TRUE
INSIGHT

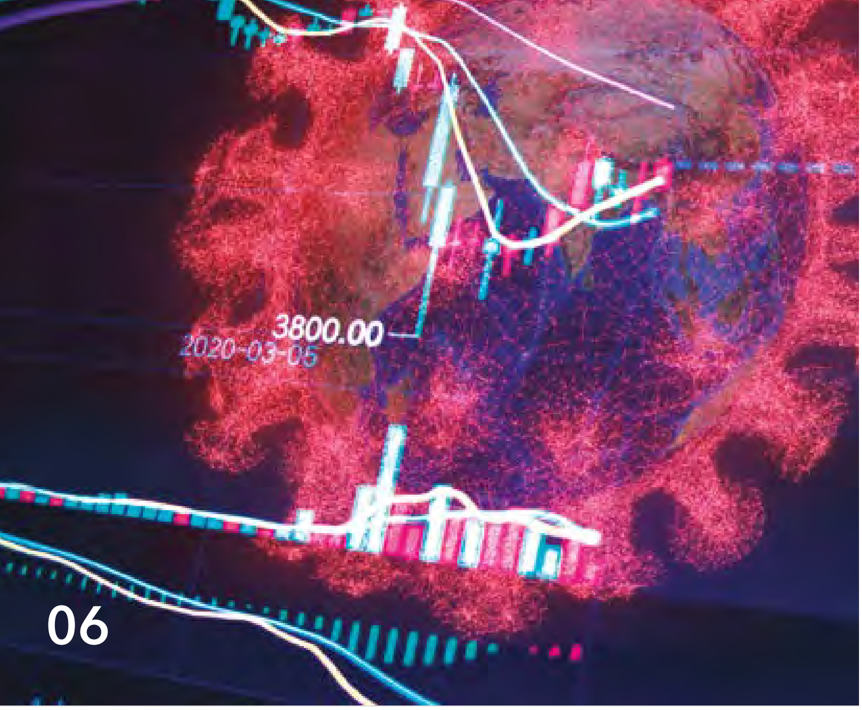
True Potential Portfolios | Issue 22

PAGE 10

A change in the mood music

The post covid world we emerge into will be very different from the one we left behind but Advanced Diversification remains key.

true potential investments



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View From The Riverside

Welcome to the latest edition of True Insight.

The opening months of 2021 have marked some significant developments at True Potential, the publication of our annual financial report, the 10th anniversary of the launch of our investment platform, surpassing £15bn of client investments held and the start of a new fund administration division. It has been a busy period for us as we follow our own roadmap relentlessly.

Business success can be measured in various ways. Our 2020 Annual Report has many highlights as we look back on last year, the challenges and strong recovery evident in both capital markets and human resilience aided and abetted by ground breaking medical research and vaccine development.

The year saw a phenomenal £4.2bn added to our investment platform and 45,314 new clients, our large financial services group saw turnover increase to £184.9m and profits grew to £74m. We reinvest into the business to look after everyone who invests with us and to continue our growth by finding new clients. We have also made significant donations to help charities and community organisations across the UK in support of vulnerable people.

Another noteworthy development is the launch of True Potential Administration, an independent firm dealing with the administration of our investment funds, making sure they are run strictly in accordance with UK regulations, are valued accurately each day and that they are held in safekeeping for you. Strong and effective administration should not be noticed, it is behind the scenes, unremarkable but essential.

We have come a long way since 21st March 2011, the day our investment platform was launched. Today we have 314,435 clients and we look after a collective £15bn. Technology has allowed us to keep up with the demands of the modern, tech enabled consumer. We now see the majority of client site logins being made on mobile devices via Apps and our exclusive impulseSave technology is used extensively to top up investments.

There is much to look forward to. I hope you enjoy reading this edition of True Insight and thank you for being part of our continued growth.

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

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 Mar 2016 to 31 Mar 2017	31 Mar 2017 to 31 Mar 2018	31 Mar 2018 to 31 Mar 2019	31 Mar 2019 to 31 Mar 2020	31 Mar 2020 to 31 Mar 2021	Since Launch 1 Oct 2015 to 31 Mar 2021
Defensive Portfolio	+7.67%	+0.46%	+1.69%	-2.06%	+8.37%	+20.36%
Cautious Portfolio	+11.67%	+0.26%	+2.85%	-5.09%	+16.44%	+32.18%
Cautious + Portfolio	+11.72%	+0.81%	+3.15%	-5.61%	+16.89%	+32.42%
Cautious Income Portfolio	+13.49%	-0.38%	+5.05%	-8.88%	+20.58%	+34.82%
Balanced Portfolio	+16.49%	+1.36%	+3.35%	-7.74%	+22.59%	+43.64%
Balanced + Portfolio	+16.55%	+1.36%	+4.33%	-6.90%	+22.30%	+47.97%
Balanced Income Portfolio	+15.07%	-0.18%	+5.09%	-10.06%	+22.77%	+39.08%
Growth Portfolio	+19.74%	+2.11%	+4.36%	-8.57%	+27.41%	+57.82%
Growth + Portfolio	+18.62%	+3.55%	+4.62%	-9.87%	+28.40%	+57.00%
Aggressive Portfolio	+21.79%	+4.13%	+3.81%	-11.02%	+32.79%	+66.48%

With investing, your capital is at risk. Investments can fluctuate in value and you may get back less than you invest. Past performance is not a guide to future performance.

Review of the Markets Q1 2021

Global equity markets continued their upward progression into the first quarter of the year, rising 3.9% in sterling terms.

