TRUE

INSIGHT

True Potential Portfolios | Issue 27

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Force of economic nature

For patient, long term investors the odds are in your favour.

true potential investments

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View From The Riverside

'Patience is a virtue', a saying originating in a Latin poem 'Psychomachia' written early in the fifth century AD, is relevant early in the 21st century in many ways, not least in the investment world.

2022 has seen capital markets behaving unusually. Assets which have in the past offered stability have been volatile, both bonds and equities have been affected by global events. Russian state aggression still causes misery in Ukraine, central bank policy aggression has led to a repricing of many government and corporate bonds while equity markets, in general, have seen progress slowed. As I write this introduction the US market is at the same level as it was in March of last year.

We will continue to see central banks fighting inflation using interest rates as their only policy tool, the theory being that reducing the amount of disposable income in the system will cool demand.

There will be a continuation of virtually invisible interest being paid to savers in the foreseeable future.

While the UK will have a new Prime Minister in September, financial markets have so far side-stepped domestic upheaval at Government level focussing more on inflation, the effects of higher interest rates for borrowers and corporate earnings, which remain strong globally.

In this edition, we have articles covering the important matters I have mentioned above, a look back at past inflationary times in comparison to today and ways to invest during periods of higher price rises. Sitting alongside inflation we have short term market volatility, as uncomfortable to experience as all other similar periods but ultimately rewarding.

Looking ahead, data will determine the trajectory of interest rates and the effectiveness of central bank leadership in bringing inflation back to their target levels. Markets, as always, will continue to price assets accordingly, recognising that patience in addition to being a virtue has value.

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	30 Jun 2017 to 30 Jun 2018	30 Jun 2018 to 30 Jun 2019	30 Jun 2019 to 30 Jun 2020	30 Jun 2020 to 30 Jun 2021	30 Jun 2021 to 30 Jun 2022	Annualised Since Launch 1 Oct 2015 to 30 Jun 22
Defensive Portfolio	+1.53%	+2.55%	+0.81%	+5.32%	-5.32%	**+2.26%**
Cautious Portfolio	+2.24%	+3.14%	+0.29%	+10.77%	-6.61%	**+3.63%**
Cautious + Portfolio	+2.57%	+3.66%	-0.64%	+11.91%	-6.98%	**+3.69%**
Cautious Income Portfolio	+0.88%	+4.11%	-2.69%	+14.60%	-4.05%	**+4.45%**
Balanced Portfolio	+3.62%	+3.67%	-1.28%	+15.68%	-7.70%	**+4.92%**
Balanced + Portfolio	+4.09%	+4.54%	-0.69%	+15.51%	-7.08%	**+5.52%**
Balanced Income Portfolio	+1.99%	+3.33%	-3.71%	+16.47%	-5.22%	**+4.77%**
Growth Portfolio	+5.40%	+4.17%	-1.26%	+19.23%	-7.10%	**+6.62%**
Growth + Portfolio	+7.02%	+4.11%	-2.93%	+20.59%	-7.39%	**+6.51%**
Aggressive Portfolio	+7.66%	+3.20%	-3.09%	+23.58%	-6.34%	**+7.64%**

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 2022

Persistently high inflation and rising interest rates have led to a challenging quarter for asset markets, with global equities and bonds delivering their second quarter of negative returns.

Domestically, UK inflation (CPI) rose to 9.4% in the twelve months to June ’22 ahead of the Bank of England’s target of 2%. This is the highest level since 1982. The key drivers were higher prices for petrol as well as gas and electricity, continued strong demand and supply constrained by the war in Ukraine. In an attempt to combat elevated inflation, the Bank of England has raised interest rates to 1.25% from 0.25% at the start of 2022. Raising interest rates helps to cool demand and brings inflation down although with much of inflation supply chain related, this process is challenging.

Central bank policy in developed markets has become more hawkish with the US raising interest rates by 0.75% to 1.75%, the first time since 1994 there has been a rate increase of such magnitude. China is on a different trajectory at the end of May announcing 33 measures including tax relief, fee reductions and subsidies to stimulate the economy. China’s zero Covid policy continues to act as a drag on economic growth although there are tentative signs that lockdowns are changing.

Equities displayed much disparity between sectors and regions. Chinese equities provided positive returns. On the negative side, the more technology focussed areas within US equities continued to be challenged and more sensitive to changes in interest rates. At a sector level, energy provided the strongest returns with the oil price increasing a further 5% over the quarter on the back of demand outstripping supply.

Bond yields continued their upwards trajectory with 10-year US Treasuries increasing from 2.35% to 2.97% at the period end with interest rate expectations pushing yields higher. Shorter-dated bonds have been preferred being less sensitive to interest rate rises. Higher bond yields are starting to provide attractive entry points for our True Potential Funds.

