TRUE

INSIGHT

True Potential Portfolios | Issue 7

Winners

True Potential named European Business of the Year.

THE ~~SCIENCE~~ CONTEMPORARY ART OF INVESTING

Find out why our Advanced Investing remains as much a (Contemporary) Art as it does a Science.

true potential investments

CONTENTS

04 **PERFORMANCE UPDATE**
A review of how the True Potential Portfolios are performing.

06 **EUROPEAN BUSINESS WINNER**
True Potential was named European Business of the Year at the prestigious annual ceremony in Dubrovnik.

08 **REVIEW OF THE MARKETS**
An overview of the markets and their behaviour in Q2 2017.

10 **INVESTMENT OUTLOOK**
We share the views of our investment partners on the future direction of the markets.

12 **INFLATED PAIN**
Inflation is on the rise. We examine what it means for your wealth.

16 **TIMING THE MARKET OR TIME IN THE MARKET?**
Our answer to the million dollar question.

18 **CONTEMPORARY ART OF INVESTING**
Art or science? A closer look at correlation.

22 **PORTFOLIO SPOTLIGHT**
An overview of Portfolio allocation and performance.

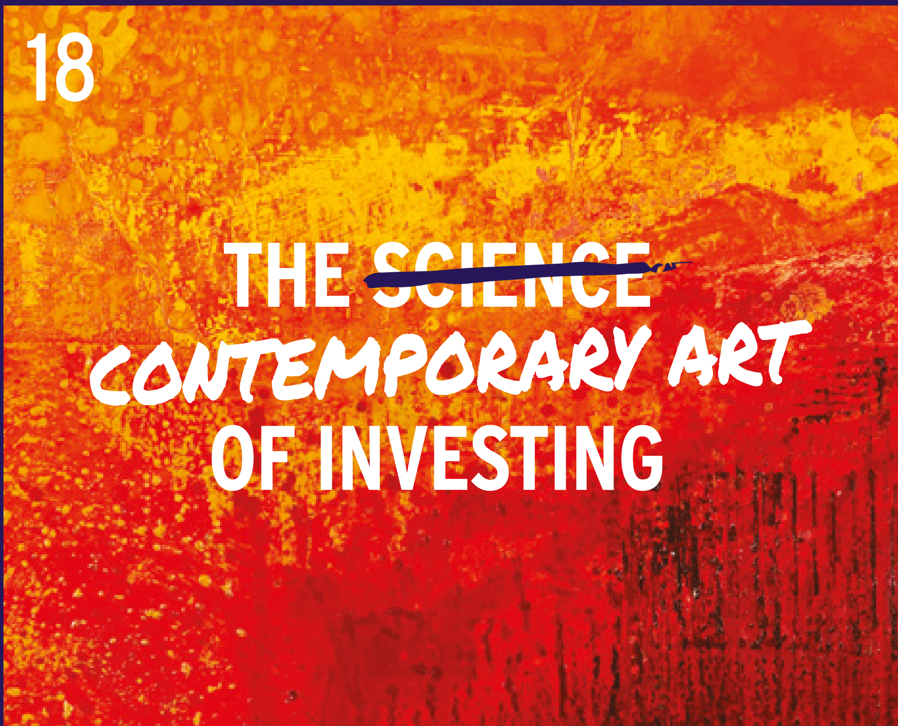
With investing, your capital is at risk. Investments can fluctuate in value and you may get back less than you invest. The contents of this magazine should not be interpreted as personalised financial advice.

06

08

12

18



A WORD FROM OUR CHIEF INVESTMENT OFFICER

In an essay written almost 50 years ago George Orwell said that 'the English language is in a bad way'. His lament was directed at politics whereas, if alive today, I feel sure he would consider financial services a worthy target at which to take aim.

I confess that my pet hate in our industry is the over use of acronyms which abbreviate the first letter of each word or phrase to form a new term. For example, MiFID, UCITS and OEICs are just three examples of acronyms used regularly across the industry. Yes, they help shorten what are very long descriptors such as Markets in Financial Instruments Directive (MiFID), Undertakings for Collective Investment in Transferable Securities (UCITS) and Open-Ended Investment Companies (OEICs), but when they are not explained it creates an unwelcome barrier for those 'not in the know'.

With True Insight we want readers to be able to understand clearly what we are saying and to do our very best to communicate effectively. Our aim is to work hard to inform people who want to understand more about the business of investing and what it means for you personally. It is encouraging when we get positive feedback about True Insight and where we get constructive criticism we do not duck, we adapt.

Selecting the topics to write about that will be interesting and useful is a constant challenge. Thankfully there are many subjects for us to cover that are cloaked in mystery by the financial industry and ripe for demystifying. This edition includes three feature articles alongside our regular market and portfolio commentaries that offer added insight to what we have been doing to manage your money. We also like to share with you the views that we distil from our investment partners and how we see the changing investment landscape.

In our first feature article, we look at the thorny subject of inflation and how it can, if not observed correctly, undermine our future choices. Throughout history, we have witnessed very different inflationary environments and, for most of the time, inflation undulations experienced have not been accurately forecast. We begin by examining the consequences of failing to keep pace with inflation.

This leads us to look longer term at the assets that have at times helped ease the pain inflicted by inflation and, over the very long term, which assets have beaten inflation.

"We conclude that a mix of assets and being patient is very important."

Next, we look at the subject of market timing and ask should we go to the trouble of trying to judge the very best time to buy and sell? This is a question we get asked all the time and our responses may surprise some people.

