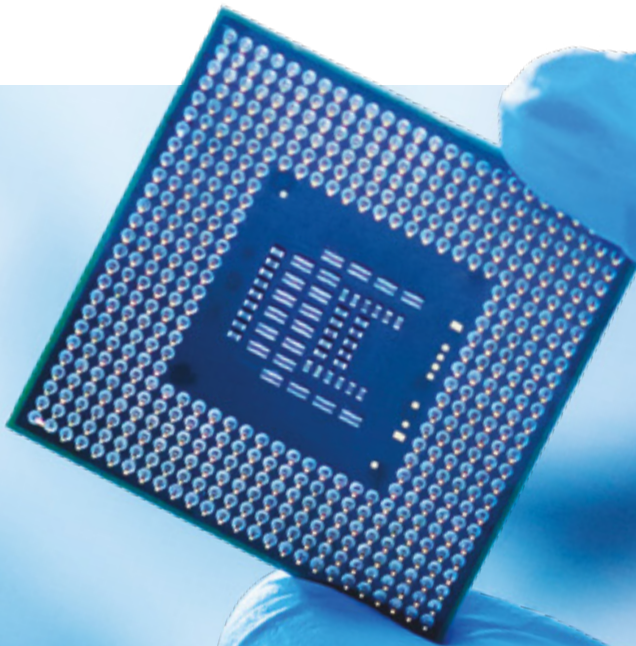


TRUE INSIGHT

True Potential Portfolios | Issue 29



CHIPS WITH EVERYTHING

Our take on the significant role microchips and semi-conductors play in everyday lives. **pg. 10**

ALSO INSIDE

Looking back at 2022. **pg. 16**
How to find lost pensions. **pg. 18**
Taxing matters. **pg. 20**



true potential
investments

Contents.

04

True Potential Portfolios.

A review of how the True Potential Portfolios are performing.

06

Review of the markets: Q4 2022

A look back at the markets in Q4 of 2022.

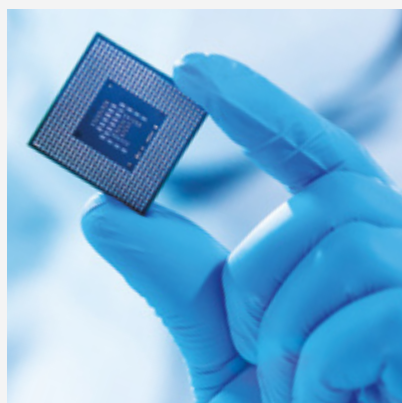
08



Market outlook

We share the views of our investment partners on the future direction of the markets.

10



Chips with everything

Our take on the significant role microchips and semi-conductors play in everyday lives.

14

Portfolio changes

An update on the alterations we have made to the True Potential Portfolios.

16

Looking back at 2022

We reflect on how investors have had to cope with global changes during an eventful year.

18



How to find lost pensions

With lost pensions valuing over £26 billion in the UK, we look at how best you can trace yours.

20

Taxing matters

As we await the full effects of the government's (second) mini-budget, our attention turns to what could change in the year ahead.

22

Five year performance

A full five year breakdown of the performance of all True Potential Portfolios.



www.carbonbalancedpaper.com
CBP010566

By using Carbon Balanced Paper for True Insight Magazine, True Potential LLP has balanced through World Land Trust the equivalent of **6,826kg of carbon dioxide**. This support will enable World Land Trust to protect **1,311m² of critically threatened tropical forest**.

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.



Mark Henderson

Mark Henderson
Chief Executive
True Potential Investments

+ As this is the first edition of True Insight in 2023, we send our very best wishes to all of our True Potential clients with our appreciation and thanks for investing with us through what was a very trying 2022.

Financial markets were unkind for much of the previous 12 months as economies adjusted to rising inflation across the globe. Central Banks increased interest rates to cool rising prices with the usually stable bond market bearing the brunt, taking huge bites out of the returns generated by multi asset portfolios.

The encouraging news coming from the major financial institutions at home and overseas is that they now see big opportunities for investors, in fact one US investment giant has publicly stated that they are more excited over bonds than they have been in the past decade. Opportunity also extends to equity markets where long standing diversification principles give us the advantage of an unrestricted approach, which we take full advantage of when managing our 10 portfolios.

In this new look True Insight we dissect the roller coaster last 12 months. Rather than a simple review month by month, we look at the lessons learned and how a disciplined approach wins in the end.

Financial products are like any other possession, they can and do become outdated with better models available. You will read a lot about pensions in the press this year

and our "Lost Pensions" feature may prompt some to dig out old paperwork or nudge other family members and friends to see if they have pensions hidden away and ready for an upgrade.

Our feature article covers the most traded item in the world, not oil but the ubiquitous semi-conductor or microchip, which accounted for 15% of all world trade in 2020. Most of the world's production is in Taiwan and the raw materials required to feed demand may well see a shift in power to an emerging group of countries including Chile which has 25% of the world's copper resource and 42% of lithium reserves, Indonesia with 20% of the world's nickel and the DR Congo which holds half of the global cobalt reserves.

We live in a diversified world where innovation improves lives. We saw how science quickly produced vaccines to curtail the spread of Covid in 2020 and the fight continues. As 2022 closed there was another potential game changer as US government scientists made a breakthrough in nuclear fusion research to produce limitless, zero carbon power through net energy gain (producing more energy from the reaction than it consumes). If this leads to a reliable clean alternative to our current sources of energy the world order will shift further.

With very best wishes to all True Potential clients, we will do our very best for you in the coming year.

▲▲▲ 4.12%

The True Potential Aggressive Portfolio was up 4.12% in the final quarter of 2022.

▲▲▲ 15.0%

The True Potential Defensive Portfolio is up 15.0% since launch (October 2015).

▲▲▲ 67.1%

The True Potential Aggressive Portfolio has grown by 67.1% since launch (October 2015).

Performance update.



