TRUE

INSIGHT

True Potential Portfolios | Issue 11

PAGE 16

New fund takes off

Introducing the True Potential Growth Aligned funds.

true potential investments

CONTENTS

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.

VIEW FROM THE RIVERSIDE

Any successful businessperson will tell you that if you're not moving forward you're falling behind. Standing still, admiring the view, is not an option.

So it is with great pride that we announce the launch of two new initiatives at True Potential that will support our next phase of development.

On page 10 we look ahead to the introduction of our new wealth platform. Based on blockchain technology, the development will be a world first in the platform industry. Clients won't initially see any discernible change in the way their investments are presented but the move positions us at the forefront of technological adoption and, as and when the rest of the financial services industry catches up, True Potential will be poised to pass on the advantages the new technology has to offer.

Matt Hancock, the then Secretary of State for Digital, Culture, Media and Sport was on hand to help us launch the new platform. He was guest speaker at an event organised by Fintech Central and held at our office in June. After touring the office and talking to staff in the Investment Department and Innovation Hub he addressed a meeting of Head Office staff. An account of his inspiring visit is on page 12.

The second exciting development to celebrate is the launch of our new Growth Aligned fund range, covered on page 16. Managed in-house by the same team that manages the True Potential Portfolios the suite of five funds represents the next step in the evolution of True Potential Investments.

The flexibility of managing our own funds will allow us to harness more effectively the intellectual resource we have access to through our existing partnerships. It has also enabled us to pioneer a new Share of Growth charging structure which, in True Potential style, reduces costs without compromising on quality and more closely aligns our interests with those of our clients.

As we have mentioned in recent issues of True Insight, this year marks the tenth anniversary of the Global Financial Crisis. In another of our articles charting the changing character of the markets over this time we look at the practice of companies buying back their own shares which has been one of the unforeseen consequences of the policy of quantitative easing instituted to calm financial markets in the wake of the 2008 sell off.

There has been some argument over the efficacy of the practice and so on page 18 we examine its effects and compare share buy backs, common in America, to the more familiar policy in the UK of paying dividends to see which alternative offers the greatest value to shareholders.

As the summer unfolds, the volatility we have witnessed in the first half of the year may well continue. However, investment is a long game and the True Potential Portfolios are designed to stay the course.

We will continue to manage your investments with probity and diligence, a keen awareness of risk and a sharp eye for the opportunities that such conditions invariably present.

Barney Hawkins,
Investment Director.