Finally, we look at the way our 28 funds move in relationship to one another. In industry terms the way they move relative to one another is described as correlation. This matters a great deal because combining funds that are not correlated helps reduce the overall level of volatility experienced by the end investor. Our fund correlation chart on page 24 looks like the latest offering from Damien Hirst and provides a quite dramatic and graphical illustration of advanced diversification in action. We also explain more about the effectiveness of our approach to diversifying by style.

I want to thank you for very positive feedback on our previous editions. Hopefully by taking the time to read, and enjoy, the topics we cover you will be better informed about the ever-changing investment landscape, if still a little mystified by EU acronyms like MiFID.

Colin Beveridge, Chief Investment Officer.

PERFORMANCE UPDATE

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

With wide exposure to world class investment partners as well as an investment diversified 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 approach 'Advanced Diversification'. The results to the right show the performance of each portfolio since we launched them in October 2015 and over the last 12 months.

Portfolios	Since launch*	12 Month Performance**
DEFENSIVE	11.11%	5.08%
CAUTIOUS	16.30%	8.71%
CAUTIOUS +	16.12%	9.31%
CAUTIOUS INCOME	19.37%	11.68%
BALANCED	22.15%	13.42%
BALANCED +	23.89%	13.13%
BALANCED INCOME	22.31%	13.20%
GROWTH	28.39%	16.47%
GROWTH +	26.79%	16.87%
AGGRESSIVE	31.91%	18.99%

* 1st October 2015 to 30th June 2017
** 1st July 2016 to 30th June 2017

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.

TRUE POTENTIAL NAMED EUROPEAN BUSINESS OF THE YEAR

We are proud to tell you that, since the last edition of True Insight, True Potential has been crowned European Business of the Year at the prestigious European Business Awards.

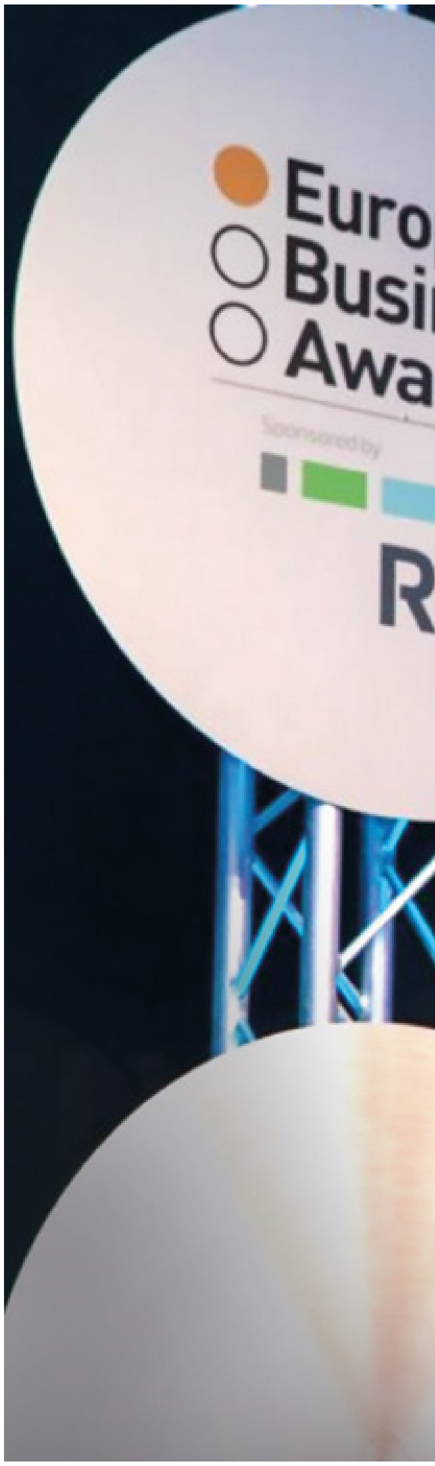
In May, we reached the awards' final in the Croatian city of Dubrovnik, having successfully made it through earlier national rounds and a public vote.

True Potential was the only UK financial technology business to reach the final and was one of just 110 finalists Europe-wide. Over 33,000 businesses from 34 countries entered the competition, but True Potential was named overall winner in its category (€26m-€150m turnover). The judges were impressed with the performance of our funds and the way we use technology to simplify and democratise finance. They also praised the client-first approach that runs through our company and underpins the way we manage clients' money on their behalf.

Our Managing Partner, David Harrison, accepted the award and said: "The last few years have been thoroughly amazing for True Potential and this award takes it to another level. In a way, I'm not surprised because I could see that we were going about our work in the right way and that has been reflected both in customer satisfaction and business growth. But looking around the room, it was clear that there are some fabulous businesses across Europe doing great work so to win this award is truly special.

"I'm grateful to the judges for recognising what we have achieved and the way we go about it, doing the best for all our clients. But above all I cannot thank enough the people who have been with us on our journey as well as our clients and advisers for placing their trust in us."

European Business Award wins for 2016/17.



" We're all proud to be bringing this award back to the UK in our 10th anniversary year."

David Harrison, Managing Partner.

REVIEW OF THE MARKETS: Q2 2017

Another interesting and eventful quarter has passed with some excellent returns seen from virtually all asset classes. Looking back, politics continued to dominate market chatter.

For the UK election in June, opinion polls put Theresa May clearly ahead in the early stages but after potentially one of the worst campaigns seen in UK history we have ended up with a hung parliament, i.e. the Conservatives did not win enough seats to have an outright majority and are now joining forces with the Democratic Unionist Party.