Jeff Casson
Chief Investment Officer
True Potential Investments

+ Over the final quarter of 2022, investors were rewarded for taking equity market risk with the True Potential Aggressive Portfolio providing the best returns, up 4.12%.

The True Potential UBS Aggressive fund provided a strong contribution over the quarter, helped by the large representation to equity compared to peers. Key contributing products to performance included the UBS UK Equity Income fund and their European equity position.



Over the lifetime of the True Potential Portfolios, the long term benefits of investing can be seen.”

Portfolios	3 months	1 year	Since launch (1 Oct 2015)
Defensive	+1.81%	-7.43%	+15.01%
Cautious	+2.75%	-8.75%	+26.72%
Cautious +	+2.47%	-9.99%	+26.89%
Cautious Income	+3.94%	-8.39%	+33.03%
Balanced	+3.16%	-10.50%	+38.37%
Balanced +	+3.26%	-10.49%	+43.90%
Balanced Income	+5.36%	-9.11%	+36.86%
Growth	+3.48%	-10.17%	+55.83%
Growth +	+3.86%	-11.01%	+54.18%
Aggressive	+4.12%	-9.22%	+67.10%

2022 was a challenging year for returns. Within our most popular risk category, Balanced, the True Potential Balanced Income Portfolio benefitted from a large representation to UK equities during a period in which that asset class outperformed global asset markets. Similarly, the True Potential Schroder Cautious Income fund benefitted from the manager's selection of equity exposure in the UK and Japan, alongside the performance of alternative assets which provided positive returns.

Over the lifetime of the True Potential Portfolios since they were launched in October 2015, the long term benefits of investing can be seen. From the Defensive Portfolio, which is up 15.0% to the True Potential Aggressive Portfolio up 67.1%, investors have been rewarded over the long term for taking extra risk.

Source: True Potential Investments, data as of 31 December 2022.

Full five year past performance data for the True Potential Portfolios can be found on page 22. Past performance is not a guide to future performance.

Scan and login to your online account to view and manage your investments.



Review of the markets: Q4 2022

✦ After a fairly challenging year reacting to higher inflation and the prospect of rising interest rates, markets around the world rallied in the fourth quarter as inflationary pressures showed signs of abating.

United States

In the US, expectations for the peak in interest rates were lowered from 5.2% to 5.0% and commentary from the Federal Reserve became less hawkish as economic growth slowed and inflation showed continued signs of gently subsiding.

Although higher energy costs weighed on consumer spending, labour markets remained tight and corporate earnings generally came in ahead of expectations, all of which supported hopes of a “soft landing” as the authorities seek to bring inflation under control. With investors looking to pick up stock after the summer sell off, the S&P 500 Index gained 7.6% over the quarter.

UK

On this side of the Atlantic, volatility around measures proposed by the short lived Truss government gave way to greater optimism as investors welcomed the steadier hand of Rishi Sunak as Prime Minister. Sterling rallied strongly and interest rate expectations fell markedly, reflected in the 10 Year gilt yield falling from around 4.5% to end the year at close to 3.6%.



5.0%

In the US, expectations for the peak in interest rates were lowered from 5.2% to 5.0%

3.6%

In the UK, 10 Year gilt yield fell from around 4.5% to end the year at close to 3.6%.

14.9%

European equity markets bounced back by 14.9% in the three months to the end of December.



9.6%

Emerging Markets benefitted from renewed investor inflows, appreciating by 9.6%.

“Greater optimism as investors welcomed the steadier hand of Rishi Sunak as Prime Minister.”

The greater focus on fiscal prudence helped the index of 100 leading companies advance 8.7% while the more domestically orientated mid cap index moved even more dramatically, gaining 10.6% over the period.

Europe

Europe similarly benefitted from an easing of inflationary expectations and, so far, the European Central Bank has refrained from hiking interest rates as sharply as the Fed and the Bank of England. Europe is particularly sensitive to the interruption of gas and oil supplies due to the war in Ukraine but warmer temperature across the bloc, while unwelcome in the Alpine ski resorts, have helped revise some of the more pessimistic forecasts, prompting the region's equity markets to bounce back by 14.9% in the three months to the end of December.

Japan/Emerging Markets

Elsewhere, in Japan and the Far East, markets were buoyed by signs of a relaxation in China's zero tolerance covid restrictions, the general easing of inflationary pressures and a lowering of interest rate forecasts.

More optimistic trading conditions helped Japan gain 3.2% with Emerging Markets benefitting from renewed investor inflows and appreciating by 9.6%.

Market outlook.

+ In recent days something has changed, the International Monetary Fund (IMF) is interpreting economic data more positively and their prediction is for an improvement in the second half of the year and into 2024.

Financial markets, both equity and fixed interest, are looking ahead and valuations are attractive. The catalyst for their advance is likely to be inflation levels, and the consequent trajectory for interest rates. In this respect the outlook is positive.

United States

In the US inflation levels continue to fall and, though still above target, are responding to higher interest rates and coming in below forecasts. To our mind, headline inflation has peaked and will reduce further as we move through 2023 although the services component may prove more stubborn with labour markets tight and workers demanding higher pay in response to the rise in the cost of living.



Guidance from the Federal Open Market Committee (FOMC) is for interest rates to peak above 5.0% next Spring. Our view is that until the Fed regards inflation as under control, monetary policy will remain tight and the likelihood of a “Fed pivot”, where interest rates are cut is unlikely in the near term. Unemployment levels are key, with any softening in the unemployment rate viewed as potentially allowing the Fed to be more accommodative.

UK

A similar picture is emerging in the UK where investors are now considering whether October was the peak in headline inflation. Certainly December’s fall following on from November’s decline is good news as inflation eases.

Economic growth is slowing. Labour markets remain strong although job reductions are appearing in certain sectors. We know consumer spending power has been eroded by higher energy costs. However, many people took advantage of lower financing costs for mortgages and have surplus savings. We are not seeing a material pick up in credit related delinquencies and lending standards have become tighter.