Sterling weakened further against the US dollar finishing at 1.22 with investors buying US dollars for stability and rising interest rate differentials. In a similar manner Sterling also weakened against the Euro.

The backdrop so far this year has proved very challenging but throughout, multi-asset opportunities continue to present themselves. As always, we remain dedicated to providing strong risk adjusted returns for our clients.

9.4%

UK inflation rose to 9.4%, the highest level since 1982.

1.25%

The Bank of England raised rates to 1.25% from 0.25%.

1.22

Sterling weakened further against the US dollar finishing at 1.22.

"Consumer demand, though off its high, remains robust."

Market Outlook

Looking out across the second half of the year we remain cautious and prepared for volatility to persist:

- Inflation remains at high levels creating an uncertain interest rates environment and a headwind to corporate earnings.
- Economic growth forecasts have deteriorated.
- The Ukraine conflict continues to challenge global supply chains.

Our base case is not for recession this year but the probability has increased with a higher likelihood of a more challenging economic environment next year. However, there are regional nuances to this outlook which continue to offer up opportunities and our cautious view over the near-term needs to be qualified.

There remain areas of strong support as:

- Consumer demand, though off its high, remains robust.
- Corporate profitability remains strong and balance sheets are generally healthy.
- Full employment exists in the major economies with labour conditions remaining tight.

Inflation in the US is expected to peak in the near term.

The most recent datapoints have highlighted that inflation remains elevated. In the US prices are expected to peak in the second half (later than expected earlier in the year) while in the UK and Europe they should level out towards the end of the year, into next. However, we are not anticipating a sharp roll off. Inflation will remain sticky.

We believe central banks will continue to raise interest rates and reduce bond purchases. However, they face a challenge of doing this as economic growth slows. The key development in this quarter has been an acceleration in the tightening of monetary policy.

Economic growth is moderating at a faster clip than anticipated earlier in the year.

The rate of economic growth is decelerating but varies from region to region. Europe and the UK in particular face higher risks from growth headwinds such as higher energy costs which act to curtail demand.

Asset markets have already corrected year to date, reflecting economic slowdown and the rise in interest rates. Bond yields could still be vulnerable to central banks' desire to go beyond neutral in their determination to curb inflation.

Earnings have proven robust but cracks are appearing.

Despite the headwinds, revenue and earnings growth in the first three months of the year was positive, reflecting the strength in consumer demand. Initial readings from second quarter results indicate that this picture may be softening. At an aggregate level, energy and materials have been key in supporting earnings growth at index level. Growth stocks, under pressure from rising interest rates, may remain under pressure with value stocks expected to remain more resilient.

Chinese assets and assets related to China are viewed as attractive.

China, out of sync with Western economies, represents an interesting opportunity. At the end of May, the Chinese government announced 33 measures to stimulate the economy including tax relief, fee reductions and a range of subsidies. China's zero Covid policy has, so far, acted as a drag on global economic growth but as lockdowns begin to lift this should improve. The question remains as to what effect this will have on inflation in the west. On the one hand, as China reopens, demand for commodities will rise, increasing inflationary pressures. On the other, as restrictions are removed supply chain constraints should ease and in so doing bring prices down.

It is within this confusing and fast-moving environment that central banks and policy makers must tread an increasingly fine line. Markets have already anticipated much of the economic slowdown. Any signs of improvement will be seized upon.

Force of economic nature.

Financial markets and economies don't go up in a straight line. We all know that. Sometimes, like now, we get a stark reminder of it. But, while they may slow down, pause, stall, even occasionally go backwards, history tells us they don't go into terminal decline.

Economies and, by extension, the financial markets that reflect them, are pre-programmed to advance. It is part of the indomitable human psyche to survive and strive for better. A force of economic nature that is hard wired into our DNA to succeed.

Volatility, part and parcel of long-term investing, can be uncomfortable from time to time and may originate from multiple sources. The current turbulence has its roots in the measures introduced in the wake of the 2009 financial crisis and the more recent Covid pandemic. The central banks' programme of Quantitative Easing, effectively printing money, in the aftermath of the 2009 subprime lending crisis was a massive, internationally coordinated response to one of the biggest threats to stability the financial markets had ever faced.

Similarly, the Covid furlough scheme, a globally concerted effort by governments around the world to forestall the devastating effects of the pandemic was eye wateringly expensive but ultimately succeeded in maintaining economic stability, ensuring that once medical experts had created a vaccine the world could return to some sort of normality.

However, while the natural rhythms of economic cycles can be influenced by government policy and central bank operations they will, ultimately, reassert themselves. An era of artificially low interest rates will eventually come to an end. The extraordinary largesse of the furlough scheme must, in the final analysis, be paid for through higher tax receipts.