Although stock markets dislike uncertainty, in the immediate aftermath of the surprise result, markets moved very little with a small drop in Sterling seen, but no real change. They key for the UK right now is to move on from the election and to continue to successfully navigate through the Brexit process.

Within Europe in early May, we saw Marine Le Pen, the National Front party leader, defeated in the French election, following on from the defeat of Geert Wilders in the Dutch elections in March. In 2016, Europe underperformed the other main developed markets as investors were nervous that political risk was too high and the European economy struggled with high unemployment and low growth.

Recent election results have clearly showed political risk abating with now a more pro-Europe stance. The economic picture is also improving and European equities (excluding UK) were the best performing main market over the quarter in Sterling terms.

When writing a review of what has happened over a period in time, it is always to best to take a step back and try and think about what has actually changed.

If we look back to early 2016 we were in an environment of 'lower for longer' when it came to interest rates. Markets were enthused when bad news came along as it would mean a delay in any tightening of monetary policy.

"The questions being asked now are when will interest rates rise, by how much, how quickly, but most importantly can economies withstand a rise?"

Within the UK, inflation figures have continued on their path upwards over the quarter, with Sterling weakness after last year's Brexit result driving inflation higher.

The US has been the first region to tighten monetary policy with rate rises taking place in both March and June. In practice, these haven't had much effect and feel more like the US demonstrating to the rest of the world how strong their economy is. Over the quarter, the Federal Reserve's balance sheet has come much more into focus.

After the financial crisis, under the programme of Quantitative Easing, the Fed purchased a huge amount of US Treasuries and mortgage-backed bonds with the Federal Reserve now owning 15% of US government debt and a third of long term bonds. They are now looking to shrink this by allowing a certain proportion of these bonds to mature each month.

This is a way to tighten monetary policy outside of raising interest rates and will be a real test for the Federal Reserve to manage. This is, however, a movement back to 'normality' and away from the more stimulus skewed markets we have become used to.

Emerging Markets have been the best performer over the quarter in local currency terms. Investors are looking outside the more traditional, developed markets which are currently pricing on high valuations, towards areas where they see more value and potential for growth. Finally, we have seen bond yields fall creating good capital returns. Bond investors have been rewarded for taking risk with Global high yield and Emerging Market bonds showing the best returns for the quarter.

In summary...

Investment conditions have remained healthy over the period with stock and bond prices continuing their upwards trajectory. We have seen some difficult events over the year but markets have remained resilient and investors have again been rewarded for taking some risk.

INVESTMENT OUTLOOK

Aside from political surprises, which have been dominating headlines everywhere, there is a general feeling that market valuations in some quarters are riding high. This is unsettling but at the same time there remains a lot of money on the sidelines waiting to be invested. Any set back in the market may therefore be treated as a buying opportunity

There is also a sense that we are now 'late cycle'. Some would say that since the credit crisis it has been a joyless upturn, but for many investors, particularly those prepared to own a proportion of their wealth in riskier assets, it has been a profitable one. Cycles usually end with recession but our managers believe that falling bond yields are not signalling such an outcome.

They see low bond yields as evidence that the market has cooled in its response to Trumpflation and that central banks everywhere are struggling to generate rising core inflation. If fiscal stimulus materialises next year this would be good news for long term investors as it would represent another growth leg.

In terms of some key highlights we have other interesting observations to share:

US

The monetary tightening process will continue although there is potential for the pace of tightening to abate if growth slows too rapidly. The lack of wage inflation which drives consumption is leading to much head scratching and contrived theories.

Meanwhile, US technology companies have delivered incredible returns with our stock picking managers, in particular, having participated. Valuations are exceptionally high but for the believers in technology the attractions of high growth potential continue to outweigh valuation considerations.

Europe

The EU is at a very different stage in the economic cycle to the UK and United States. It is continuing with its programme of quantitative easing (QE) and enjoying a sustained period of economic expansion, jobs growth and rising stock markets.

Robust economic data had prompted speculation that economic stimulus might need to be curtailed in some way, either by halting QE or raising rates, but this seems unlikely and so the outlook for Europe continues to be very positive.

China

Nervousness continues around the need to manage excessive bank lending deployed previously to help stimulate growth. That said, our investment partners feel that significant changes to the Chinese economy will not occur until after the National Congress conference in Autumn this year. Until then, they feel the Chinese Government will be determined to protect growth in the region and this will help support assets across the Asia Pacific region.

Fixed Interest

Fixed Interest – Future returns implied by historically low yields, particularly on sovereign bonds, are making the asset class unattractive. However, the potential for sovereign bonds to be inversely correlated with equity markets represents the main reason for holding them i.e. a form of insurance.

Our investment partners look to other areas within fixed interest to gain a better return. Typically, this involves buying higher yielding corporate debt and emerging market debt where investors expect to be compensated for taking higher credit risk. They do so mindful of the need for liquidity.

UK Election

Asset allocators continue to dislike the UK as an area for investment with one of our partners pointing out that the proportion of UK equities held by overseas investors and hedge funds is very low. On the plus side it means there is scope for the market to rally strongly should the UK economy defy the pessimists and surprise on the upside.

In Conclusion...

The key message is that monetary tightening is underway in the US but it is happening gradually with the Federal Reserve mindful of the need to keep growth on track. We understand from our investment partners that the European Central Bank will not press down on the monetary brake and the Bank of Japan will remain equally accommodative for now. This adds to the possibility that global liquidity will not peak this year allowing risk assets to remain attractive.