In our view, inflation is likely to continue trending lower in 2023 as demand in the economy falls, the supply chain difficulties post-Covid fade and energy prices level off or indeed drift lower. Currently, consumers are generally in a good position, boosted by pandemic savings levels and low unemployment rates. How this develops will be important.

Alongside the war in Ukraine, which will continue to cast a shadow over international commerce, is China’s zero tolerance Covid policy under which whole cities and some of the biggest ports in the world have been subject to strict lockdown rules, upsetting global supply lines. Encouragingly, there are signs that this policy is becoming less stringent and any improvement in this respect should both benefit global trade flows and serve to ease further inflationary pressures around the world.

“

Encouragingly, China's zero tolerance Covid policy is becoming less stringent, benefiting global trade flows.”



Tactical equity positions in China itself are viewed as unattractive with too much volatility politically but the country remains an area under review.

So, we see a lot of opportunities in the year ahead. Inflation is likely to fall over the next twelve months reducing the need for more aggressive interest rates. Valuations within many asset classes are attractive compared to long term history, particularly within fixed income, and this is providing favourable entry points for the True Potential manager cohort.

CHIPS WITH

✦ **No, not the culinary requirements of a teenager, more a reflection on the hidden but increasingly significant part microchips and semi-conductors play in our everyday lives.**

Furlough schemes and innovative stimulus programmes ensured that the global economy recovered relatively quickly from the devastating impact of the Covid pandemic. However, while consumer demand bounced back quite strongly, the “supply side” of the economy did not. Put simply, consumers wanted to go shopping but the things they wanted weren’t available.

A world hungry for cars to avoid using public transport found there were no cars available. Those ordering a new vehicle were faced with a six month delivery time. And new cars coming off the production line were often unable to boast the same level of specification in terms of bells and whistles that had been available a few years earlier. Perversely, second hand vehicles were changing hands for the price of new models, sometimes higher.

The reason? A world shortage of microchips.

Microchips are used in virtually every electrical item, from phones and tablets to computers, televisions, sophisticated medical equipment and the internet. Our modern day infrastructure depends upon them. The average car contains approximately 3,000 chips. Even non electrical items may well require a chip in the machine that makes them or through which a component may pass during the course of manufacture.

Although in many cases they are a mass produced, “commodity item”, they remain vital for any electrical item. But the golden rule in chip manufacturing is “smaller, faster, more powerful” and there is increasing demand for ever more sophisticated components.

The companies involved in making them require huge research and development budgets, large manufacturing capacity and pockets deep enough to fund both until revenues come through in due course. This means that production tends to be concentrated in a relatively small number of large companies based predominantly in the far east and United States.

The reasons for the global shortage are manifold. At the beginning of the pandemic car manufacturers dramatically reduced orders anticipating a slowdown in sales. However, as production was scaled back, the transition to a more digital lifestyle in terms of online schooling, working from home and an increase in demand for consumer electronics such as smart TVs and PlayStations caused demand to soar catching the industry off guard.

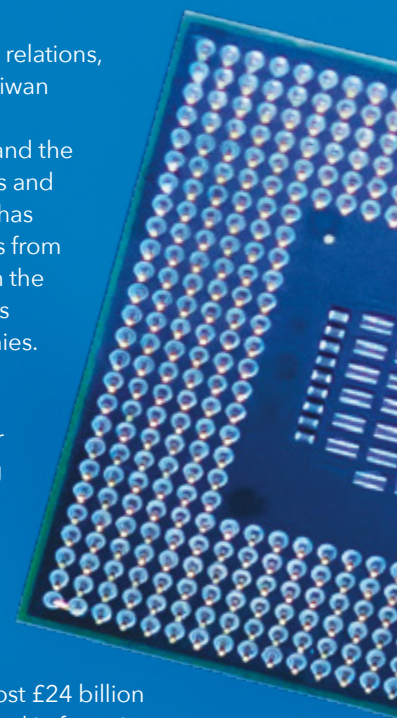
Approximately 25% of chip producers are based in China which, until recently, was still persevering with its zero Covid policy and operating under widespread restrictions with whole cities, including some of the biggest ports in the world, locked down.

Reflecting increasingly tense US/China relations, and particularly Chinese designs on Taiwan which manufactures 90% of the most advanced chips used in smartphones and the technology used to power data centres and artificial intelligence, the White House has effectively blocked Chinese companies from accessing US designed chips and even the equipment needed to make them if it is licensed from US or European companies.

As if that weren’t enough, the chip manufacturing process operates under the most sterile of conditions requiring rare inert gases, such as neon, the principal supplies of which come from Russia and Ukraine.

The whole process has been subject to a perfect storm of obstacles and difficulties. It is estimated that almost £24 billion worth of goods have been left unfinished in factories as manufacturers struggle with chip shortages.

Structural factors are also at work. The auto industry is changing, with a major shift towards automation and electric vehicles. These require yet more chips, causing further strain on an already stretched industry.