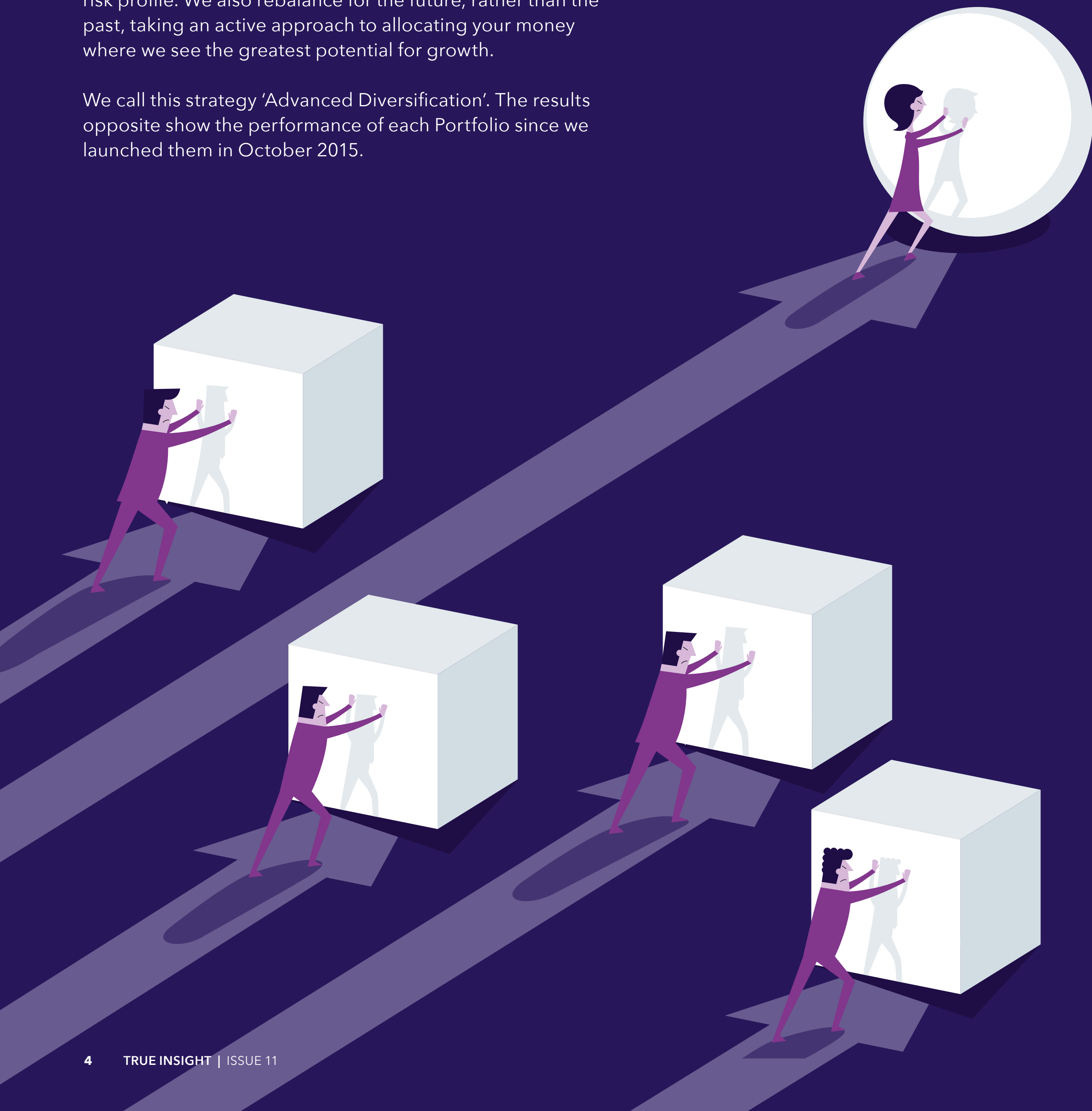
PERFORMANCE UPDATE

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 June 2017 to 30 June 2018	30 June 2016 to 30 June 2017	30 June 2016 to 30 June 2018	1 Oct 2015 to 30 June 2018
DEFENSIVE	1.53%	5.08%	6.69%	12.81%
CAUTIOUS	2.24%	8.71%	11.15%	18.91%
CAUTIOUS +	2.57%	9.31%	12.12%	19.10%
CAUTIOUS INCOME	0.88%	11.68%	12.66%	20.42%
BALANCED	3.62%	13.42%	17.52%	26.57%
BALANCED +	4.09%	13.13%	17.76%	28.96%
BALANCED INCOME	1.99%	13.20%	15.45%	24.74%
GROWTH	5.40%	16.47%	22.76%	35.32%
GROWTH +	7.02%	16.87%	25.07%	35.69%
AGGRESSIVE	7.66%	18.99%	28.11%	42.02%

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: Q2 2018

After a challenging start to the year, the second quarter was much improved with Global Equities surging 8.4% (in sterling terms) over the three months to the end of June.

US equities delivered 9.9% over the quarter (in sterling terms), with data confirming that the first quarter's weakness in consumption was a temporary blip. Furthermore, Q1 financial updates indicated that the vast majority of large US firms surpassed their earnings and sales estimates and this was taken by investors as an encouraging sign of corporate well-being. US Dollar strength and improvements in economic data both contributed to better returns for investors.

In the **UK**, equities were also just short of double digit returns at 9.5% for the quarter. Sterling's weakness against the US Dollar (-5.8%) boosted the internationally orientated UK companies with overseas earnings. The spike in the oil price, which rose 24.0%, and continued merger and acquisition activity helped round off a strong quarter for UK equity investors.

Europe was unsettled by political instability which affected investor sentiment and lead to returns being much lower than in the US and UK. The principal European index was up 3.5% in sterling terms and only 2.7% in local currency. Italy has been at the centre of the political unrest. While it remains a significant EU member state and a net contributor to the EU, the outcome of recent elections means it has a hung parliament with an anti-Euro rhetoric at the heart of the coalition government.

Bonds too felt the ripples from the disturbance with Italian government borrowing costs rising during the quarter.

While most developed markets performed well last quarter, **Emerging Markets** experienced poor returns, falling 7.9% although currency movements mitigated this fall to 2.1% for sterling investors. A combination of rising US interest rates, the stronger US Dollar and trade wars dragged on equity performance. A stronger US Dollar has historically had this effect due to Emerging Market companies often raising their debt in dollars.

This means that any appreciation in the value of the dollar makes repayment costs more expensive relative to the country's own currency. Particular problems in Turkey, Argentina and Venezuela, all of which have large current account deficits, contributed to the region's lower return.

In **fixed income**, credit spreads in both investment grade and high yield bonds have widened over the last three months with some investors perceiving a potential slowdown in the global economy as we edge towards the latter stages of the economic cycle. Global high yield fell 2.2% and UK corporate bonds were also down, by 1.1%.

However, in defiance of those predicting weakness across equity markets, Gold, which is often regarded as the last line of defence in weak markets fell 5.5%. Commodities, generally buoyed by the sharp rise in the price of oil, produced positive returns for the quarter, up 2.6% in local currency and 9.0% in sterling terms.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%DS(5) (RX1) 83.6642
%DSS(3) (RX1) 87.08

INVESTMENT OUTLOOK

Following the brief sell off earlier in the year, in the wake of softer business and consumer sentiment indicators, a robust US reporting season in America, boosted by US tax cuts has given markets a more confident air. Year to date, equity markets in sterling, except for emerging markets, are now in positive territory.

Our fund manager partners remain constructive on global growth. It is slowing but from what have been incredibly strong levels. The general view is that we are "late cycle", but there appears to be more conviction around the upturn lasting for longer. If correct, it augurs well for equity markets because they typically perform better than bonds as the cycle matures. However, more volatility is possible with sentiment shifting around and investors repositioning as events unfold.

The US economy is clearly leading the way in terms of growth. It is further through the recovery cycle and the Fed is likely to raise rates twice more this year if it can do so without causing harm to ongoing economic growth. The substantial tax cuts and federal spending are helping to counterbalance the negative effect from rate hikes and the end of quantitative easing.

Unemployment in the US is now at levels not seen since 1969, so attention is focussed on whether tighter labour markets will end up generating wage price inflation and higher prices. That said, market reaction has generally been sanguine around the recent interest rate rises.

In Europe the tapering of quantitative easing has also passed without much reaction. However, it does seem that political uncertainty is having a restraining effect on market returns.