In the United States Joe Biden was duly inaugurated as the 46th President and, with control over both Houses of Congress confirmed, immediately set about implementing the massive $1.9 trillion American Rescue Plan.

Some commentators questioned whether such a large stimulus was necessary, cautioning that the package could generate inflation and warrant a rise in interest rates.

The threat of higher rates was enough to take some of the froth off the leading tech stocks that have enjoyed such meteoric growth during the pandemic lockdown.

However, reassurance from the Federal Reserve Board that it was prepared to let inflation "run hot" for a limited period and not move immediately to contain any rise in prices served to cheer the markets.

With a renewed focus on Covid-19 control and vaccine roll out from the Biden administration, confidence in a broadly based cyclical recovery gathered pace and the S&P500 gained 6.2% over the period.

In the UK attention quickly moved on from the inevitable teething troubles witnessed in the immediate aftermath of Britain's formal departure from the EU to the speed of the vaccine roll out and the gradual removal of restrictions.

Figures indicating a high level of pent up demand and a savings glut created by the enforced period of lockdown encouraged investor optimism which was only tempered by a recognition that unemployment was likely to rise with not all furloughed staff eventually having a job to return to.

However, the announcement by the Bank of England that it too would remain accommodative and be prepared to let inflation run above target bolstered the market, the index of 100 largest shares gaining 5%. Smaller companies, particularly hard hit during the downturn enjoyed a very strong rebound, up 9.6% over the period.

A clumsy start to the vaccine roll out in Europe and uncharacteristic disunity between the European Commission and its member states were not enough to deter investors.

The region was a beneficiary of the switch away from US tech and "Growth" stocks to more cyclical "Value" plays and, in the face of continued stimulus from both the UK and US governments, markets anticipated additional support from the European Central Bank to stimulate growth across the region, pushing the broad based index of European shares up 8.4%.

Concern that a booming American economy could lead to a rising dollar and higher interest rates unsettled Emerging Markets which were more muted, gaining only 2.2% over the quarter.

With economic growth likely to accelerate as vaccine roll out was aggressively pursued around the world, the prospect of a tick up in inflation and eventual hardening of interest rates undermined fixed interest markets generally, global bonds dropping back 5.4% on average.

Investment Outlook

Looking out over 2021, the global economy continues to build on the faster than expected recovery exhibited over the past few months.

In the near term, vaccine rollout will play a key part in determining a region's economic growth trajectory. The UK and US are leaders in this respect.

The UK has given guidance that all adults who want to receive the vaccine should be able to do so by the end of July whilst all eligibility restrictions in the US will be lifted for vaccinations by the start of May.

Fiscal support has been unprecedented throughout the pandemic and remains supportive.

> "All of these factors lead us to re-emphasise our central economic scenario of a cyclical recovery. We understand that the recovery may not be a straight line and therefore continue to offer extensive diversification across assets, regions, and managers."

Both vaccine rollout and fiscal support have led the OECD to raise forecasts for global GDP to 5.6% from 4.2% for 2021.

Investors face a quandary, stronger economic growth, due to further stimulus and vaccine rollout, alongside the potential for higher inflation. In light of the above, sovereign bond prices have moved significantly and quickly with 10 year US Treasury yields rising from 0.9% at the start of the year to over 1.7% (yields move inversely to price).

We believe these moves are justified with yields now at pre-pandemic levels but still low in historical terms. Current yield levels are an expression of a move to normalisation driven by stronger growth. We know there will be an inflationary impulse due to last year's Covid-19 induced price falls which will test both central banks and investors' resolve.

Globally, central banks continue to offer support and indications are this is unlikely to change in the short term.

We believe that global central banks will be both careful and credible in their messaging overall and they are in no hurry to raise rates.

They want growth to take hold and be sustained.

Sovereign bond yields are currently not attractive enough to increase positions. The current yield environment is acknowledged as low compared to history, but we believe in the diversification benefits from holding the asset class. The key here is that the inverse correlation between bonds and equities needs to hold moving forward.

Emerging market assets relative to developed market assets are a key discussion point. Overall, our Portfolios have repositioned towards developed markets for both equities and bonds.

China's moves to stabilise their economy, US Dollar stabilisation/ appreciation and the potential for developed markets to see a stronger uplift in economic growth over the short term all support this thesis.

Over the past six months, US smaller companies have become a larger part of the True Potential Portfolios with managers expecting this asset class to benefit from the economic recovery. From a strategic perspective, the long-term view continues to be positive, but tactically positions have been reduced after the recent strong performance.

Gold is viewed as less attractive with positions reduced. Higher real bond yields and US Dollar stabilisation have weighed on the asset class.

We are excited about the months ahead in 2021, building on the strong performance year-to-date and looking towards new opportunities opening as the global economy recovers and we move back to normality.

A CHANGE IN THE MOOD MUSIC?

We have long championed the benefits of diversification, the Portfolios representing an orchestrated selection of differing assets and contrasting investment styles.

We make no apologies for doing so. Our mantra of Advanced Diversification has served us well over the last five years and particularly over the most recent twelve month period.

The theoretical stress testing models that our portfolios are routinely subjected to were played out for real and our rigorous investment process prepared us for what no one foresaw – both in terms of the sharp falls witnessed in March last year and the subsequent strong recovery in world markets.

Through moments of disharmony diversification works.

But what now?

Amongst the commentariat there is speculation that traditional portfolio construction, the combination of cash, bonds and equities that has served investors so well, is outmoded and not up to the task of coping with the post pandemic world we now contemplate.