EVERYTHING

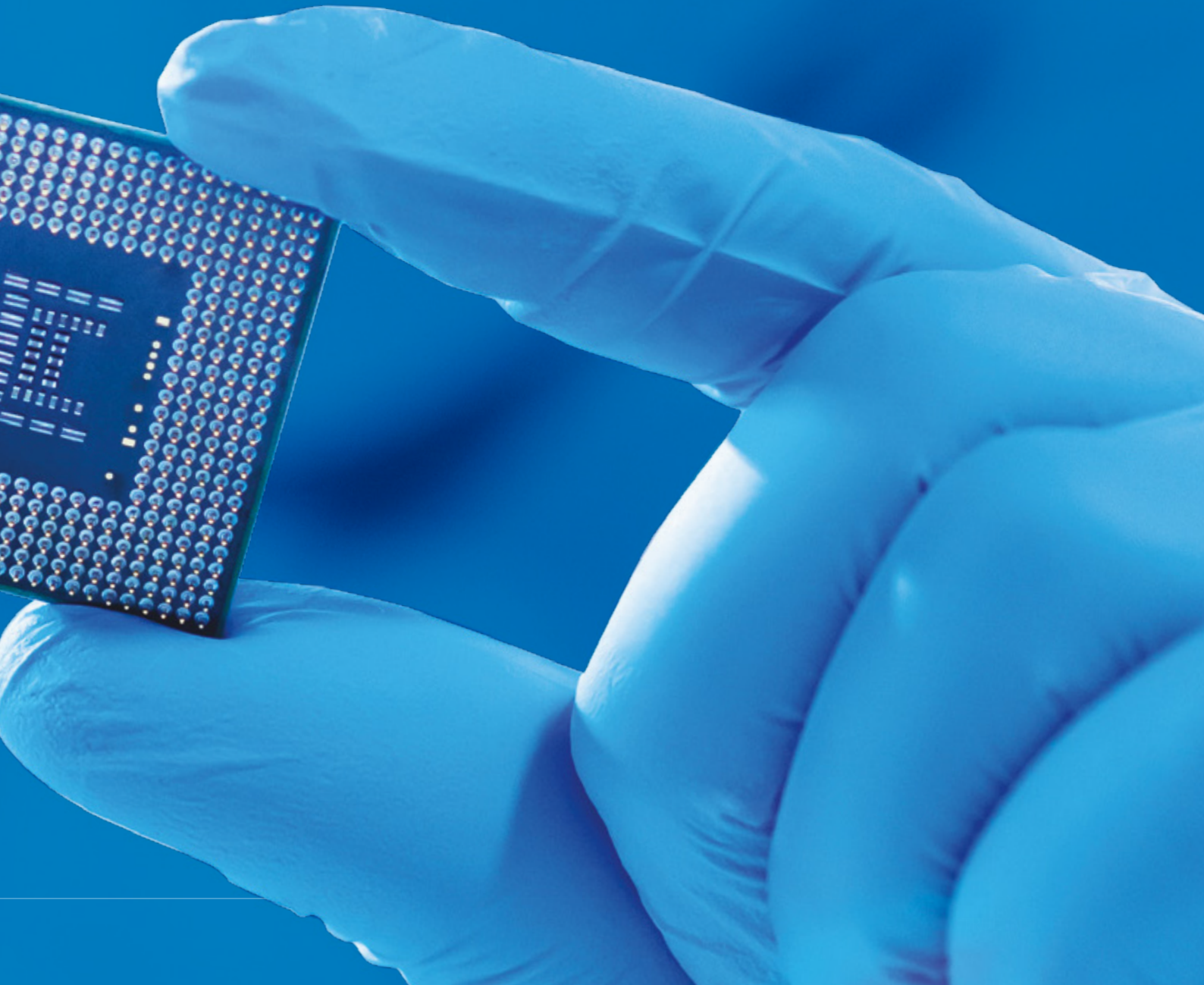
So where are we now? Well, China is beginning to relax its zero Covid policy in recognition of the effect it is having not just on its own economy but also the bottleneck it has created for international manufacturers who depend on Chinese microchips as part of a complex global supply chain.

There are also plans for 29 new semi-conductor factories in China and Taiwan, the US, Japan and Korea. But it takes up to two years to build a factory and a further twelve months to fit it out so this capacity is unlikely to come on stream until 2026. Quite a lead time.

There are indications of a slow down in demand for phones, tablets and laptops and it is hoped that some of that capacity can be redirected to manufacturing chips for the auto industry.

City analysts JP Morgan believe that the situation is easing, that more chips will become available during 2023 and that the shortage is nearing the end. However, available chips may not be the right type to satisfy all demand. Volkswagen believes that semi-conductor supply is unlikely to meet auto industry demand until 2024.

We may have to hang on to that old car for a little longer.

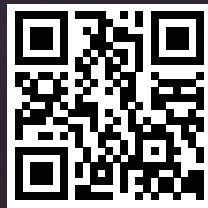


The faster, easier way to manage your money.

Say hello to your new True Potential app.

Our cutting-edge technology allows you to track your investment performance 24/7, earn cashback rewards on your everyday spending, effortlessly top-up and conveniently contact our support team.

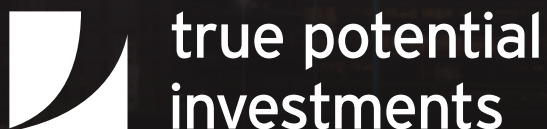
To download our new app point your phone's camera at the QR code opposite and press the link.



Alternatively, visit your app store and search 'True Potential'.