The potential for "Quitaly", or Italy leaving the Eurozone, is slight but not inconsequential. Italy's political environment has always has been fraught. In the 63 years since the end of World War Two the country has had 64 different governments in power.

The overall view is that Italy will stay within the European Union and views on Europe remain positive but the political situation is making some investors reappraise this area and marginally trim their exposure.

Emerging Markets have been under a lot of pressure from higher oil prices, interest rate rises feeding out from the US and the strengthening US Dollar.

It is important to remember that there remain big differences between various emerging economies in terms of debt levels and political uncertainties. India is very different to Argentina, Turkey very different to China and our manager partners are particularly discerning about where they invest and aware of the risks they face.

Whether the financial markets are equally discerning remains to be seen.

In the UK, the overall view is mixed. Economic data is improving and the consensus view is that the Bank of England will hike rates when it can, possibly in August and or November.

There is a more positive view when it comes to UK equities. Larger market capitalisation stocks in the top 100 Index offer international exposure. They are more exposed to growth across the global economy but at valuations lower than other developed markets generally.

Moving onto **Bond Markets** our fund manager partners are holding bonds more for diversification to mitigate risk rather than as a way to generate high returns. Should equity markets turn, high quality government bonds can offer protection but credit sensitive bonds may struggle if spreads widen.

In summary...

As we have said before, this year looks set to be characterised by periods of volatility. Interest rates are generally headed higher but the speed and extent to which they will be raised will be very data dependent.

In the first half of the year we have seen interest rate expectations vacillate and we can expect this uncertainty to continue as events unfold. As ever, diversification and a close eye on risk, will remain key.

BLOCKCHAIN

We're ready, are you?

True Potential is set to launch the new "blockchain ready" wealth platform. It is being developed entirely in-house and with blockchain at its core, it is a world first in the platform industry.

But, what exactly is blockchain? And why does this matter to you?

It's important to understand that bitcoin is just one example of how the underlying blockchain technology can be used. Simply put, blockchain is a database which can be shared between parties and can never be changed. This provides a gold standard of truth between parties which can then be built upon.

Asset management transactions and those across the financial services sector in general require trust, accurate record keeping and the transfer of both information and value. The user-case for blockchain here provides clear benefits above and beyond a gamut of current industry practices.

For instance, the know your customer (KYC) and anti-money laundering (AML) due-diligence processes can take weeks to complete to a satisfactory level. Often these require standard documents which have been previously presented to other providers or third parties.

Blockchain technology ultimately will allow trusted parties to provide this information quickly and effectively in an automated manner. This could reduce the administration overhead, avoiding lengthy waiting times on unreliable snail-mail.

For advisers in the future, this could mean faster client onboarding as data can be reused from multiple sources. It may also mean faster fact-finding. Assets, liabilities and cashflow data has already been made readily available due to open banking regulation and can be automatically incorporated.

This means advisers can spend more time doing what matters: giving advice, finding new clients and looking after existing ones.

As the data stored on the blockchain is immutable – that is, it cannot be changed by anyone – every penny of value stored is uniquely identifiable and can be verified by any party. This unprecedented level of transparency allows for substantial efficiencies across the whole industry, through consistent, standardised reporting from this gold standard, real-time, data source.

Whilst it may seem fanciful now, it is possible that in future regulators could use blockchain technology to enable real-time monitoring and reporting. This could potentially reduce the regulatory burden on firms. However, no new technology is without its limitations.

Whilst blockchain technology offers many uses (and promises even more), we are yet to truly see and reap the benefits of this technology. As with any substantial technological change, large-scale adoption will not happen overnight.

There is a huge amount of complexity and cost in re-imagining and re-designing current financial processes to make the most of the new opportunities on offer. This is further compounded by the large number of entities across the entire market value chain.

From clients and advisers, to platforms, banks, third party data-providers, brokers and markets; the true power of blockchain will be unleashed once data can be exchanged as fluidly through this as it currently is on the world wide web. As the technology evolves and matures, more entities will become "blockchain-ready", allowing these benefits to be realised.

True Potential, as early adopters of this technology have reached this key milestone before any other platform.

The next 12 months will prove to be an exciting time and we're ready to embrace the opportunities that this will have to offer.

FinTech Central
SPONSORED BY TRUE POTENTIAL LLP

GOVERNMENT MINISTER BACKS TRUE POTENTIAL

We were delighted to welcome the Secretary of State for Digital, Culture, Media and Sport to our head office in June.

Matt Hancock MP was the guest speaker at the event organised by Fintech Central – a national campaign involving business and political leaders to promote the growing financial technology sector in the UK.

True Potential is the proud sponsor of Fintech Central so it was a great pleasure to host the event at our head office. Before taking the podium, Matt toured our office and met staff working in our investment and technology departments.

David Harrison, our Managing Partner, introduced Matt to the investment team.

He then showed him our awards cabinet, where we recently added our second European Business Of The Year Award. Matt was impressed at the success we have had and he congratulated us on the recognition we have achieved.

Next stop was a visit to the development team, based in our Innovation Hub. Dianne Pattison, our Digital Delivery Manager, explained to Matt how we have developed technology such as impulseSave® to make investing more accessible and straight-forward for everyone.

She explained how hiring locally from universities, and helping young people progress in their careers here, has been key to our success.

Daniel Harrison, Senior Partner at True Potential Investor, opened the show by demonstrating how impulseSave®is changing the way people save, by making it possible to top up investments by as little as £1.