INVESTMENT RELIEF FROM INFLATED PAIN

Once again we return to a thorny subject that affects all of us, inflation. Those of us with long enough memories can recall very different inflationary environments, which resulted in very high interest rates not at all like what we have today.

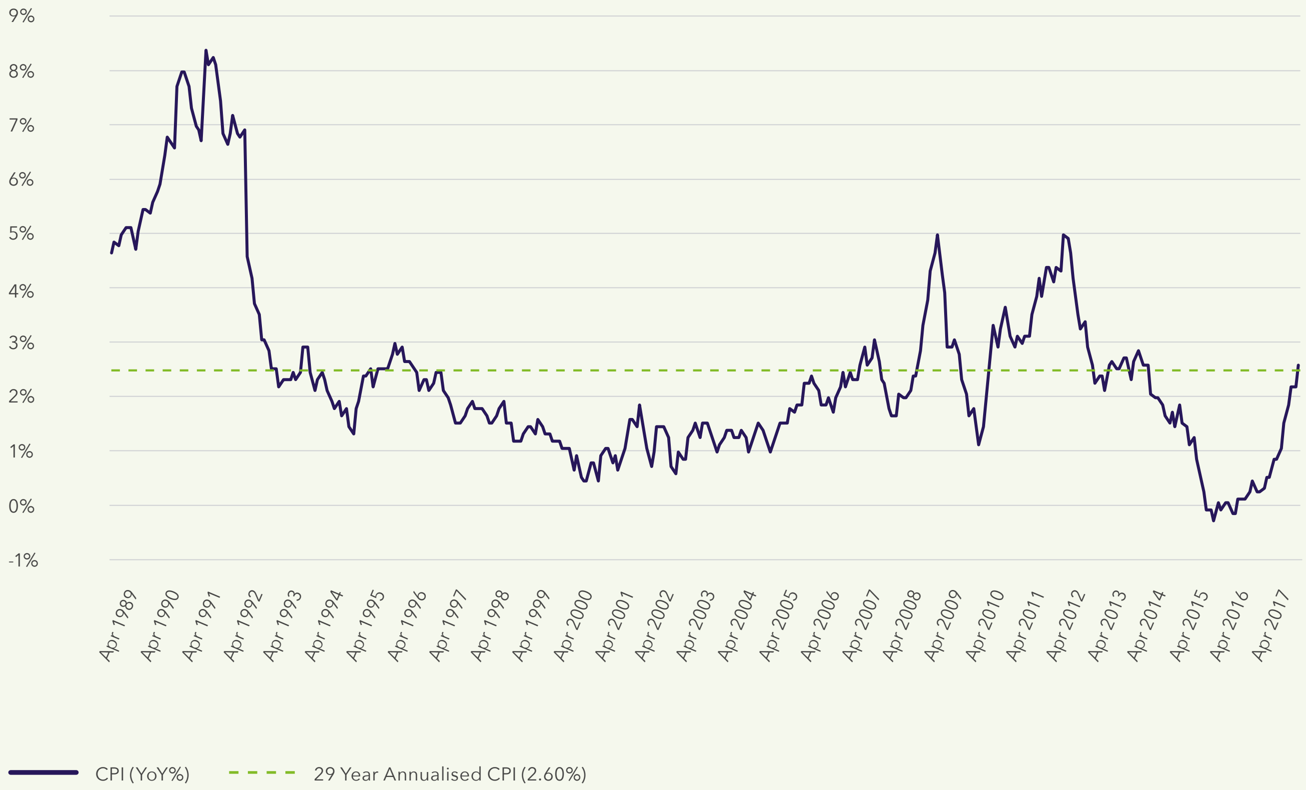
As inflation increases, people become more concerned about the erosion of their wealth and real income and tend to look for alternative saving solutions.

Below we can see that inflation undulations are actually quite normal. Unfortunately, they are rarely forecast accurately which means investors can get caught and find that their wealth is not keeping pace with inflation. This leads to a reduced capacity for spending on the things that matter and the things that we desire.

Once again we can see that inflation is rising. It is close to its long run average and is now above the Bank of England's inflation target of 2%.

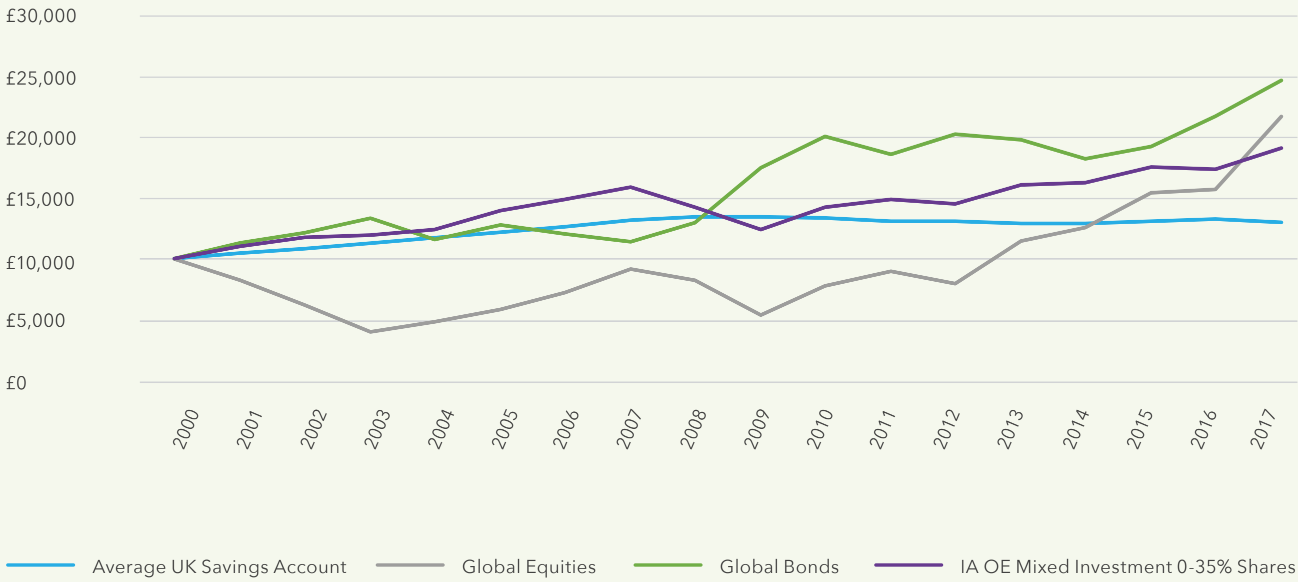
The Bank of England remains committed to stimulating economic growth through low interest rates. Cash ISAs are now producing negative returns in real terms. A simple example is a £10,000 deposit in a Cash ISA generating 1% interest. Over the year the value would fall by 1.7% per annum in real terms, if inflation and interest rates remain constant. In monetary terms, you would gain £100 from interest on the Cash ISA but lose £270 because of inflation, so you would be £170 worse off.