Advances in financial markets have been further undermined by the Russian invasion of Ukraine, which has pushed up the price of oil, gas, grain and other basic commodities. Markets have also been unsettled by continuing Covid lockdowns in China, which have impacted production and disrupted supply chains to manufacturing and service industries around the world.

But while volatility breeds uncertainty, it brings with it opportunity. Good companies that had become expensive revert to more realistic valuations. A sell off can create a "baby with the bath water" environment where strong, well-managed companies are sold off as indiscriminately as their weaker counterparts. The beauty of the multi asset approach we pursue is that there is always an opportunity, always an attractive area in which to invest.

If the wider market is being influenced by higher commodity prices, we can invest in commodity producers and benefit from the rise in prices. If concerns are centred around the rising cost of living, we can seek out those companies whose contracts are linked to the Retail Price Index and which offer a degree of protection against the increase in inflation.

Volatility is uncomfortable but healthy.

In turbulent markets it can be tempting to sell up in the hope of sitting out the storm and buying back in later after markets have fallen.

However, nobody rings a bell when prices have bottomed and when markets are volatile, we must remember to look through the day-to-day ups and downs and not get drawn into the predictable and dramatic headlines so beloved of the media.

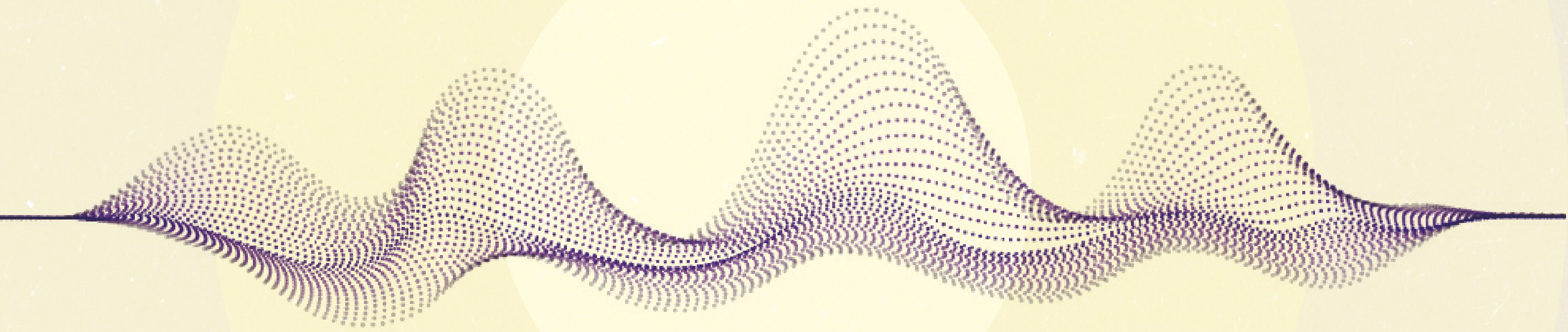
Financial markets, ultimately, reflect economic activity. Economies, for their own part, embody the hopes and dreams of personal endeavour on a global scale.

Trying to time the markets is virtually impossible, fraught with danger and is effectively gambling, not investing.

What's the difference?

With gambling the odds are stacked against you. The likelihood is you'll lose.

For patient, long term investors the odds are in your favour.



DISTANT ECHOES

"If it bleeds, it leads". Fleet Street's pithy maxim on what makes a good story.

Nothing sells like bad news and right now there seems to be no shortage of material, not least the highest inflation we've had for forty years and, so the media would have us believe, a return to the '70's and a summer of discontent.

It's true there are similarities: a spike in the oil price caused by a foreign conflict, rising food prices and a hike in the cost of living, industrial unrest and rising interest rates.

But it's lazy to label this a rerun of the '70's. The differences outweigh the similarities.

For a start the economy is different. It's in better shape, more flexible and more resilient.

The unions, traditional bogeymen of 1970's strike action are a shadow of their former selves. Pretty much confined to the public sector or former public sector businesses these days, union membership has fallen by about two thirds over the last fifty years. Strikes, disruptive as they are, are limited to specific days rather than weeks. There are not the funds in the unions' kitty to provide for extended periods of "strike pay".

With service industries comprising more of the economy now than in the past and the facility to work from home available to a much greater proportion of the workforce, the impact of strike action, particularly in the transport sector, is greatly diluted.

Factually everyone is better off. The class struggle, which lay at the heart of the "three-day week" unrest, is not so evident now. And unemployment, an omnipresent dark cloud hanging over the economy for much of the latter part of the twentieth century, is at a fifty-year low. More vacancies than there are people to fill them mean pretty much anyone who wants a job can have one and the fierce competition for skills and labour means wages, at least in the private sector, are, more or less, keeping pace with inflation. Only in the public sector is wage growth lagging and this should help the government to stop the transitory rise in the supply side prices of oil and basic foodstuffs deteriorating into a bout of ingrained inflation.