"This business is a symbol of the rejuvenation of Newcastle and the north of England and how Britain is going to make our living in the 21st Century, bringing together innovation, creativity and technical capability."

Matt Hancock MP

Closing the event, Matt Hancock commented how amazing it is to see fintech and innovation replacing traditional industries in the north east of England.

"The rejuvenation of this city has been incredibly exciting to see and True Potential is an absolutely central part of that. You've taken the insight that you can use technology to improve customer service and drive down the costs and therefore improve the returns to people with some of their most precious assets and make their lives better as a result."

Matt also used the event to take part in a question and answer session. He spoke about what can be achieved when we have the ambition to work hard. It was a truly inspiring event and our privilege to host such a senior member of the Government at our head office.

In July's Cabinet reshuffle, Matt Hancock MP was appointed Secretary of State for Health and Social Care.

You can watch the full Fintech Central event on the True Potential YouTube Channel.

PERFECTLY ALIGNED

Introducing the True Potential Growth Aligned range

The latest addition to True Potential's fund range, managed in house, pioneers a new charging structure and introduces two new investment partners, HSBC and Bank of Montreal, to our portfolios.

True Potential's mantra has always been to lead, to innovate, to reduce costs and to provide clients with value for money.

It is therefore with great pride that we announce the launch of the True Potential Growth Aligned range of funds.

The suite of five Growth Aligned funds will be managed in house by the same team that currently manages the True Potential Portfolios.

The five new funds cover each of our investment categories; Defensive, Cautious, Balanced, Growth and Aggressive and comprise a combination of Passive and Actively managed building blocks.

The Passive components are being provided by HSBC who are very strong in index tracking, factor investing, "smart beta" and structured products.

The Actively managed element incorporates a number of funds run by Bank of Montreal including those under their Foreign and Colonial brand name. The funds will complement and fit into the established True Potential Portfolios construct.

The introduction of HSBC and Bank of Montreal to the stable of True Potential fund partners will not only add a further degree of diversification to the Portfolios, it will also give us an opportunity to select additional investments from their respective product ranges and this extra dimension could prove invaluable as the investment landscape develops.

More than anything the new range will allow True Potential to play to our strengths: more effectively harnessing the intellectual resource we have access to through our fund manager partners and capitalising on the scale that True Potential has built up within the fund management industry.

Each month we meet with our investment partners, questioning them closely on topical themes within the markets, their views on key issues, the way they have positioned our funds and their strategies for the coming months.

From time to time very strong signals emerge from this engagement (in 2017 it was the emergence of Europe as a theme, earlier this year it was the identification of the UK as a very undervalued market).

The new range will enable us to incorporate a larger proportion of these ideas into the Portfolios in a much more focussed way than we were hitherto able, simply by taking a tactical position to these ideas within the new funds.

Another strength is our increasing scale, True Potential currently has over £7.5bn of funds on our platform. This means we have been able to negotiate very keen terms with our new partners. As in the past these will be shared with our clients through lower charges. In what we believe is another industry first, the new fund range will pioneer a new Share of Growth charging structure.

Under the terms of this arrangement, there will be a flat fee of 0.6% per annum, covering the costs of running the funds including the charges of the investments from HSBC and Bank of Montreal. We will then calculate the growth we have generated and take a 10% share of growth fee.

In subsequent years the fund price as at 30th April must exceed the all-time previous high 30th April price in order to generate a further share of growth fee. While there are other performance related fees in the market place, in our opinion they are either unfairly high (the 2% basic and 20% of profits so beloved of the hedge fund industry come to mind) or are calculated relative to a benchmark.

This means clients may find themselves paying higher fees simply because their investment hasn't gone down by as much as the comparative index.

The fees on the new fund will increase only if the underlying assets also appreciate. True Potential will only do well if our clients do well. It is because of this shared interest and mutual benefit that we have named the new range the True Potential Growth Aligned funds.

IN THE SPOTLIGHT

Dividends and Share Buy Backs

Through the course of the economic cycle company profits fluctuate, reaching peaks and hitting troughs. This is then reflected in companies' distribution policies with cash reinvested into the business or returned to shareholders.

In the UK the most popular method for distributing cash to shareholders is via dividends. US companies on the other hand have also tended to buy back their own shares. The fact that US companies do both is helpful because it provides an opportunity to compare each policy.

Dividends require little explanation but share buy backs may be less well understood. They occur when companies use cash, or issue debt, to buy their own shares. This has the effect of reducing the number of shares in issue because the shares purchased are then cancelled. Subsequent profits generated are then spread between a smaller number of shares, increasing the earnings per share. This boost to what is a key valuation metric arguably presents the company in a more favourable light.