Graph 1: UK Inflation: 1989 - 2016



Source: ONS. Data as of 30 April 2017

Graph 2: £10,000 Growth (Adjusted for Inflation)



Source: Bloomberg & Morningstar. Data as of 31 May 2017

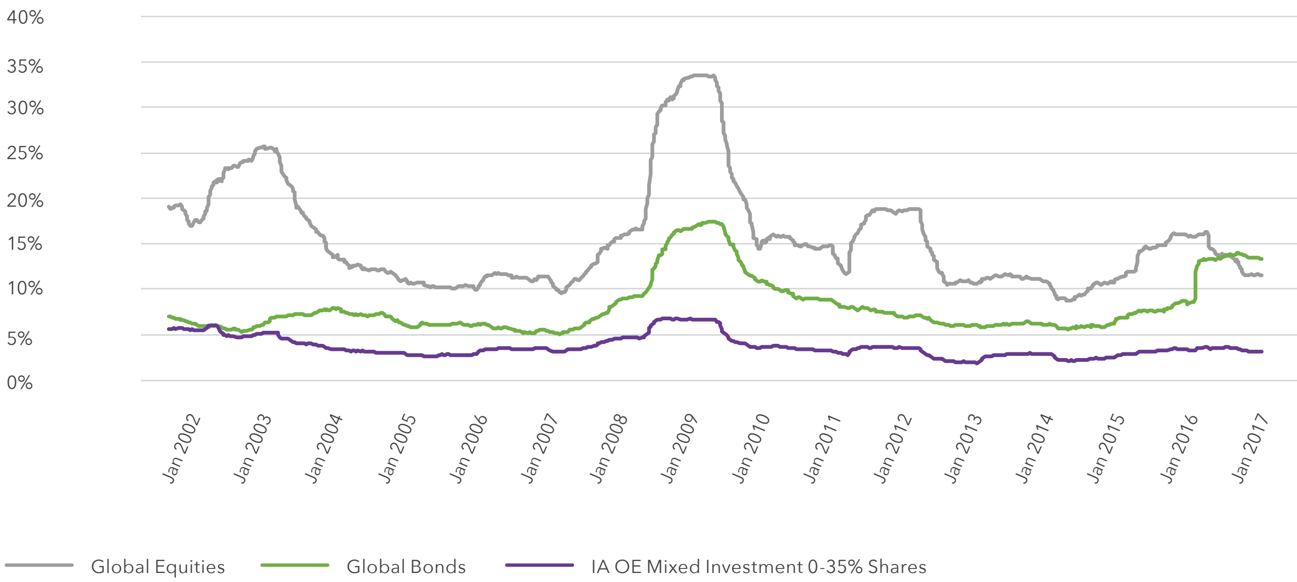
Past performance is not a guide to future performance.

> " When we evaluate both the risk and return outcomes we reach the inevitable conclusion that it is necessary and even desirable to take some risk to keep ahead of inflation."

The consequences of failing to keep pace with inflation are very negative, but there are some investment approaches that do better than others. Since 2000 investors have experienced rising and falling inflation rates and some very notable events, not least a devastating credit crisis. The two graphs show us how a £10,000 investment made on 31st December 2000 has been growing and a measure of the risks associated with each asset class.

Since the start of the new millennium, the road for investors has been very bumpy, especially for investments with little diversification. It is clear from graph 2 that bonds and equities have outperformed savings account returns. However, risks associated with these asset classes are higher.

Graph 3: 1 Year Rolling Standard Deviation of Returns



Source: Bloomberg & Morningstar. Data as of 31 May 2017

Nevertheless, taking some risk and investing in multi-asset investment products helps to diversify some of the risks, so that investors not only preserve wealth but also gain in the long term.

We gauge risk in terms of "standard deviation" which is basically a measure of how much the value of an asset, such as equities or bonds, moves in the short term relative to its historical average. Graph 3, above, shows that a blend of equities and bonds has a lower risk profile than just equities or bonds on their own.

When we evaluate both the risk and return outcomes we reach the inevitable conclusion that it is necessary and even desirable to take some risk to keep ahead of inflation.

Of course there will be periods when returns will dip, especially when we transition through economic cycles, but without taking some risk it is difficult to avoid deterioration of wealth.