Why invest in the US market after such a good run when the American economy and those of its trading partners have been hit so hard by the pandemic? What value can be found in bond markets when the benefits of Quantitative Easing are exhausted and any tick up in inflation or interest rates will present a more challenging outlook? Can cash, yielding next to nothing, justify its place in a diversified portfolio?

The answers are complex but can be summarised thus: each section has its part to play and particular instruments to draw upon.

For example, the principal reason the US market has been so strong is the success, over lockdown, of the large tech stocks which now comprise around a quarter of the S&P 500 Index. While no one is doubting their long term future and the influence these companies will continue to exert, there is a recognition that valuations may be full and that regulators, both in Europe and within the Biden administration may move to limit their unbridled expansion.

That's why some of our managers, including our own Growth Aligned funds, are investing part of their US exposure into an "equally weighted" low cost passive instrument where each company in the S&P500 index is accorded equal representation and the tech behemoths, Facebook, Apple, Amazon, Netflix, Google and Microsoft no longer dominate, collectively accounting for just over 1% of the investment. This permits our managers to invest in a vast number of much more modestly valued companies offering equally exciting prospects.

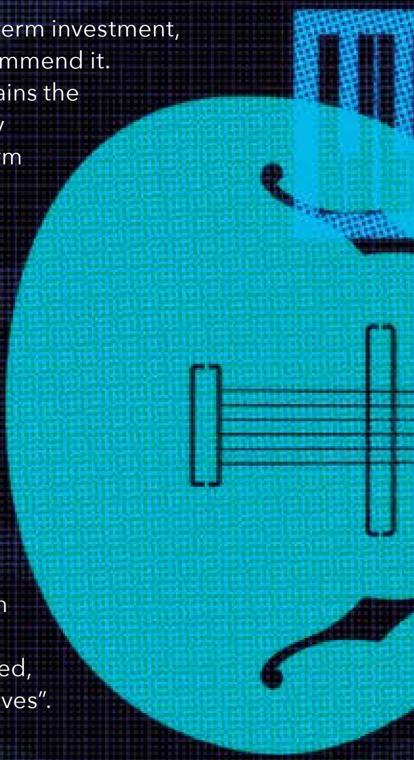
Similarly, much of the gain seen in recent years has been generated by "Growth" stocks, typically cutting edge companies offering the prospect of bigger gains in the future but paying little or no dividend now.

As we move towards a post covid environment, those more cyclical, economically sensitive, "Value" orientated companies, stalwarts with secure business models and sustainable revenue streams may take centre stage. Here again, there are low cost passive investments our managers employ to gain diversified exposure to this attractively priced corner of the market.

Within the bond element traditional securities, such as US Treasuries or UK Gilts, may still offer long term security but not the same potential returns as they have delivered hitherto. Here again, our manager partners are finding pockets of value, whether it be within Emerging Market High Yield Debt; targeting strategies that play off one country's debt against another; or derivative instruments that actually benefit from rising interest rates.

Cash, as a long term investment, has little to recommend it. However, it remains the ultimate security against short term volatility and remains an invaluable tool for seizing the opportunities that turbulent markets inevitably expose.

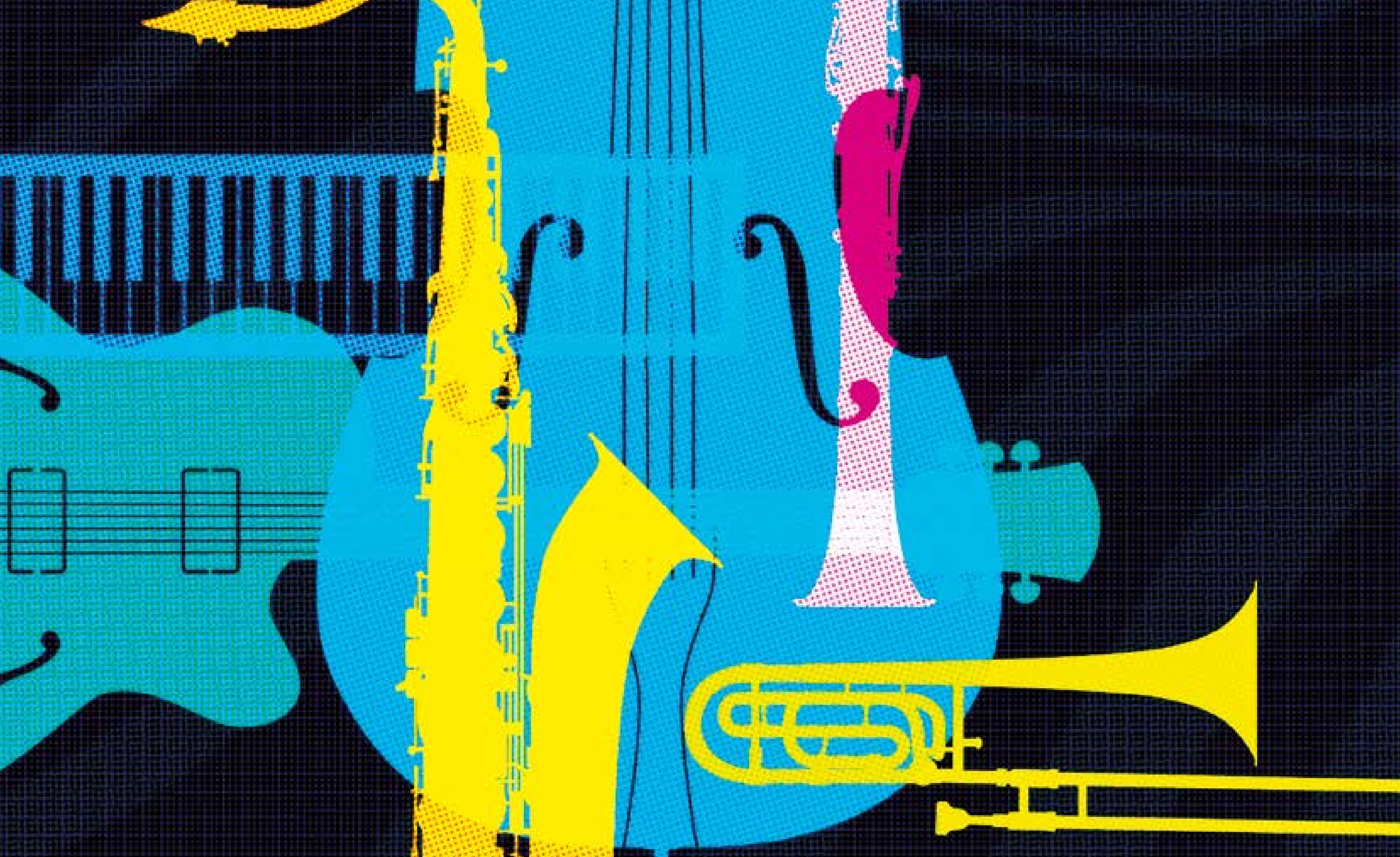
As investors look for additional sources of return a fourth asset class has emerged, that of "Alternatives".