So, very different. But inflation nonetheless, complete with remedial interest rate hikes. Central banks may be powerless to mitigate the effects of conflict in Ukraine or supply chain issues stemming from China, but they are keen to show that they have learnt the lessons of yesteryear and will not allow inflation to gain a hold.

As the investment landscape has shifted so too, as you would expect, has our investment strategy.

Since the start of the year, equity weightings have been trimmed with the main reductions being to US and European equities. Our exposure to UK equities, which have performed better, has increased.

The last six months have borne witness to a huge disparity in both sector and style performance. Value focussed global equities have generally outperformed Growth stocks and, although the disparity between Value and Growth as an equity style has reduced, we still favour Value in the current environment.

Allocations to China and Emerging Markets have also been nudged higher in response to a series of measures introduced by the Chinese government to stimulate its economy. There are tentative signs that Covid lockdowns across the country are beginning to be lifted and this should ease some of the supply constraints currently contributing to global inflation pressures.

We have raised fixed income allocations, particularly sovereign issues (UK gilts and US Treasuries) with the higher yields now available more attractive in this economic environment.

Weightings to Alternative Investments have also been increased as we continue to access opportunities away from traditional assets, identifying property and infrastructure investments with index linked revenue streams.

The world has moved on.
Is moving on.

It's lazy to label this a rerun of the '70's. The differences outweigh the similarities. For a start the economy is different. It's in better shape, more flexible and more resilient.

The tools now available for economic management are more sophisticated and globally coordinated. The investments available to manage, mitigate and even take advantage of inflationary pressures are more accessible. Fleet Street is no longer home to the financial press and its bloodthirsty headlines.

Yes, there may be echoes of bygone days, but times have changed and that's all they are. Distant echoes.

Portfolios for a High Inflation Environment

Inflation erodes the purchasing power of cash-based deposits over time and this is why asset backed investments are favoured by long term investors. Having a portfolio containing assets that can grow has historically been a very effective way to offset the effects of inflation on capital. In this article, we explore how we can position multi asset portfolios for periods of high or rising inflation.

Central banks have stated that their primary objective is to hold inflation at or around 2% per annum. Currently we are seeing year on year inflation at 4 to 5 times this target which has forced most central banks to increase interest rates at a faster rate than was anticipated at the start of 2022, particularly in the US and UK. Given the 'tightening' policies we see continuing into the second half of the year we have many choices to consider when constructing our portfolios.

Starting with government bonds, traditionally stable investments offering steady income to maturity. As interest rates are increased to cool down economies the attractiveness of the fixed regular income falls, lowering the value of the bond in the market. Those bonds with longer to run to maturity (the term for this period is often referred to as 'duration') are less attractive as the return is locked in for longer during times when interest rates are due to increase. Shorter-maturity bonds, where income streams are less impacted by rising interest rates, are much more useful as they are an opportunity to reinvest maturity proceeds and lock into higher rates. We have been reducing the bond duration across our portfolios.

This includes investing in higher-yielding corporate bonds. Other assets such as bank loans and securitised debt instruments have coupons (interest payments) which typically reset every quarter. However, these instruments carry credit risks which we consider in the context of the allocation to all bonds in the portfolios.

Inflation-protected bonds, where the overall return is adjusted upwards by an inflation index, do provide some form of return protection. To benefit in full, they often have to be held to maturity and in these cases the opportunity cost of holding over the longer term is carefully assessed. Finally, floating rate bonds, typically issued by higher-grade companies with coupons adjusted quarterly based on a reference lending rate give us another useful option.

Moving away from bonds, equities historically have performed well during periods of moderately high inflation, as some companies are able to pass inflationary increases on to the consumer in times of normal economic expansion. However, as inflation rises to more extreme levels it can be harder to transfer price increases. Persistently high inflation has triggered the current aggressive monetary tightening by central banks. In such an environment, not all companies can pass on all increased input costs.

Companies with distinguished products and services are better placed to protect their revenues in a rising inflation environment. They find it easier to pass on costs to consumers making their revenues less sensitive to changes in demand. These businesses may be defined as defensive and/or value oriented, typically exhibiting lower sensitivity to rising interest rates than the broader market. These businesses also can pay out a larger share of profits as dividends.

Active management of the portfolios means that we can place an onus on buying value orientated equities in the portfolios whilst still holding those growth stocks that have served us so well in the past.

"Gold, oil and industrial metals have been good investments to hold during periods of rising inflation."