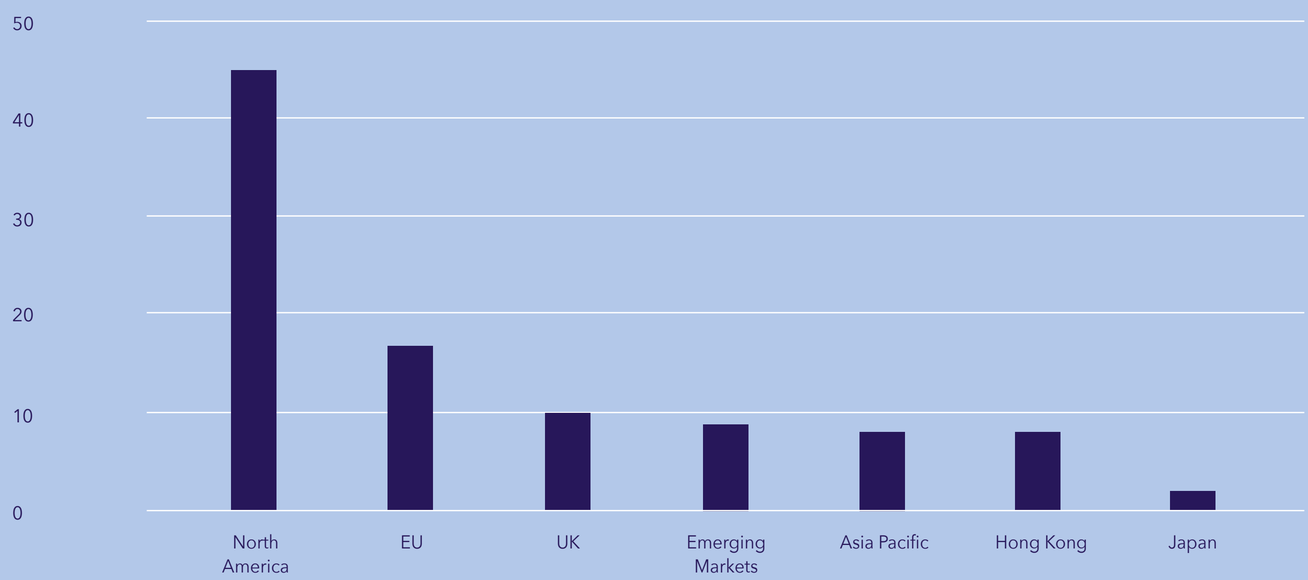
Share buy backs became popular in the 1990's and despite some criticism their popularity has soared. For example, in the first quarter of this year Apple announced that they intend to buy back as much as $100bn of their own shares!

Dividends are mentioned frequently by the UK financial media but in the US share buy backs and dividends share centre stage.

We screened the global markets to find the top 100 dividend payers and the top 100 companies buying back shares. US companies feature strongly in both categories. Forty-five US companies are in the top one hundred dividend payers. The UK is second with 10 companies.

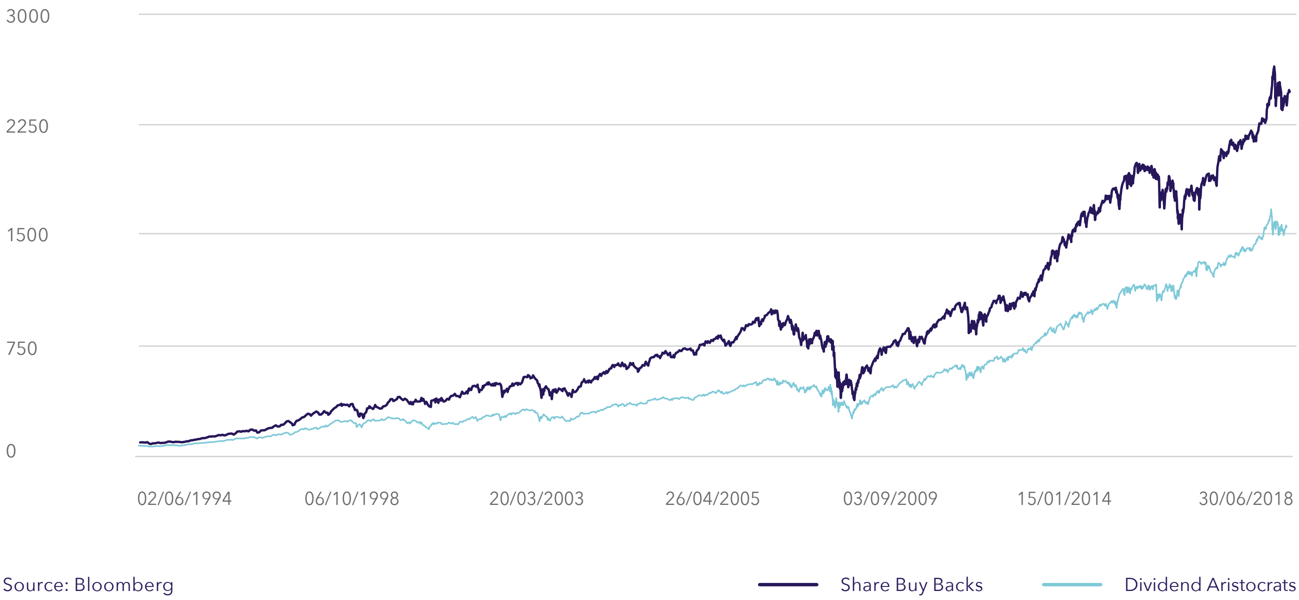
However, when it comes to share buy backs the picture changes dramatically with ninety-eight companies out of the top one hundred being US. Unilever and Canadian National Railway are the only two non US companies in the top one hundred share buy back category.

Location of Top 100 Dividend Payers



Source: Bloomberg

Dividends v Share Buy Backs 1994 - 2018



Source: Bloomberg

Note: The Dividend Aristocrats Index contains 52 companies among the S&P 500 companies that have raised dividends each year for at least 25 years. The S&P 500 Buyback Index includes 100 companies with the highest buyback ratios.

Dividends or share buy backs, which matters most?