Alternatives comprise a myriad of disparate investments ranging from gold, silver and other commodities to products based on currencies and foreign exchange strategies and "structured products" which combine the underlying security of a bond with the inherent volatility of an equity market or other investment.

Liquid vehicles for gaining access to areas of the property market also fall under this banner and are used by some managers to diversify their investments and provide additional, uncorrelated sources of return.

The post Covid-19 world we emerge into will be very different from the one we left behind but, as the long term results for the Portfolios attest on page 5, though the tune may change, through good times and bad, the band plays on.



UNSUNG HEROES

History is made by, and yet rarely records, the work of the unsung heroes.

So it is fitting that this year, as Covid-19 impacts the country, that a spotlight has illuminated the dedication of those working tirelessly to revive not just the health of the nation but also the strength of the economy. It is also timely that Alan Turin, the World War Two codebreaker of Bletchley Park, for so long overlooked, is honoured on the new £50 bank note.

At True Potential we also salute our unsung heroes as we celebrate ten years of our platform.

"Platform" is something of a nebulous term but in brief it describes our electronic backbone, the system and database that lies at the heart of the company supporting and enabling all of its functions.

Think of it as the electrics and plumbing of a building. You take it for granted. If it works you don't think about it. If it doesn't it's all you think about.

As time goes by it has to be renewed. As the building changes it has to be extended and made fit for the future. Any significant modification threatens major disruption to all concerned.

You don't want to hear about it, and you don't. Because it works. It works well.

Even within the realms of financial literature platform analysis represents a specialist subject.

However, like everything else in our industry, platform efficiency is scrutinised and evaluated using a diverse range of criteria and we're delighted to report that at the City of London Wealth Management Awards we received Best Fund Platform for the second year running and were awarded a 98% score (the highest on record) from NextWealth for our adoption of digital technology.

In a recent paper on platforms in the investment industry the Lang Cat survey reflected that "True Potential's scores are the highest ever achieved on any measure across our surveys.

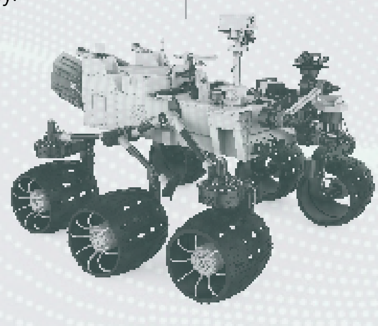
NEW TECHNOLOGY LAUNCHES 10 YEARS

2011
Platform Launch

We launched the True Potential Platform, which now holds over £15 billion of client money.

2012
Curiosity lands on Mars

NASA's Curiosity rover touched down on Mars in 2012.



2013
impulseSave Launch

Our world-first technology enables investors to top up their accounts from just £1.

2014
True Potential/ Open University online finance courses launched.

Since launch, over 125,000 learners have registered for our free courses.

2015
SpaceX's Falcon 9 lands back on Earth

SpaceX made history when the first stage of the Falcon 9 rocket successfully landed back on solid ground.

Why so good? Well TP was always built with remote tech in mind [and] hasn't had problems moving to home working."

Our nerve centre was built to be future proof and has proved to be so. In terms of the heavy lifting our platform is required to perform, it currently holds 413,000 accounts for over 314,000 clients. From a standing start ten years ago assets on the platform have grown exponentially and now approach £16bn. Of this sum just under £13bn is directly under our control in the True Potential Portfolios.

Actively managed to ensure the risk rating of the Portfolios continues to reflect each client's selected risk profile, a typical monthly rebalancing across the platform can impact 150,000 client accounts and generate over £200m of instantaneous trade instructions made possible by our custom built in house platform technology.

The end of the tax year is, unsurprisingly, the busiest time of year as clients and advisers work to utilise ISA allowances and optimise pension contributions.

In March alone £575m of new cash was received and invested; 22,000 emails, pipelines or secure messages were received from clients and 500,000 individual client account payments were allocated.