Alternatives are another asset class which covers a broad range of investment opportunities including real assets such as commodities, property and infrastructure. Historically they have provided some protection against inflationary shocks. Gold, oil and industrial metals have been good investments to hold during periods of rising inflation. Real estate also provides protection, as many longer-term leases have inflation-linked uplifts. Accordingly, our allocation to alternatives has been increased over the course of the last 12 months.

The era of ultra-low inflation and interest rates appears to be behind us for now. It is prudent to review asset allocations to assess appropriateness in both higher inflation and more normalised interest rate environments.

Active management is very important today. Being able to select where to invest and how long to hold assets is at the core of our investment approach as we build diversified portfolios designed to help our clients reach their investment goals in the years ahead.

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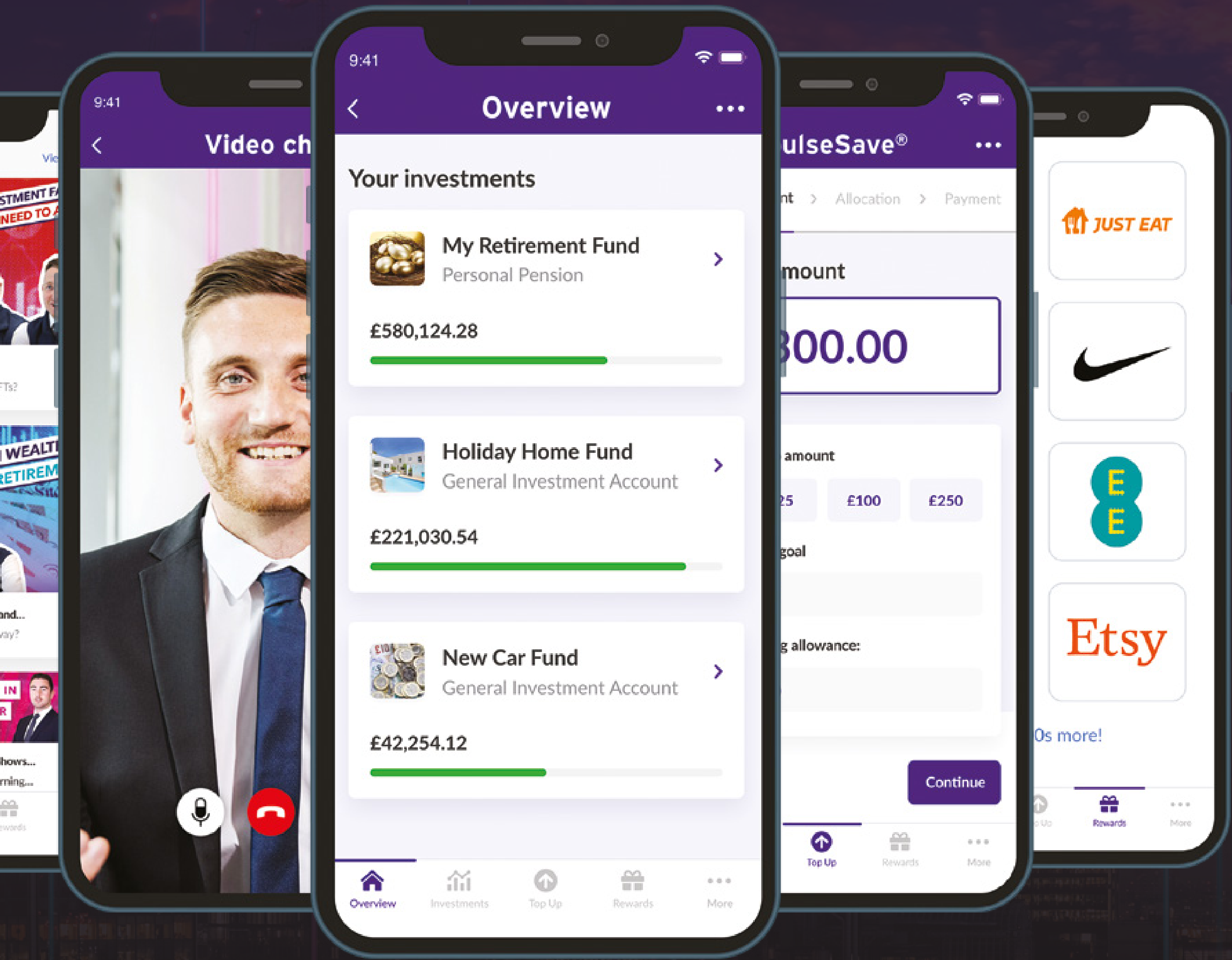

Get in touch with our dedicated customer care team via phone, email, live chat or video call.

Get quick and convenient access to investment insights from the same experts that manage your money.