The answer is not straightforward. Finance students learn the Modigliani-Miller theorem with its snappy academic description – capital structure irrelevance principle. It concludes that dividends are irrelevant because companies that do pay them do not consistently outperform those that don't. Now, before dividend supporters throw their hands up in horror, academics tend to study effects in the abstract, so, devoid of taxes and investor preferences. In the real-world dividends do matter to investors. A lot.

Share buy backs also come in for criticism. They are routinely cited as value destroying, tantamount to a form of financial engineering designed more to benefit employees (particularly the board of directors) in the short term rather than act in the interests of shareholders over the long term.

Given the academic theory and investor criticisms one might be forgiven for thinking that neither policy is particularly advantageous for shareholders. In fact, the reverse is true. To try and ascertain which is more beneficial we can compare the long term returns from two distinct indices, the S&P Dividend Aristocrats Index and the S&P Share Buy Back index.

By rebasing them both to the same start date the chart indicates that buy backs deliver a better outcome.

Unfortunately, neither index exclusively reflects a single policy. In other words, companies in the Dividend Aristocrats series may also carry out share buy backs and stocks in the share buy back series may also pay dividends. The indices also contain different constituents. This cross contamination and lack of index uniformity means a firm conclusion cannot be drawn.

However, a stronger message appears when we look at the market generally. If we take the S&P 500 index of the largest companies in the US, as well as including companies that do pay dividends and conduct share buy backs, the index contains a number of companies that do neither.

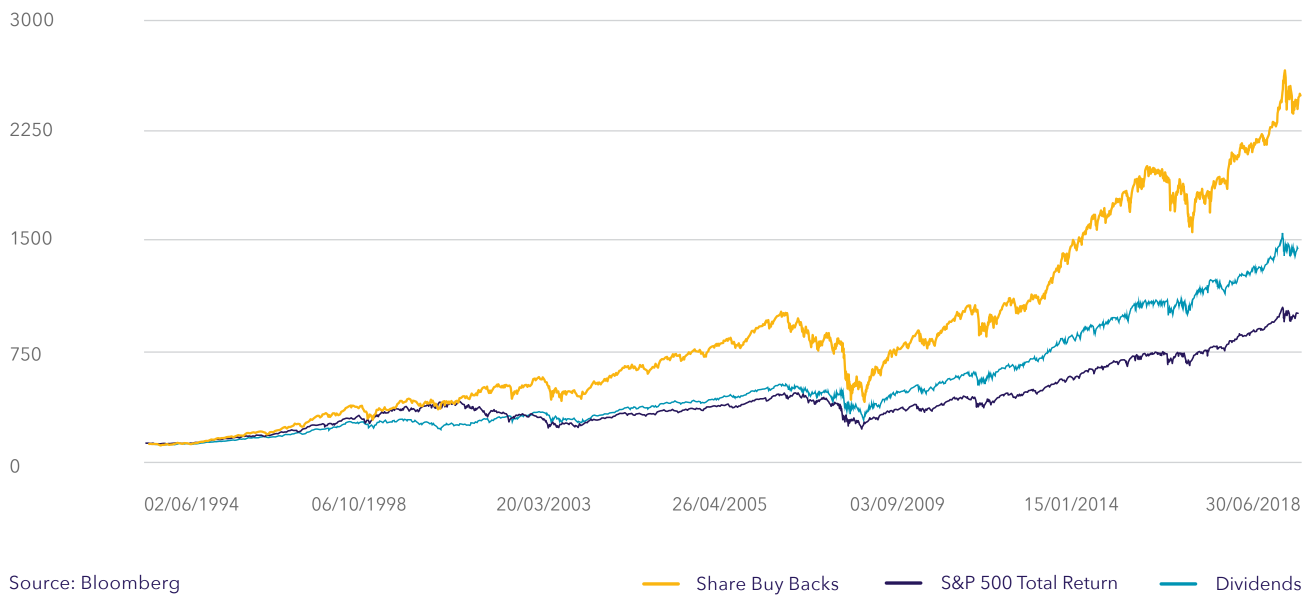
In this example, the obvious conclusion is that stocks paying dividends and/or conducting share buy backs do offer better returns over the long term. Academics may dispute a distribution policy effect, but for shareholders this isn't something to get concerned about.

Companies doing one or both are likely to be strong, well managed businesses with sustainable, long term cash generating capabilities able to withstand challenging economic cycles. Think drinks company Diageo, consumer goods company Unilever or oil major Royal Dutch Shell.

Critically, our managers select companies that both pay dividends and buy back shares. Our active managers concentrate on profit sustainability, whereas our quantitative managers identify factors associated with businesses displaying above average margins and a high return on equity.

"While the debate continues over which policy is more effective, dividends or buy backs, experience shows that by targeting quality businesses with sustainable profits and positive cash flow, capital growth will naturally follow."

Dividends v Share Buy Backs v Whole Market 1994 - 2018



Source: Bloomberg

THE SCIENCE BEHIND OUR PORTFOLIOS

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

For example, we offer eight funds within the Balanced category, therefore if no preference was given to one fund over another, an equally-weighted allocation to each fund would be 12.5%.