Investing purely in single asset categories such as equities and bonds can be both rewarding and painful. While equities perform well in bull markets, bonds tend to perform worse and vice versa, therefore combining both can help to reduce risk (Graph 3). The question is, why not focus solely on equities while you are in the bull market period?

Well, it is extremely difficult if not impossible to forecast correctly how long it will last. Combining different asset classes means you can protect your investment to some degree if markets are suddenly disrupted.

We believe it is important to combine a very wide range of assets, such as exposure to property, commodities and then access each investment category through very different investment strategies. We know from academic research that different factor styles have the potential to enhance investment outcomes helping us to achieve a better risk adjusted return.

When we combine this with low-cost passive strategies we optimise on the cost-return trade off that investors desire. As cash deposits adjusted for inflation can currently only offer negative returns, it is important to find alternative products with a reasonable amount of risk. In our next article, we look at the reasons for investing now.

Past performance is not an indicator of future performance.

TIMING THE MARKET OR TIME IN THE MARKET?

We often get asked 'When is the best time to invest?'. To avoid suspense, we can say now that timing the market perfectly, knowing the best time to buy or sell, is impossible. For many this answer will be disappointing, but there is room for cheer. Firstly, there is a world of difference between timing the market and time itself. Let's take two very typical situations, involving a lump sum investor and someone who is investing regularly over many years.

Lump sum investor:

If you plan on investing a lump sum the main question to ask is how long you want to be invested. If the answer is less than five years, this leaves very little time to recover from any losses, should they occur. If the time period is longer the question is less daunting and the next important question to address is the nature of the investment.

At True Potential, we provide diversified multi-asset Portfolios that suit investors with different risk preferences.

Even with diversification, a typical pattern is one where an investor defers investing his or her lump sum, fearing that markets will fall.

This pattern of deferral is often repeated and we believe it may be one of the reasons why some investors hold more cash than necessary. Holding off investing now, turns into a few weeks, months, or even years.

Regular saving:

There is a huge misconception that the best time to start investing is when you have a large amount of money. At True Potential we believe the earlier you start investing towards your goal, the more time you have potentially to experience growth.

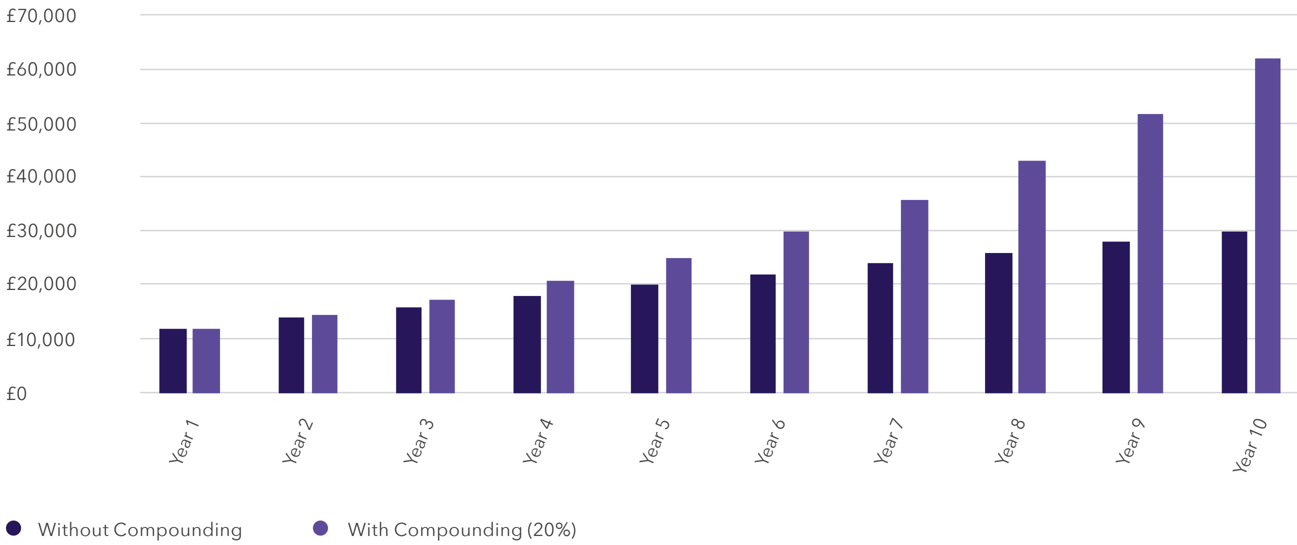
This means taking full advantage of compounding interest. Delaying for even a few years means you miss out on any income (yield or dividends) for reinvestment which gives less time for the power of compounding to work.

Compounding, also known as compound interest, is the process where the value of an investment increases because the earnings on an investment, both capital gains and income, earn interest as time passes.

For example, a £10,000 investment in Company X earns 20% the first year. After year 1 the total investment would be worth £12,000. Next, assume that in the second year the investment earns another 20%. In year two, the total balance of £12,000 would earn 20%, ending with a value of £14,400 instead of £14,000.

The extra £400 of growth is due to the £2,000 earnings of year one also growing at 20% in year two.

The effect of compounding on a £10k investment earning 20% per year for 10 years vs. the same investment without compounding



Source: Bloomberg & Morningstar. Data as of 31 May 2017

An acceptable level of investment risk is a personal decision. However, the real issue in many cases is that timescales are too short and that time has the power to alter perceptions of risk. In current markets our investment partners point to the existence of many different opportunities whether it be picking individual stocks or shifting from over-valued to under-valued investments, which exist globally.