This year the impact of Covid-19 lockdown restrictions meant that many people had additional savings to invest. Whether it was forgoing the lure of an expensive latte on the way to work, doing without a quick drink in the pub on the way home or maybe a lockdown resolution to quit smoking, our impulseSave feature was used more than ever.

ImpulseSave allows for contributions from as low as £1 to be made via a smart phone, tablet or computer making it quick and easy for small amounts to be invested with a view to growing over the long-term. ImpulseSave remains the first of its kind and is unique to True Potential. It has grown steadily in use and in the first three months of the year £76m was invested with £40m of this coming through just in March.

> We can't promise our platform builders their portrait on a bank note. However, we can, and do, recognise they're among the best at what they do.

2021

2016
Amazon Alexa Launch

Amazon introduced the world to Alexa, bringing the Internet of Things (IoT) into our homes.

2017
Began building our in house platform

By focusing on clients, we designed the most ambitious overhaul of the True Potential Platform to date.

2018
The Ocean Cleanup Project

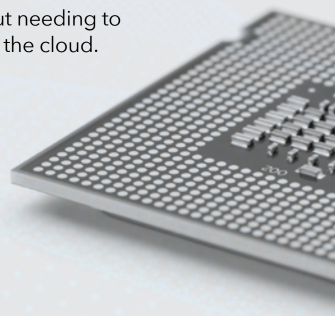
First proposed by Boyan Slat in a TED talk, the Ocean Cleanup project's prototype 001 launched in southeast Asia.

2019
Completed in house platform

Seamlessly moving over billions of pounds in assets thanks to our team of in-house developers.

2020
Tiny AI

It's now possible for powerful artificial intelligence algorithms to run from our phones and other consumer devices without needing to talk to the cloud.



RISK ADJUSTED RETURN

We all dislike losing money so the investment choices we make are important. Realistically, to earn a decent return some degree of risk taking is required. This is not as daunting as it sounds.

Using Risk Adjusted Return, which we go on to explain, it is possible to measure the amount of risk associated with a given return. There are different methods but here we focus on one of them, the Sharpe ratio named after Nobel prize winner William Sharpe.

Risk adjusted return, and the Sharpe ratio in this case, is not just an exercise in theory. Sharpe ratios have a practical application too.

One of the advantages of managing money for clients over a long period is we can now look back and calculate risk adjusted returns, or Sharpe ratios, for each of our model portfolios. This is helpful because it allows us to back up our claim with evidence that a diversified approach is more effective than investing in single asset categories.

EXAMPLE 1:
Imagine two competing investments both delivering a return of 10%.

- Investment (a) with a risk measure of 20%
- Investment (b) with a risk measure of 10%

In example 1 we immediately deduce that (a) produces twice the level of risk for the same return. We can simply put a value onto each one by dividing the return by the level of risk.

EXAMPLE 2:
As mentioned, a simple method of assessment is to divide the return earned by the level of risk, However, Professor Sharpe's method includes an additional step. He deducts the risk-free return (normally associated with government bonds) from the actual return. He believes this produces greater accuracy and more consistency i.e. (Return-Risk Free Rate)/Volatility.

Using our numbers from example 1:

A. (10% - 2.0%)/20% = 0.4
B. (10% - 2.0%)/10% = 0.8

* In our table we use a risk-free rate of 2% because it equates to the rate of inflation targeted by the Bank of England.

Table 1: Single Asset Classes compared to True Potential Model Portfolios with Ascending Risk Levels.

Data to 23.02.2021, Source Bloomberg

Annualised	5 Year Total Return	5 Year Annualised Returns	5 Year Annualised Volatility	Sharpe Ratio
UK 7-10 Year Gilts	13.1%	2.5%	5.0%	0.10
UK Corporate Bonds	34.8%	6.2%	5.6%	0.75
FTSE All Share	38.5%	6.7%	16.4%	0.29
True Potential Defensive Portfolio	18.6%	3.5%	3.3%	0.45
True Potential Cautious Portfolio	29.4%	5.3%	5.0%	0.66
True Potential Balanced Portfolio	41.1%	7.1%	7.3%	0.71
True Potential Capital Growth Portfolio	53.2%	8.9%	8.9%	0.77
True Potential Aggressive Portfolio	60.8%	10.0%	10.9%	0.73

Risk Free Rate	2%

* In our table we use a risk-free rate of 2% because it equates to the rate of inflation targeted by the Bank of England.

In Table 1 we show single asset classes in the top half and the True Potential Portfolios in the bottom section, which range from Defensive through to Aggressive.

In the True Potential lower risk model Portfolios, Defensive and Cautious, we hold proportionately more fixed income investments (Gilts and Corporate Bonds). In our higher risk models, Balanced, Growth and Aggressive, we typically hold more equities, in increasing proportions. These distinctions matter when making relative comparisons.