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

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

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	**24.00%**
Active Management with Passive Implementation - True Potential 7IM Defensive	**24.00%**
Agile, Low-Cost Value Investing - True Potential UBS Defensive	**27.00%**
Active engagement, Positive Alignment - True Potential Growth Aligned Defensive	**25.00%**

Cautious

Manager of Managers - True Potential SEI Cautious	**15.25%**
Active Management with Passive Implementation - True Potential 7IM Cautious	**16.50%**
Direct Equity & Bond Investing - True Potential Close Cautious	**16.50%**
Momentum with Volatility Control - True Potential Allianz Cautious	**11.50%**
Fund of Funds - True Potential Schroders Cautious	**9.00%**
Agile, Low-Cost Value Investing - True Potential UBS Cautious	**17.00%**
Active engagement, Positive Alignment - True Potential Growth Aligned Cautious	**14.25%**

Balanced

Manager of Managers - True Potential SEI Balanced	16.00%
Active Management with Passive Implementation - True Potential 7IM Balanced	12.00%
Direct Equity & Bond Investing -True Potential Close Balanced	14.50%
Momentum with Volatility Control - True Potential Allianz Balanced	10.50%
Fund of Funds - True Potential Schroders Balanced	4.00%
Alternative Dynamic - True Potenital Goldman Sachs Balanced	9.00%
Income Funds - True Potential Goldman Sachs Income Builder	7.00%
Agile, Low-Cost Value Investing - True Potential UBS Balanced	16.00%
Active engagement, Positive Alignment - True Potential Growth Aligned Balanced	11.00%

Growth

Manager of Managers - True Potential SEI Growth	16.00%
Active Management with Passive Implementation - True Potential 7IM Growth	14.00%
Direct Equity & Bond Investing - True Potential Close Growth	19.00%
Momentum with Volatility Control - True Potential Allianz Growth	16.00%
Agile, Low-Cost Value Investing - True Potential UBS Growth	18.50%
Active engagement, Positive Alignment - True Potential Growth Aligned Growth	16.50%

Aggressive

Manager of Managers - True Potential SEI Aggressive	25.00%
Active Management with Passive Implementation - True Potential 7IM Aggressive	22.00%
Agile, Low-Cost Value Investing - True Potential UBS Aggressive	28.00%
Active engagement, Positive Alignment - True Potential Growth Aligned Aggressive	25.00%

TRUE POTENTIAL PORTFOLIOS

Asset Allocation

Asset Class	Defensive	Cautious	Balanced	Growth	Aggressive
UK Equities	6.70%	14.10%	16.40%	23.10%	24.20%
North American Equities	15.00%	17.60%	23.30%	28.10%	31.60%
European Equities	5.00%	6.50%	9.10%	9.60%	11.70%
Japanese Equities	2.90%	3.90%	5.20%	5.90%	6.80%
Asia Pacific Equities	0.60%	1.00%	1.90%	2.30%	2.10%
Emerging Market Equities	1.80%	3.50%	6.70%	10.30%	11.90%
Global Bonds	18.10%	11.90%	8.60%	5.00%	4.00%
Global Inflation Linked Bonds	0.90%	1.10%	1.00%	1.00%	0.70%
Emerging Market Bonds	1.00%	1.90%	3.20%	1.90%	0.90%
Global High Yield Bonds	3.20%	2.70%	5.00%	1.50%	0.00%
UK Gilts	5.80%	7.30%	3.30%	3.30%	0.90%
UK Credit	7.00%	10.80%	7.90%	4.00%	4.10%
Property	0.30%	0.10%	0.20%	0.10%	0.00%
Commodities	0.50%	1.00%	0.80%	0.60%	0.00%
Cash	31.20%	16.60%	7.40%	3.30%	1.10%

Source: Smith & Williamson, 30 June 2018

+ PORTFOLIOS

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

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

Strategy Allocation

Cautious +

Manager of Managers - True Potential SEI Defensive	**39.0%**
Direct Equity & Bond Investing -True Potential Close Balanced	**14.5%**
Fund of Funds - True Potential Schroders Balanced	**10.0%**
Active Management with Passive Implementation - True Potential 7IM Growth	**8.0%**
Momentum with Volatility Control - True Potential Allianz Balanced	**10.5%**
Agile, Low-Cost Value Investing - True Potential UBS Growth	**13.0%**
Alternative Dynamic - True Potenital Goldman Sachs Balanced	**5.0%**

Balanced +

Manager of Managers - True Potential SEI Cautious	**34.0%**
Manager of Managers - True Potential SEI Defensive	**3.5%**
Direct Equity & Bond Investing - True Potential Close Growth	**19.0%**
Active Management with Passive Implementation - True Potential 7IM Aggressive	**9.5%**
Momentum with Volatility Control - True Potential Allianz Growth	**11.5%**
Agile, Low-Cost Value Investing - True Potential UBS Aggressive	**15.5%**
Fund of Funds - True Potential Schroders Cautious	**7.0%**

Growth +

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

Asset Allocation

Asset Class	Cautious +	Balanced +	Growth +
UK Equities	13.0%	19.0%	23.7%
North American Equities	17.5%	23.3%	28.7%
European Equities	8.3%	8.8%	10.8%
Japanese Equities	4.8%	4.9%	6.0%
Asia Pacific Equities	1.5%	1.8%	2.1%
Emerging Market Equities	4.9%	6.6%	9.6%
Global Bonds	9.9%	7.8%	3.3%
Global Inflation Linked Bonds	1.1%	1.9%	0.6%
Emerging Market Bonds	1.2%	1.7%	0.8%
Global High Yield Bonds	4.3%	4.2%	0.2%
UK Gilts	5.2%	5.2%	2.6%
UK Credit	6.9%	4.0%	7.8%
Property	0.1%	0.1%	0.1%
Commodities	1.1%	1.0%	0.6%
Cash	20.2%	9.7%	3.1%