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





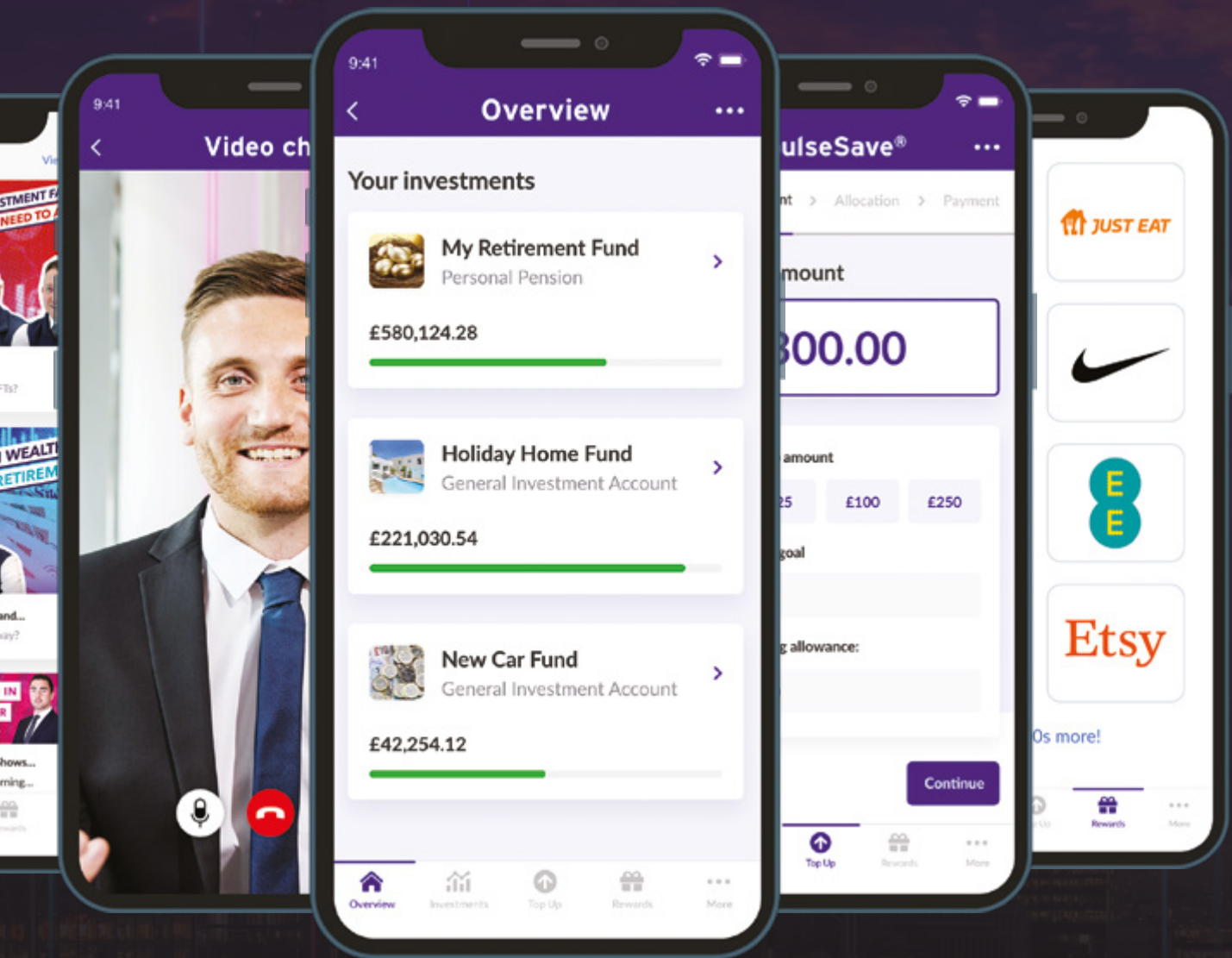
Quick and easy top-ups with impulseSave®, as little as £1 at a time.



24/7 access at your fingertips, whenever and wherever.



Quickly and easily check your investments against your goals.



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.



Earn cashback rewards on your everyday online shopping.





Portfolio changes: Q4 2022

+ Over the last quarter we have taken advantage of lower prices to reduce our cash weighting and put more of it to work in risk assets. Allocations to SEI, Growth-Aligned and Pictet were increased given their relatively higher exposure to equities where valuations are looking more attractive now, particularly given that headline inflation in the US appears to have peaked and interest rates may be near their high point.

Reductions were made to UBS, Goldman Sachs Balanced, Close Brothers and Allianz who are positioned for a more negative outlook than we envision, lower weighted to equity and significantly overweight cash at a time when we are looking to reduce cash balances given the opportunities within other asset classes. Our rationale allows for a more consistent, higher representation to risk assets across the portfolios.

These changes also reduced Alternatives exposure. Strategically, we continue to like Alternatives for their diversification benefits, but we moderated our holdings given opportunities within fixed income and equities.

Under the bonnet

Managers such as Pictet, Schroders and Growth-Aligned have increased their equity exposure given the more positive outlook for risk assets and attractive valuations in selective regions. Pictet has the most bullish outlook, increasing equity exposure and rotating out of defensive holdings into thematic and more cyclical sectors.

Regionally, select managers including Growth-Aligned and Pictet have built up their European equity where valuations are at recessionary levels. Several managers reduced Chinese equities given the heightened political risks. 7IM has made the largest move in this respect, moving from an overweight position to underweight relative to their long term strategic asset allocation. Similarly, UBS also removed Chinese equities and reduced their Emerging Market exposure.

Within fixed income, several managers have added to inflation-linked bonds given attractive real yields, particularly for US TIPS (Treasury Inflation-Protected Securities), which are at decade highs. Key managers here are Growth-Aligned, Pictet and Waverton, who bought US TIPS, and Allianz who increased global inflation-linked bonds. Within corporate bonds, managers have been increasing Global Investment Grade issues, particularly among short dated UK bonds.

That said, managers have more generally been increasing duration, mostly by moving to longer dated government bonds. Close Brothers and Schroders have favoured US Treasuries, attracted by the higher yields on offer while Growth-Aligned has added to long-dated UK gilts after reducing the allocation at the end of Q3 due to heightened gilt market volatility in the wake of the Truss Government's mini-budget.

Portfolio Asset Allocation

As a result of changes both at the portfolio and manager level, cash and alternatives have fallen, to be replaced by a higher allocation to equities and fixed income. Using our Balanced Portfolio as an example, cash balances have come down from 10.4% to 6.7% over the quarter, a marked reduction of 3.7% but still higher than historic levels. A smaller 0.6% reduction was made to Alternatives, taking the allocation to 8.9%. These balances have gone into both equities (+2.6%) and fixed income (+1.9%) which now sit at 53.5% and 29% respectively.

Within equity, the biggest increase has been to the US (+1.2%) with smaller increases to Europe (+0.8%) and the UK (+0.5%). Within fixed income, the biggest increase was to global inflation-linked bonds (+0.8%), whilst UK Credit and Global Sovereign bonds each increased by 0.6%.

Looking Back at 2022.

+ It's fair to say 2022 was an eventful year for investors.