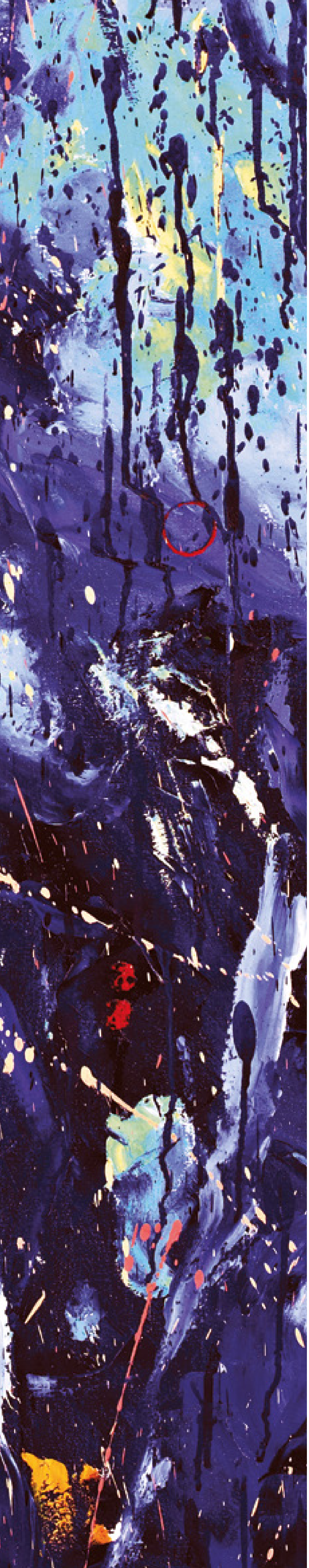
Those prepared to accept risk in a manner consistent with their personal circumstances and with a longer-term horizon have the potential to be rewarded. This is exactly what has happened to those investors who stayed invested throughout the UK referendum and the US election. Investors in our Growth and Aggressive model portfolios have experienced returns of 28% and 32% since we launched them in October 2015 (see page 5).

It is true that market valuations are high relative to historic norms. Twenty-five years ago, 10-year UK Gilt bond yields exceeded 10% but are now yielding around 1%, and equity market price-earnings ratios (P/E) were at half of today's level. In that time, however, the world has changed a great deal. Inflation is a lot lower, company profit margins are higher in aggregate and return on capital is also higher. Yet, this can change again and we cannot entirely buck the business and market cycles.

We cannot stress enough that having wide diversification is necessary to spread risk and to find profitable opportunities. The True Potential Portfolios take diversification to the next level, not only diversifying by asset class and geographic region, but by fund investment style. Some strategies they deploy are able to benefit from falling markets which alleviate short term pain while awaiting new opportunities.

We know investing decisions can be daunting but they can also be extremely rewarding if implemented through a sensibly diversified approach. Instead of trying to time the markets, an alternative approach that some investors prefer is to make small, regular top ups. This is called Pound Cost Averaging. It's exactly what True Potential's impulseSave technology was designed to enable. With impulseSave you can make regular top ups to your investments from as little as £1.

THE ~~SCIENCE~~ CONTEMPORARY ART OF INVESTING



In managing the True Potential Portfolios, we take great care to ensure that the underlying investments are as diverse as possible. The aim behind this is to reduce volatility and achieve the optimum, risk adjusted return – that is, the highest level of return for a given level of risk. Or, put more simply, investment growth with as little drama as possible along the way.

We have a selection of different investment partners, all of whom manage money in different ways. Stunningly, we estimate that there are around 122,000 investment positions cumulatively embedded into the funds spread across our models.

Columbia Threadneedle, Close Brothers Asset Management and Goldman Sachs Asset Management (GSAM) all invest directly in equities and bonds but whereas Threadneedle are predominantly UK focussed, Close have an international mandate while GSAM have a bias to the United States.

The Goldman fund is 100% hedged back to Sterling, so that investors are not affected by currency movements, Close hedge 50% of their overseas equity position while Threadneedle, being principally domestically focussed, don't use currency hedging techniques at all.

In contrast, Schroders don't pick direct equities but invest in other collectives (unit trusts and OEICs) run by third party fund managers in a "fund of funds" model. SEI, on the other hand, operate a "manager of managers" approach, directly appointing different investment managers each with a separate mandate to run money in a particular manner. The same way we run the True Potential Portfolios.

Seven Investment Management (7IM) have a different style again, actively selecting countries and areas of the market that they like but then gaining representation to those markets through the use of low cost "passive" products like Index Trackers and Exchange Traded Funds (ETFs).