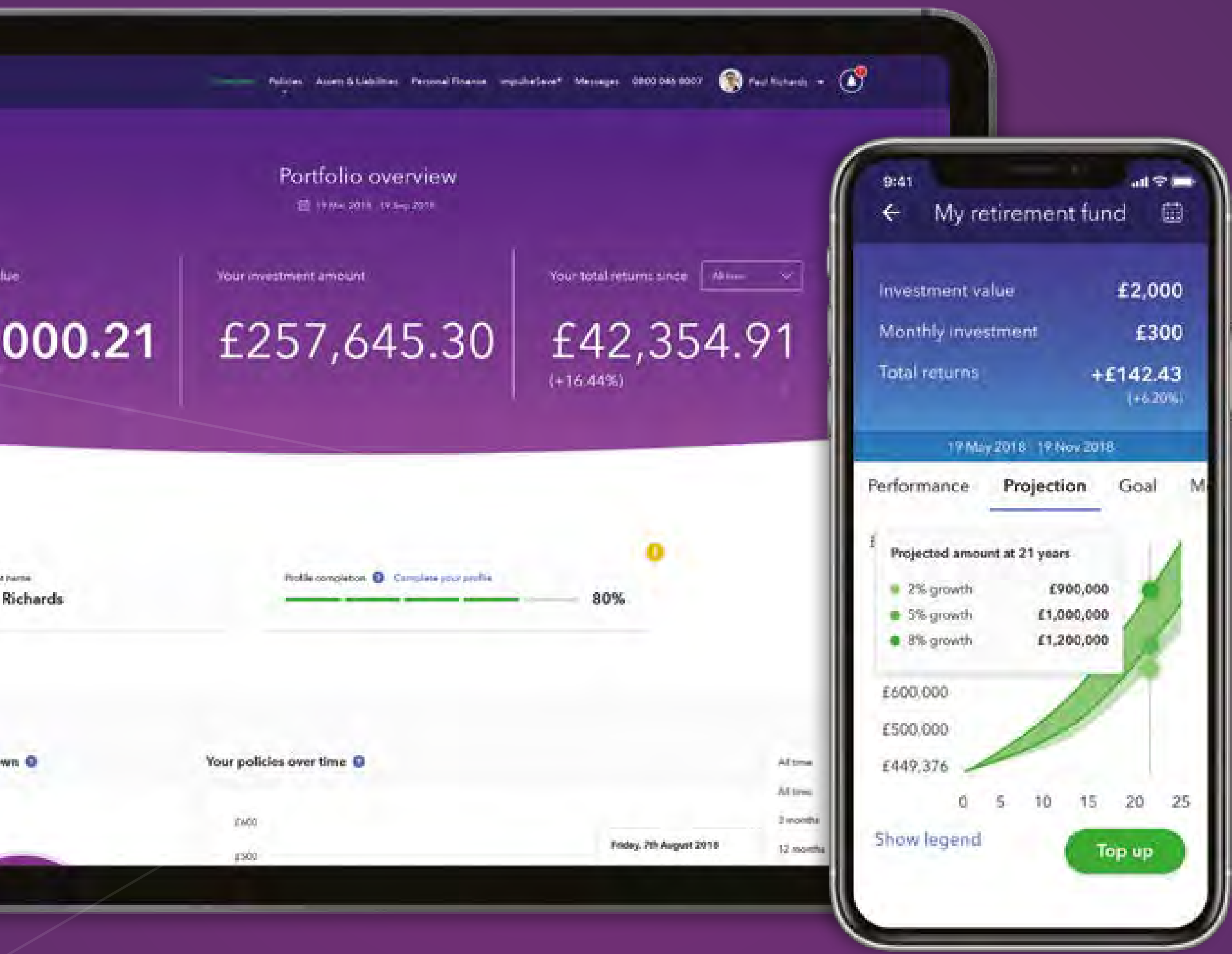
In Table 1 Corporate Bonds have also produced good risk adjusted returns. From a portfolio construction point of view this has helped us because the True Potential Portfolios have holdings to varying degrees in these investments.

In conclusion, by focusing on a key risk measure, and with careful diversification, we have been able to deliver wealth enhancing returns for clients while at the same time reducing risk.

+
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

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.

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									✓	✓

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Risk (Baseline Portfolios)

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

Risk (+ Portfolios)

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

Risk (Income Portfolios)

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

Cost

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

Expected Return

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

Risk-Adjusted Return

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

True Potential Portfolios

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

Strategy Allocation

Defensive

Manager of Managers - True Potential SEI Defensive	**25.00%**
Active Management with Passive Implementation - True Potential 7IM Defensive	**22.00%**
Agile, Low-Cost Value Investing - True Potential UBS Defensive	**27.00%**
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	**15.00%**
Momentum with Volatility Control - True Potential Allianz Cautious	**15.50%**
Fund of Funds - True Potential Schroders Cautious	**9.00%**
Agile, Low-Cost Value Investing - True Potential UBS Cautious	**16.50%**
Active Engagement, Positive Alignment - True Potential Growth Aligned Cautious	**14.75%**

Balanced

Manager of Managers - True Potential SEI Balanced	14.00%
Active Management with Passive Implementation - True Potential 7IM Balanced	11.00%
Direct Equity & Bond Investing - True Potential Close Balanced	12.75%
Momentum with Volatility Control - True Potential Allianz Balanced	13.25%
Fund of Funds - True Potential Schroders Balanced	2.00%
Alternative Dynamic - True Potential Goldman Sachs Balanced	9.00%
Income Funds - True Potential Goldman Sachs Income Builder	7.00%
Agile, Low-Cost Value Investing - True Potential UBS Balanced	17.00%
Active Engagement, Positive Alignment - True Potential Growth Aligned Balanced	14.00%

Growth

Manager of Managers - True Potential SEI Growth	16.75%
Active Management with Passive Implementation - True Potential 7IM Growth	14.00%
Direct Equity & Bond Investing - True Potential Close Growth	15.50%
Momentum with Volatility Control - True Potential Allianz Growth	17.25%
Agile, Low-Cost Value Investing - True Potential UBS Growth	19.50%
Active Engagement, Positive Alignment - True Potential Growth Aligned Growth	17.00%