Source: Smith & Williamson, 30 June 2018

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

LOGIN IN SECONDS

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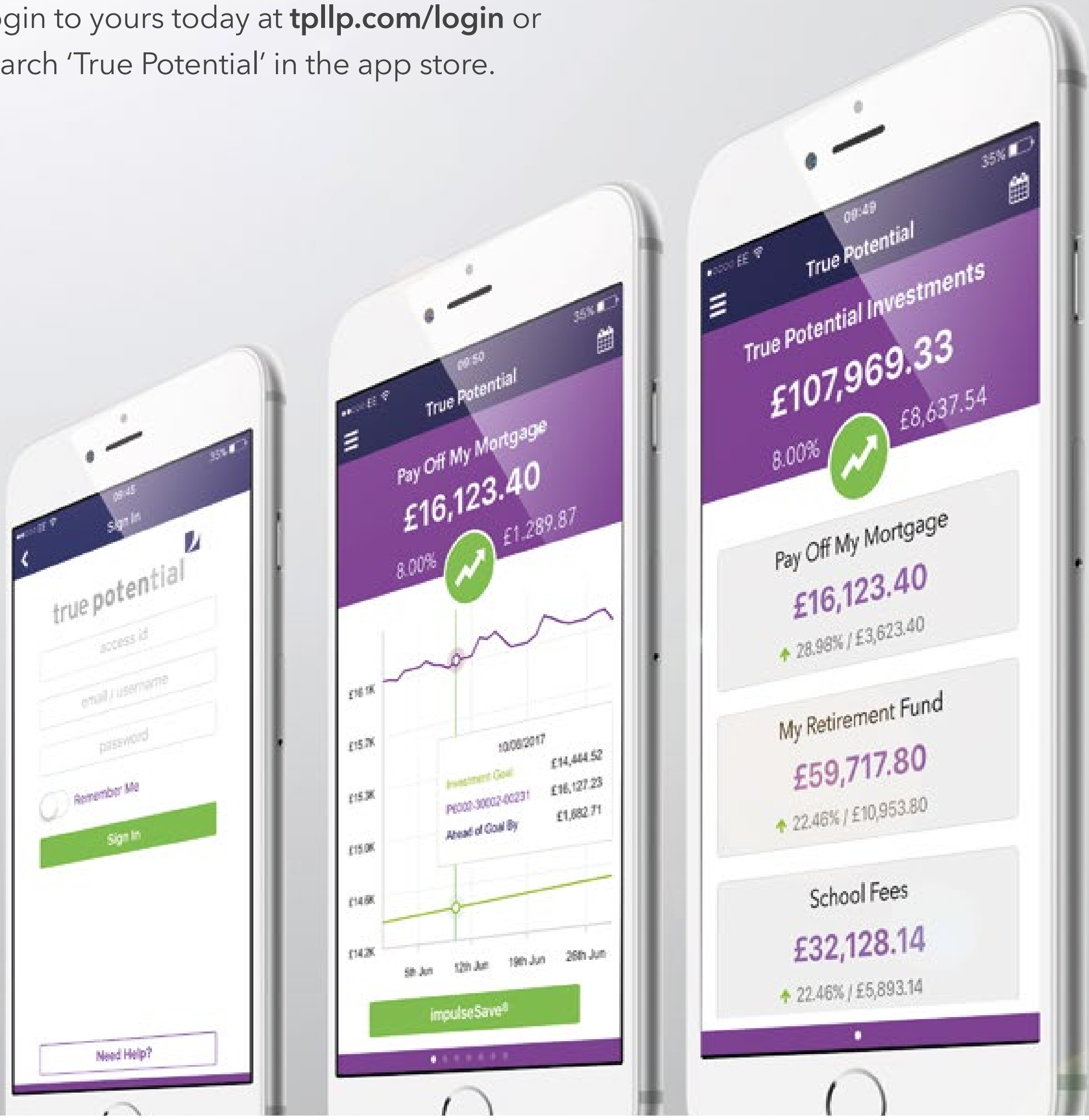

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INCOME PORTFOLIOS

Each Income Portfolio in the True Potential Portfolios range is focused on yield and income sustainability so we have income as an additional optimisation factor.

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

Source: Goldman Sachs, Close Brothers, Threadneedle and Schroders, 30 June 2018

Strategy Allocation

Cautious Income

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

Balanced Income

Direct Equity & Bond Investing - True Potential Close Cautious Income	7.0%
Income Focused - True Potential Threadneedle Monthly Income	35.0%
Income Funds - True Potential Goldman Sachs Income Builder	50.0%
Fund of Funds - True Potential Schroders Cautious Income	8.0%

Asset Allocation

Asset Class	Cautious Income	Balanced Income
UK Equities	24.90%	35.60%
North American Equities	13.10%	14.40%
European Equities	7.20%	7.50%
Japanese Equities	0.90%	0.60%
Asia Pacific Equities	0.70%	0.60%
Emerging Market Equities	0.00%	0.00%
Global Bonds	8.40%	9.20%
Global Inflation Linked Bonds	0.50%	0.10%
Emerging Market Bonds	0.60%	0.60%
Global High Yield Bonds	14.00%	16.50%
UK Gilts	2.00%	0.50%
UK Credit	12.70%	8.70%
Property	4.80%	1.50%
Commodities	2.40%	0.90%
Cash	7.80%	3.30%

Source: Smith & Williamson, 30 June 2018 true potential investments

tpllp.com/portfolios

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

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