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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.

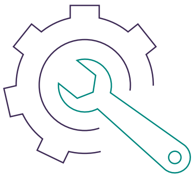
For example, we offer 10 funds within the Balanced category, therefore if no preference was given to one fund over another, an equally-weighted allocation to each fund would be 10%.

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.

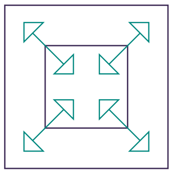
	Defensive	Cautious	Balanced	Growth	Aggressive	Cautious +	Balanced +	Growth +	Cautious Income	Balanced Income
Risk (Volatility)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk (Mapped)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cost	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Long-Term Expected Return	✓	✓		✓	✓	✓		✓	✓	✓
Risk-Adjusted Return	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Income			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

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



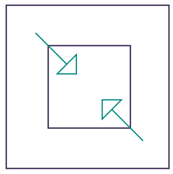
Risk (Baseline Portfolios)

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.



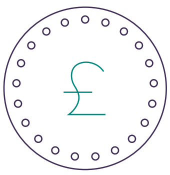
Risk (+ Portfolios)

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.

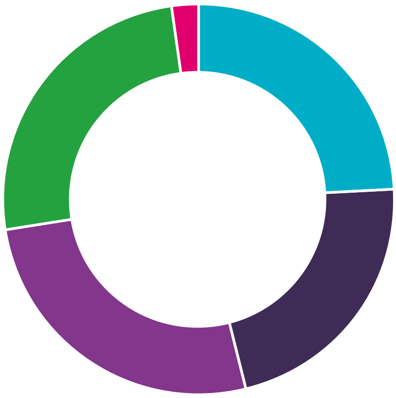
Risk-Adjusted Return

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

Manager of Managers - True Potential SEI Defensive	24.25%
Active Management with Passive Implementation - True Potential 7IM Defensive	22.00%
Agile, Low-Cost Value Investing - True Potential UBS Defensive	26.50%
Active Engagement, Positive Alignment - True Potential Growth Aligned Defensive	25.25%
Thematic Investing - True Potential Pictet Defensive	2.00%

Cautious

Manager of Managers - True Potential SEI Cautious	14.50%
Active Management with Passive Implementation - True Potential 7IM Cautious	12.75%
Direct Equity & Bond Investing - True Potential Close Cautious	12.50%
Momentum with Volatility Control - True Potential Allianz Cautious	17.50%
Fund of Funds - True Potential Schroders Cautious	8.00%
Agile, Low-Cost Value Investing - True Potential UBS Cautious	16.50%
Active Engagement, Positive Alignment - True Potential Growth Aligned Cautious	15.75%
Thematic Investing - True Potential Pictet Cautious	2.50%

Balanced

- **Manager of Managers** - True Potential SEI Balanced 12.00%
- **Active Management with Passive Implementation** - True Potential 7IM Balanced 6.00%
- **Direct Equity & Bond Investing** - True Potential Close Balanced 9.50%
- **Momentum with Volatility Control** - True Potential Allianz Balanced 14.25%
- **Fund of Funds** - True Potential Schroders Balanced 4.00%
- **Alternative Dynamic** - True Potential Goldman Sachs Balanced 12.50%
- **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%
- **Thematic Investing** - True Potential Pictet Balanced 3.75%

Growth

- **Manager of Managers** - True Potential SEI Growth 15.75%
- **Active Management with Passive Implementation** - True Potential 7IM Growth 13.50%
- **Direct Equity & Bond Investing** - True Potential Close Growth 11.00%
- **Momentum with Volatility Control** - True Potential Allianz Growth 18.25%
- **Agile, Low-Cost Value Investing** - True Potential UBS Growth 19.50%
- **Active Engagement, Positive Alignment** - True Potential Growth Aligned Growth 17.00%
- **Thematic Investing** - True Potential Pictet Growth 5.00%

Aggressive

- **Manager of Managers -** True Potential SEI Aggressive 24.50%
- **Active Management with Passive Implementation** - True Potential 7IM Aggressive 13.50%
- **Agile, Low-Cost Value Investing** - True Potential UBS Aggressive 29.50%
- **Active Engagement, Positive Alignment** - True Potential Growth Aligned Aggressive 27.50%
- **Thematic Investing** - True Potential Pictet Aggressive 5.00%