That interest rates would eventually rise from historic lows was predictable. The timing, speed and extent of the increase was not. In early December the Bank of England made its ninth consecutive rate rise when it increased the Bank Rate by 0.5% to 3.5%. In December 2021 it was at 0.1%.

The last time the Bank raised rates this quickly was over 30 years ago in 1989.

Financial markets are in the process of responding to a regime change as Central Banks seek to keep a lid on the rising cost of living and as rates have risen, bond markets have fallen back bringing equity markets with them.

To say that market conditions have been challenging would be an understatement. There have been few places to hide with inflation, at its highest for 40 years, also making cash a poor investment. Investors have had to cope with a combination of post pandemic global inflation, rising interest rates, the continuation of widespread lockdowns in China, the war in Ukraine and two changes of Prime Minister.

Sterling sank to its lowest level against the dollar in nearly 40 years in the face of political uncertainty and, it has to be said, a certain amount of government ineptitude during the short-lived Truss administration. The new combination of Rishi Sunak and Jeremy Hunt has stabilised the currency but much work remains.

It has been a stark reminder of how quickly economic and geopolitical events can affect markets and as we look ahead the debate centres around how much higher interest rates must go in order to bring inflation under control.

While the circumstances that have led to the current levels of uncertainty may be novel, uncertainty itself is not and unpredictable markets serve as a timely reminder to remain diversified, not just across traditional asset classes and geographic regions but also different investment styles and alternative investments. "Growth stocks", often valued by reference to interest rates, enjoyed sizable advances during the long period of low and falling interest rates in the years after the 2009 financial crisis but this year have given way to "Value stocks" their equity counterparts valued on the more traditional basis of assets, earnings, cash flow and dividend payout.



“

Investors have had to cope with a combination of post pandemic global inflation, rising interest rates, the continuation of widespread lockdowns in China, the war in Ukraine and two changes of Prime Minister.”

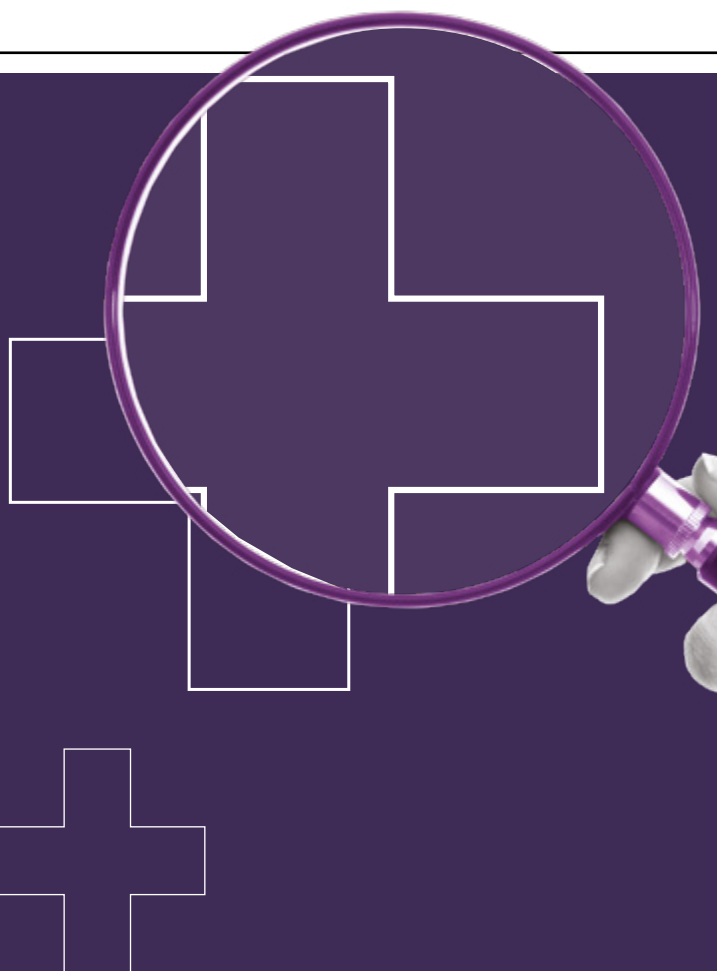
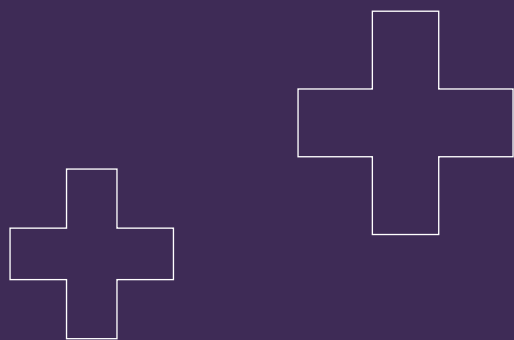
But while falling markets represent a challenge for investors, they are also the best time to invest. Volatility brings with it opportunity and it is during such times that valuations come back to earth and excess froth and complacency are blown away. Resilient, diversified portfolios do not escape unscathed but they are able to pick up assets at attractive valuations in readiness for the next bull market.

Tempting as it may be to sell up and attempt to ride out a downturn, the timing of financial markets is virtually impossible to predict and it is generally wise to stay the course and resist the urge to trade choppy or volatile markets. “Buying the dips” can also work to the advantage of regular savers, allowing them to put their money to work at lower prices thereby taking advantage of pound cost averaging and lowering the overall cost of their investments.

In such volatile times, we trust the data rather than turning to siren voices in the media. Inflation is already showing signs of falling. The forecast peak of interest rates has already come down from initial estimates and monetary policy, while tightening, still remains loose by historical standards.

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.





How to find lost pensions.

+ Over the course of your career there's a likelihood that you'll have had several employers and this may mean there are multiple pensions to your name. There's also the possibility that you've changed address several times, meaning a pension provider may have lost touch with you.

Forgotten pensions may be even more of an issue since the introduction of auto-enrolment in 2012. This means that any new employer is obligated under certain conditions to enrol you into their chosen workplace pension scheme.