Aggressive

Manager of Managers - True Potential SEI Aggressive	26.00%
Active Management with Passive Implementation - True Potential 7IM Aggressive	16.50%
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 Equity	4.95%	10.76%	12.87%	17.86%	22.70%
US Equity	7.15%	9.76%	15.11%	18.34%	25.25%
US Equity (GBP hedged)	3.53%	5.90%	9.37%	12.99%	14.04%
Europe ex UK Equity	2.29%	3.19%	4.93%	6.86%	8.38%
Europe ex UK Equity (GBP hedged)	1.03%	2.57%	4.07%	4.79%	3.87%
Japan Equity	1.52%	2.78%	3.28%	5.01%	5.70%
Japan Equity (GBP hedged)	1.19%	2.10%	2.27%	3.21%	3.58%
Pacific Ex Japan Equity	0.42%	1.01%	1.40%	1.52%	1.66%
Emerging Markets Equity	2.53%	4.03%	5.58%	7.03%	9.39%
UK Gilts	3.69%	3.33%	2.15%	0.57%	0.09%
UK Corporate Bond	7.48%	9.68%	5.95%	2.47%	0.64%
Global Agg Bond	15.00%	12.96%	9.08%	3.71%	0.18%
Global Inflation-Linked Bond	3.85%	2.52%	1.91%	1.60%	0.24%
Global High Yield Bond	2.75%	2.78%	4.71%	2.46%	0.18%
Emerging Market Bond HC	3.26%	3.10%	3.69%	3.43%	0.59%
Global REITs	0.00%	0.79%	1.18%	1.26%	0.83%
Gold	0.46%	0.82%	0.58%	0.63%	0.41%
Alternatives	5.77%	7.96%	6.75%	3.60%	0.94%
Cash	33.13%	13.96%	5.12%	2.66%	1.33%

Source: TPI. Data as of 31 March 2021

+ Portfolios

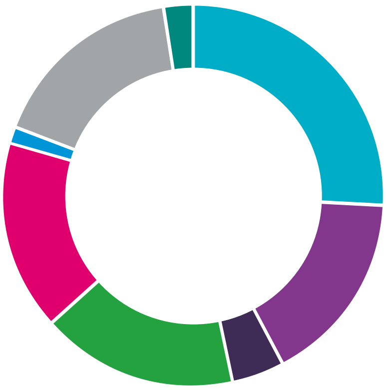
The + group of Portfolios are more concentrated in their fund selection, containing larger fund positions than their risk category equivalents in the True Potential Portfolios. The + Portfolios are constructed using funds from right across the risk spectrum, while staying within the risk band for their 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	21.50%
Direct Equity & Bond Investing - True Potential Close Balanced	15.50%
Fund of Funds - True Potential Schroders Balanced	3.00%
Active Management with Passive Implementation - True Potential 7IM Growth	7.00%
Momentum with Volatility Control - True Potential Allianz Balanced	13.00%
Agile, Low-Cost Value Investing - True Potential UBS Growth	15.00%
Alternative Dynamic - True Potential Goldman Sachs Balanced	6.50%
Active Engagement, Positive Alignment - True Potential Growth Aligned Defensive	18.50%



Balanced +

Manager of Managers - True Potential SEI Cautious	26.00%
Direct Equity & Bond Investing - True Potential Close Growth	15.25%
Active Management with Passive Implementation - True Potential 7IM Aggressive	4.50%
Momentum with Volatility Control - True Potential Allianz Growth	16.75%
Agile, Low-Cost Value Investing - True Potential UBS Aggressive	17.00%
Fund of Funds - True Potential Schroders Cautious	1.50%
Active Engagement, Positive Alignment - True Potential Growth Aligned Cautious	16.50%
Active Management with Passive Implementation - True Potential 7IM Defensive	2.50%

Growth +

Direct Equity & Bond Investing - True Potential Close Balanced	20.00%
Manager of Managers - True Potential SEI Aggressive	22.00%
Agile, Low-Cost Value Investing - True Potential UBS Aggressive	27.00%
Momentum with Volatility Control - True Potential Allianz Balanced	12.00%
Active Engagement, Positive Alignment - True Potential Growth Aligned Aggressive	12.00%
Active Management with Passive Implementation - True Potential 7IM Balanced	7.00%

Asset Allocation

Asset Class	Cautious +	Balanced +	Growth +
UK Equity	9.98%	14.06%	19.29%
US Equity	12.15%	14.37%	21.44%
US Equity (GBP hedged)	8.80%	12.48%	13.97%
Europe ex UK Equity	4.22%	4.96%	6.56%
Europe ex UK Equity (GBP hedged)	3.42%	4.46%	4.90%
Japan Equity	3.18%	3.73%	4.04%
Japan Equity (GBP hedged)	2.45%	3.01%	3.57%
Pacific Ex Japan Equity	1.03%	1.24%	1.67%
Emerging Markets Equity	4.37%	5.51%	6.90%
UK Gilts	3.12%	2.95%	1.13%
UK Corporate Bond	5.79%	4.42%	3.18%
Global Agg Bond	10.14%	8.61%	3.18%
Global Inflation-Linked Bond	2.20%	2.13%	0.52%
Global High Yield Bond	2.41%	2.65%	0.93%
Emerging Market Bond HC	2.81%	2.57%	1.41%
Global REITs	0.90%	0.79%	0.72%
Gold	0.72%	0.68%	0.57%
Alternatives	5.32%	3.78%	2.95%
Cash	16.99%	7.60%	3.07%