Asset Allocation

Asset Class	Defensive	Cautious	Balanced	Growth	Aggressive
UK Equity	3.52%	8.21%	9.83%	13.66%	18.33%
US Equity	7.01%	9.97%	15.58%	19.65%	26.57%
US Equity (GBP hedged)	2.36%	5.27%	8.46%	9.98%	7.80%
Europe ex UK Equity	1.88%	2.98%	4.51%	6.44%	7.36%
Europe ex UK Equity (GBP hedged)	0.68%	1.34%	2.84%	3.07%	3.24%
Japan Equity	1.36%	2.71%	3.33%	4.64%	5.10%
Japan Equity (GBP hedged)	0.49%	0.89%	1.14%	1.54%	1.75%
Pacific Ex Japan Equity	0.26%	1.07%	1.77%	2.10%	1.83%
Emerging Markets Equity	2.46%	3.81%	5.53%	7.42%	10.16%
UK Gilts	6.02%	5.24%	4.47%	2.43%	1.74%
UK Corporate Bond	2.27%	5.10%	2.52%	1.36%	1.15%
Global Agg Bond	17.25%	15.55%	11.38%	5.53%	3.13%
Global Inflation-Linked Bond	2.54%	1.44%	0.70%	0.59%	0.00%
Global High Yield Bond	4.35%	3.84%	5.22%	3.39%	1.59%
Emerging Market Bond HC	3.40%	3.06%	3.61%	3.91%	1.92%
Global REITs	0.17%	0.70%	1.04%	1.09%	0.90%
Gold	0.54%	0.54%	0.49%	0.47%	0.54%
Alternatives	7.30%	9.26%	8.55%	5.91%	3.79%
Cash	36.14%	19.02%	9.03%	6.82%	3.10%

Source: TPI. Data as of 30 June 2022

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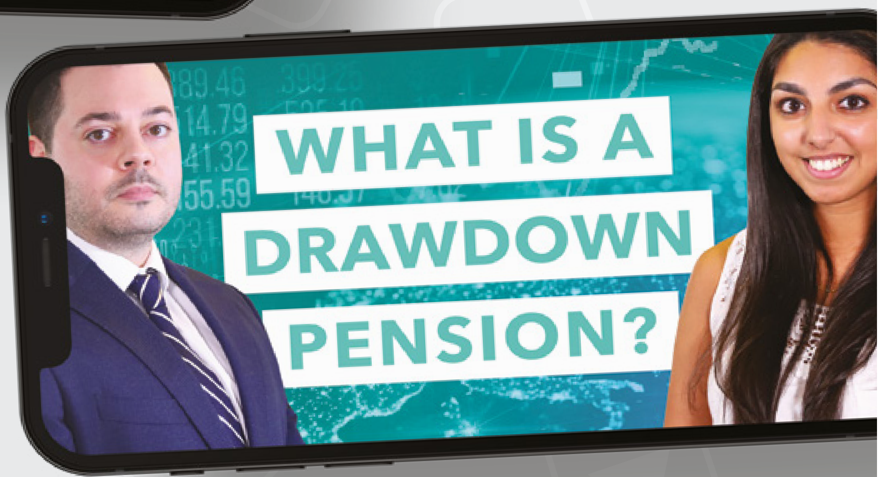

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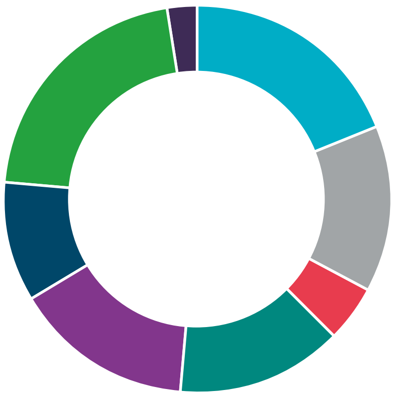
+ Portfolios

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	19.00%
Direct Equity & Bond Investing - True Potential Close Balanced	14.00%
Fund of Funds - True Potential Schroders Balanced	4.50%
Momentum with Volatility Control - True Potential Allianz Balanced	14.00%
Agile, Low-Cost Value Investing - True Potential UBS Growth	15.00%
Alternative Dynamic - True Potential Goldman Sachs Balanced	10.00%
Active Engagement, Positive Alignment - True Potential Growth Aligned Defensive	21.00%
Active Management with Passive Implementation - True Potential 7IM Defensive	2.50%

Balanced +

Manager of Managers - True Potential SEI Cautious	22.75%
Direct Equity & Bond Investing - True Potential Close Growth	15.25%
Active Management with Passive Implementation - True Potential 7IM Aggressive	2.75%
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	3.00%
Active Engagement, Positive Alignment - True Potential Growth Aligned Cautious	19.50%
Active Management with Passive Implementation - True Potential 7IM Defensive	3.00%

Growth +

Direct Equity & Bond Investing - True Potential Close Balanced	18.00%
Manager of Managers - True Potential SEI Aggressive	17.00%
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	17.00%
Active Management with Passive Implementation - True Potential 7IM Balanced	2.00%
Alternative Dynamic - True Potential Goldman Sachs Balanced	7.00%