Over time, that increases the chances of forgetting about your pensions as you move between employers. It may be only as you approach retirement that you start to consider what's happened to them.

But, as we discussed on a recent True Potential Do More With Your Money podcast, it needn't be difficult to track old pensions down.

It is important to look for lost pensions because you may have more wealth than you realise to your name.

The Pension Policy Institute estimates that the total value of lost pensions is £26.6 billion, with three million pension pots not matched to their owner.

The situation is set to get even worse for future generations, with the Department for Work and Pensions predicting that there could be as many as 50 million dormant and lost pension pots by 2050. That's money which you could be losing out on if you are one of those people who have lost or forgotten a pension.

It could also be the case that you've been paying multiple pension charges, in which case you may want to think about consolidating your pensions. This could make a difference to your retirement, as you can transfer away from higher charging pensions, meaning you keep more of your money invested and working for you towards your retirement. Those savings could add up to a significant sum over the years, particularly if they benefit from compound growth in your investment.

So what can you do? If you know the provider of your old pensions, get in touch and they should be able to help you trace your pension.



For workplace pensions, contact the HR department of your previous employers, they should be able to point you in the right direction.

There's also a rudimentary government pension tracing service which may be useful. A conversation with your financial adviser could also be a good idea. When looking for your pension, providers may ask for details such as your pension plan number, National Insurance number, relevant dates and employer details. Be prepared with as much information as you have ready to hand.

Once you've tracked down your lost and forgotten pensions, take the time to carefully inspect the benefits, costs and performance. Think about your retirement goal and how to put yourself in a stronger position to achieve your aspirations.

If you'd like to know more about lost pensions and how to find them, subscribe to the True Potential YouTube Channel to hear from our expert panel discussing How to find your lost Pensions on the Do More With Your Money show.

► Highlights from the True Potential Do More With Your Money Show.

+ Cash savings vs investments

Our expert panel discuss cash savings versus investments. How does staying invested compare to holding cash over the long term?

+ Inheritance Tax mistakes you must avoid

We discuss the secrets of intergenerational wealth and how you can ensure your financial legacy.

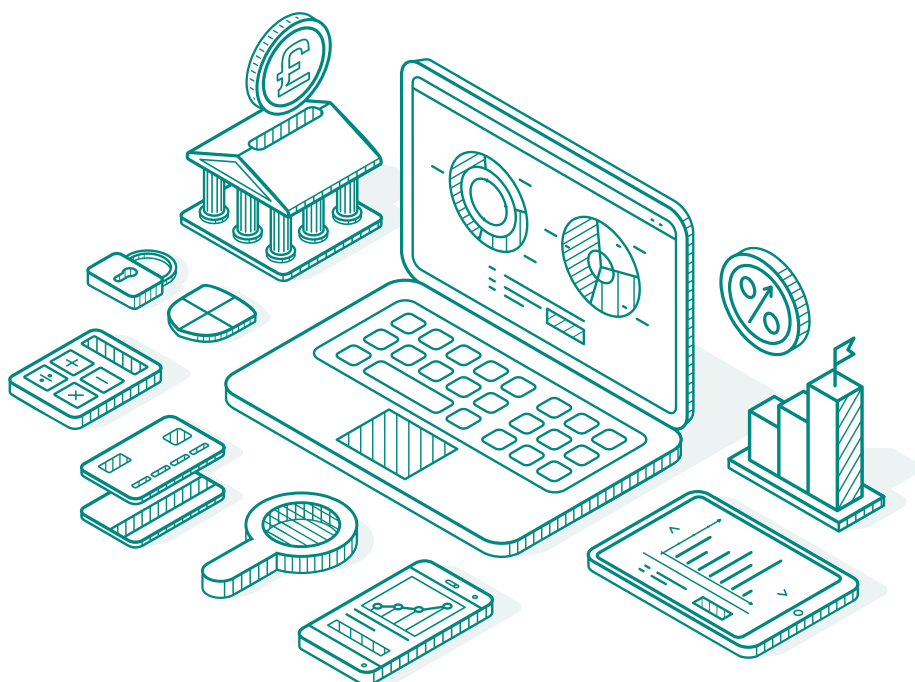
+ Unlock your brain power and retire richer

Louisa Nicola is a Brain Performance Coach for elite athletes and top hedge fund managers. In this episode she shares her secrets for improving your brain health, making better decisions and enjoying a longer, healthier retirement.

Scan and subscribe to the
Do More With Your Money Show



Taxing matters.



+ Despite several months passing since the government's (second) mini budget, where Jeremy Hunt outlined the government's spending plans, the full effects have yet to be felt.

The decision to make changes to tax thresholds was underpinned by the government's desire to reduce the overall debt whilst tackling rising prices affecting a large portion of the population. It also represented a full about-turn on the short-lived and ultimately ill-fated Liz Truss/Kwasi Kwarteng approach to taxation.

Amid so much upheaval, what exactly will change when we enter a new tax year in April? In this article, we shed light on some of the main alterations to tax thresholds and tax rates that could affect you and your investments.

What are the changes?

Capital Gains Tax

The areas that will impact most savers are the changes to the tax-free allowances for capital gains tax and dividends tax.

The current tax-free allowance for capital gains tax (CGT) is £12,300. Capital gains is defined as the capital growth that the investor witnesses on their initial investment. This means the first £12,300 of growth is currently not taxable. However, from April 2023 this threshold will be reduced to £6,000.

This may apply to an investor holding assets within a General Investment Account where a tax liability is created as assets are bought and sold or if withdrawals are made. This can also apply to other items when sold and a gain is made, such as a second property for example.

Tax free allowances for dividends are also being reduced. Currently an individual enjoys £2,000 of dividend payments tax free. From April 2023, however, this will reduce to £1,000 and subsequently in April 2024 it will be reduced further to £500.