Source: TPI. Data as of 31 March 2021

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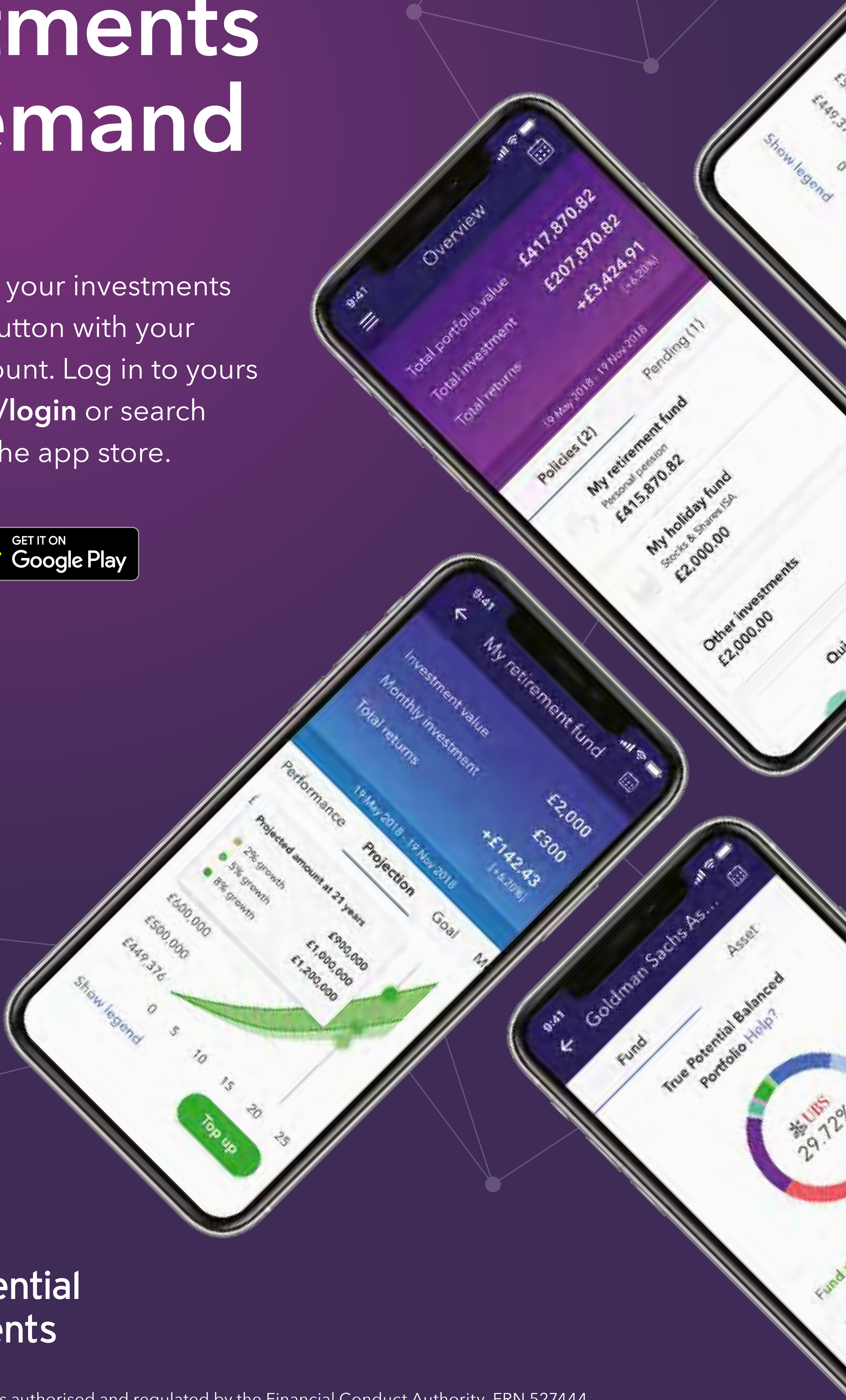

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Income Portfolios

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.

Strategy Allocation

Cautious Income

Direct Equity & Bond Investing - True Potential Close Cautious Income	**41.00%**
Fund of Funds - True Potential Schroder Cautious Income	**8.00%**
Income Building - True Potential Goldman Sachs Income Builder	**43.00%**
Income Strategies - True Potential Threadneedle Monthly Income	**8.00%**

Balanced Income

Direct Equity & Bond Investing - True Potential Close Cautious Income	**17.00%**
Fund of Funds - True Potential Schroder Cautious Income	**6.00%**
Income Building - True Potential Goldman Sachs Income Builder	**47.00%**
Income Strategies - True Potential Threadneedle Monthly Income	**30.00%**

Asset Allocation

Asset Class	Cautious Income	Balanced Income
UK Equity	18.73%	31.17%
US Equity	1.15%	0.54%
US Equity (GBP hedged)	9.62%	9.85%
Europe ex UK Equity	0.99%	0.47%
Europe ex UK Equity (GBP hedged)	5.85%	5.81%
Japan Equity	0.09%	0.07%
Japan Equity (GBP hedged)	0.31%	0.30%
Pacific Ex Japan Equity	0.82%	0.84%
Emerging Markets Equity	0.03%	0.02%
UK Gilts	2.58%	1.36%
UK Corporate Bond	13.80%	9.36%
Global Agg Bond	11.76%	12.99%
Global Inflation-Linked Bond	1.09%	0.45%
Global High Yield Bond	12.75%	13.86%
Emerging Market Bond HC	2.28%	2.49%
Global REITs	11.04%	6.46%
Gold	0.99%	0.47%
Alternatives	0.98%	0.74%
Cash	5.14%	2.75%

Source: TPI. Data as of 31 March 2021

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