Asset Allocation

Asset Class	Cautious +	Balanced +	Growth +
UK Equity	6.66%	10.82%	13.99%
US Equity	12.56%	15.07%	21.65%
US Equity (GBP hedged)	7.05%	9.24%	10.30%
Europe ex UK Equity	3.60%	4.60%	6.03%
Europe ex UK Equity (GBP hedged)	1.95%	2.60%	3.28%
Japan Equity	2.75%	3.35%	3.76%
Japan Equity (GBP hedged)	1.03%	1.31%	1.56%
Pacific Ex Japan Equity	1.27%	1.69%	2.02%
Emerging Markets Equity	3.86%	4.86%	6.98%
UK Gilts	5.82%	4.95%	4.23%
UK Corporate Bond	3.22%	3.06%	2.40%
Global Agg Bond	13.10%	10.70%	5.91%
Global Inflation-Linked Bond	1.23%	1.24%	0.12%
Global High Yield Bond	3.08%	3.83%	2.14%
Emerging Market Bond HC	3.27%	3.13%	2.24%
Global REITs	0.68%	0.73%	0.98%
Gold	0.48%	0.43%	0.23%
Alternatives	8.19%	6.62%	5.82%
Cash	20.20%	11.77%	6.36%

Source: TPI. Data as of 30 June 2022

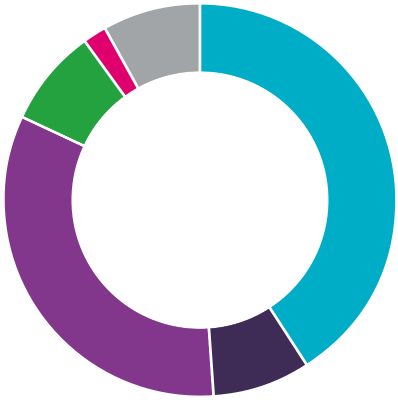
With investing, your capital is at risk. Investments can fluctuate in value and you may get back less than you invest.

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.

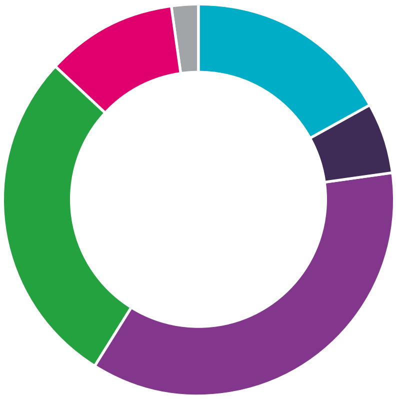
Given that investors in these Portfolios are seeking income above capital growth, the income optimisation factor is our primary consideration. We have optimised on all factors for both Portfolios; income, risk, cost, long-term expected return and risk-adjusted return.

Strategy Allocation



Cautious Income

Direct Equity & Bond Investing - True Potential Close Cautious Income	39.00%
Fund of Funds - True Potential Schroders Cautious Income	8.00%
Income Building - True Potential Goldman Sachs Income Builder	28.50%
Income Strategies - True Potential Threadneedle Monthly Income	6.00%
Enhanced Income - True Potential UBS Income	6.50%
Income Strategies - True Potential Waverton Income	12.00%



Balanced Income

Direct Equity & Bond Investing - True Potential Close Cautious Income	16.50%
Fund of Funds - True Potential Schroders Cautious Income	6.00%
Income Building - True Potential Goldman Sachs Income Builder	33.50%
Income Strategies - True Potential Threadneedle Monthly Income	25.50%
Enhanced Income - True Potential UBS Income	14.00%
Income Strategies - True Potential Waverton Income	4.50%

Asset Allocation

Asset Class	Cautious Income	Balanced Income
UK Equity	17.07%	27.51%
US Equity	3.90%	2.17%
US Equity (GBP hedged)	7.01%	8.05%
Europe ex UK Equity	1.88%	0.96%
Europe ex UK Equity (GBP hedged)	4.01%	4.62%
Japan Equity	0.43%	0.20%
Japan Equity (GBP hedged)	0.29%	0.49%
Pacific Ex Japan Equity	0.70%	0.62%
Emerging Markets Equity	0.60%	0.88%
UK Gilts	2.67%	1.33%
UK Corporate Bond	14.78%	8.98%
Global Agg Bond	12.80%	14.78%
Global Inflation-Linked Bond	0.35%	0.15%
Global High Yield Bond	9.94%	12.30%
Emerging Market Bond HC	2.09%	2.98%
Global REITs	9.90%	6.07%
Gold	1.49%	0.65%
Alternatives	3.40%	1.72%
Cash	6.69%	5.54%

Source: TPI. Data as of 30 June 2022

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