.02%
● UK Gilts	2.36%	1.37%
● UK Corporate Bond	14.34%	10.70%
● Global Agg Bond	8.68%	9.24%
● Global Inflation-Linked Bond	1.28%	0.53%
● Global High Yield Bond	13.16%	14.30%
● Emerging Market Bond HC	1.66%	1.81%
● Global REITs	9.48%	4.78%
● Gold	1.23%	0.57%
● Alternatives	0.98%	0.73%
● Cash	8.36%	5.69%

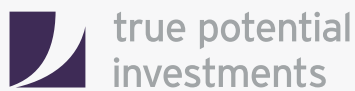
Source: TPI. Data as of 31 December 2020

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