The upshot is that an investor who is subject to Capital Gains from an investment may now be liable for more tax and these lower thresholds must be factored into their ongoing requirements. This may also require more individuals to complete an annual self-assessment for tax purposes.

Income Tax

The additional 45% rate of income tax for any individual in the UK currently only applies to those earning over £150,000 per year and only to the amount earned over that threshold. As of April 2023, that threshold is being reduced to £125,140 ensuring more people will be pulled into the additional rate band.

Corporation Tax

Similarly, business owners will also feel their tax liabilities increase as the corporation tax rate is set to increase from 19% in the current year to 25%. This applies to companies with profits over £250,000, and the tax is liable on company profits and any gains from selling assets, such as land, property, or shares.

What can I do about it?

These changes highlight that it is more important than ever to ensure that anyone saving or investing is doing so in a tax efficient manner.

The government mandated Individual Savings Account (ISA) scheme allows savers and investors to hold their investments in a tax-free account. This means that, regardless of the growth or dividends generated, they are not liable for capital gains, dividend or income tax for any assets held within this vehicle.

The current ISA allowance is £20,000 per tax year for every adult in the UK.

Utilising pension allowances can also help reduce income tax liability, as pension deductions are made before taxation of income under salary sacrifice schemes. Everyone has an annual pension contribution allowance of £40,000 or 100% of their salary, whichever is the lowest.

However, if your adjusted income is more than £240,000 a year, the tax relief you can get on pension contributions is limited to a reduced annual allowance.

Meanwhile those who are not working can still receive pensions tax relief, however this is limited to a maximum of £2,880 pension contributions annually. It is possible to contribute more, for example by transferring a pension or having a partner contribute, but tax relief will not apply above the £2,880 threshold.

Many of these changes are complex and require a professional financial adviser to calculate and plan the best possible course of action. If you think these changes may impact you, we suggest you speak to your financial adviser who will do this work for you and plan out how you can best move forward.

“

Many of these changes are complex and require a professional financial adviser to calculate and plan the best possible course of action.”



Tax treatment depends on individual circumstances and may be subject to change.

Five year performance.

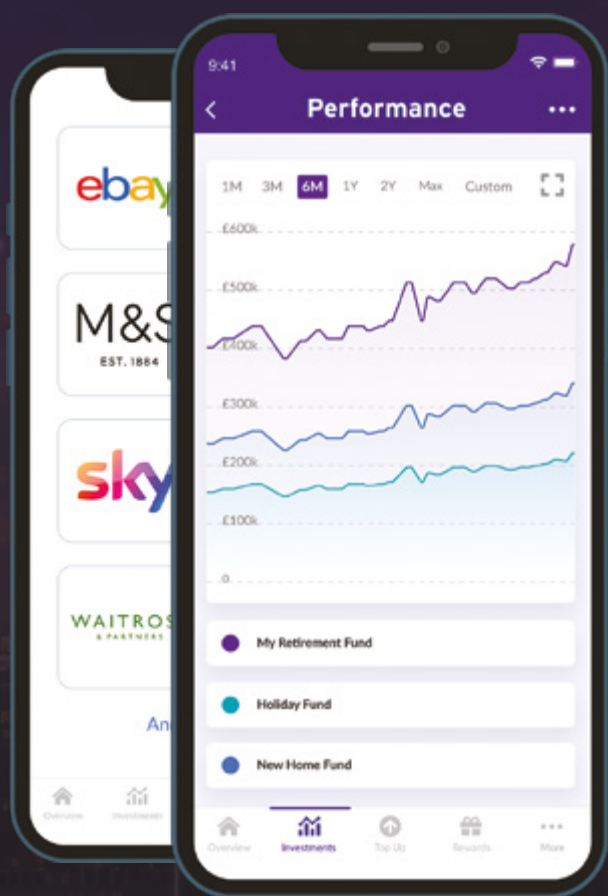
Portfolios	31 Dec 2017 to 31 Dec 2018	31 Dec 2018 to 31 Dec 2019	31 Dec 2019 to 31 Dec 2020	31 Dec 2020 to 31 Dec 2021	31 Dec 2021 to 31 Dec 2022	Since launch annualised (1 Oct 2015)
Defensive	-2.44%	+6.18%	+3.02%	+2.83%	-7.43%	+1.95%
Cautious	-3.89%	+9.90%	+3.69%	+6.28%	-8.75%	+3.32%
Cautious +	-4.37%	+11.32%	+2.80%	+7.77%	-9.99%	+3.34%
Cautious Income	-4.03%	+13.06%	+0.52%	+9.87%	-8.39%	+4.01%
Balanced	-5.86%	+13.66%	+3.53%	+9.81%	-10.50%	+4.58%
Balanced +	-5.24%	+14.86%	+3.57%	+10.76%	-10.49%	+5.14%
Balanced Income	-5.07%	+15.84%	-0.78%	+10.98%	-9.11%	+4.42%
Growth	-6.35%	+16.63%	+4.07%	+13.12%	-10.17%	+6.31%
Growth +	-6.65%	+17.80%	+2.47%	+14.25%	-11.01%	+6.15%
Aggressive	-7.52%	+17.63%	+3.81%	+15.59%	-9.22%	+7.33%

Source: True Potential Investments, data as of 31 December 2022.

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 faster, easier way to do more with your money.



Say hello to your new True Potential app.

Our cutting-edge technology allows you to track your investment performance 24/7, earn cashback rewards on your everyday spending, effortlessly top-up and conveniently contact our support team.

To download our new app point your phone's camera at the QR code opposite and press the link.



Alternatively, visit your app store and search 'True Potential'.



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



true potential
investments



Part of the True Potential group.

true potential LLP

Do more with your money.

 **The Delivery
Group**



[000000]

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

 **true potential
investments**

tplp.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.



True Potential Investments LLP is authorised and regulated by the Financial Conduct Authority, FRN 527444. Registered in England and Wales as a Limited Liability Partnership No. OC356027.

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