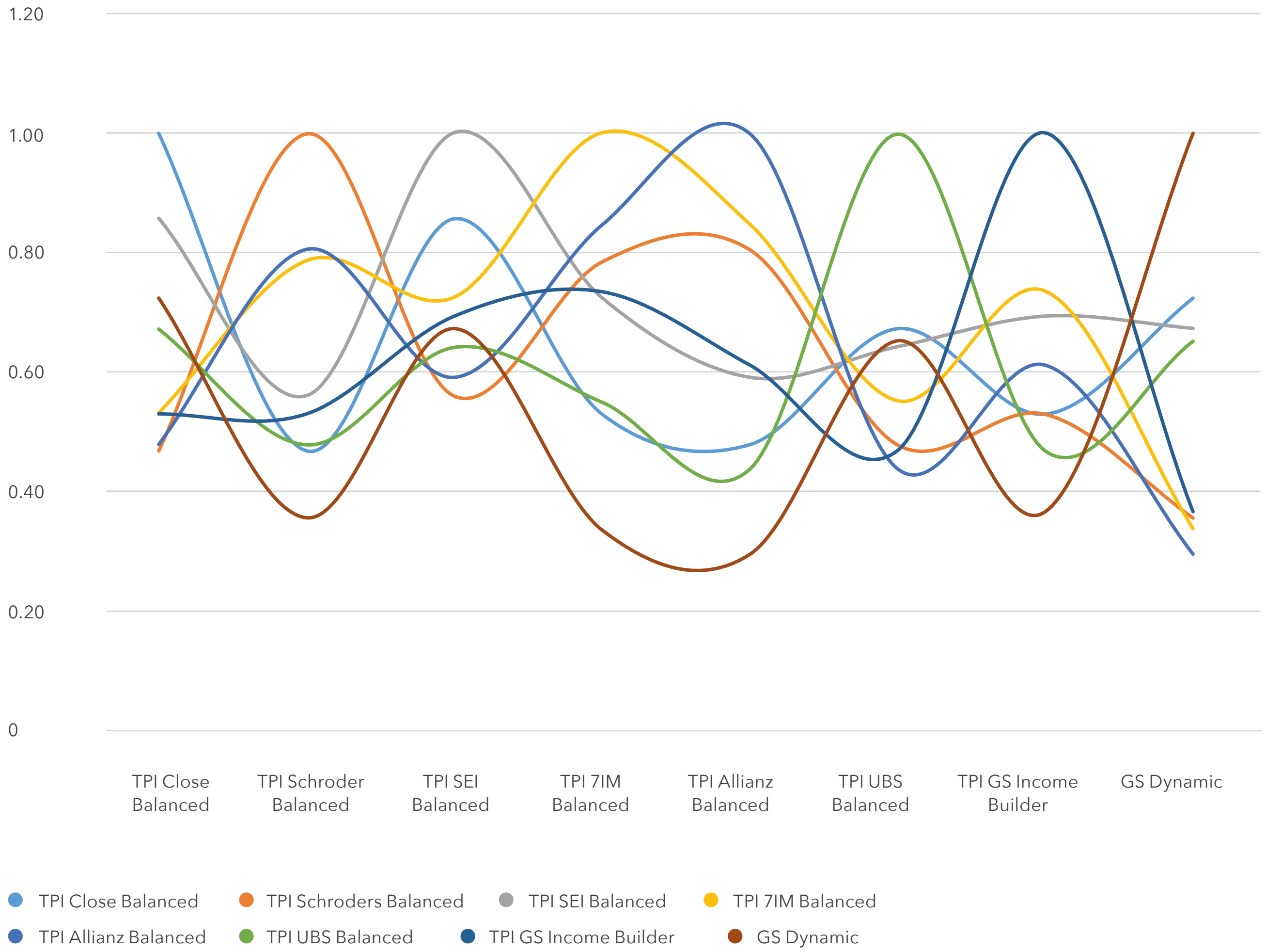
Allianz have a similar process but achieve their exposure via equity and currency futures contracts. UBS Asset Management are different again, employing the active/passive hybrid of "Smart Beta".

This involves actively screening and selecting particular companies on a set of pre-determined criteria and then using passive techniques to build and track an index comprising the selected companies.

You get the picture.

All the managers are investing money in different ways, using different instruments and have different outlooks and opinions on the market.

Fund Correlation



However, we wanted to make sure that despite looking and feeling very diverse, our investment partners' performance was indeed uncorrelated and that by some quirk we didn't have funds that appeared very different to each other but actually behaved in a very similar way. This is important because it is by combining different styles of investing that we are able to reduce the overall level of risk in the portfolios and hopefully enhance returns for clients.

We therefore analysed how the funds have performed over time and the result was a chart that Damien Hirst could be proud of.

Put simply, if all the funds performed identically there would be a single, mud coloured horizontal line crossing the page at 1.00. What the glorious tangle of wavy lines above illustrates is that the various funds perform in a very disparate fashion. Certain funds take up the running at particular moments, only to have their position at the top of the leader board challenged by funds with a contrasting style when conditions change.

As well as not looking out of place in Tate Modern the chart gives us great comfort that our mantra of Multi Asset Diversification should continue to produce good, risk adjusted returns whatever the future holds in store and that Advanced Investing remains as much a (Contemporary) Art as a Science.

"Advanced Investing remains as much a (Contemporary) Art as a Science."

THE SCIENCE BEHIND OUR PORTFOLIOS

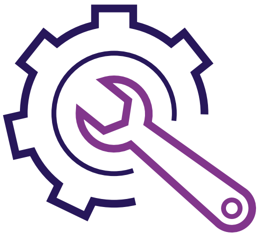
The construction of our Portfolios begins with a set of equally weighted models which correspond to the five Morningstar risk categories: Defensive, Cautious, Balanced, Growth and Aggressive.

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

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

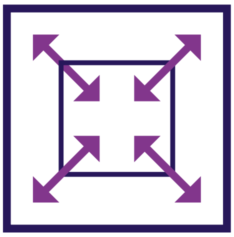
	Defensive	Cautious	Balanced	Growth	Aggressive	Cautious +	Balanced +	Growth +	Cautious Income	Balanced Income
Risk (Volatility)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk (Mapped)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cost	✓	✓	✓	✓	✓	✓	✓		✓	✓
Long-Term Expected Return	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk-Adjusted Return	✓	✓	✓	✓	✓	✓	✓			✓
Income				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

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



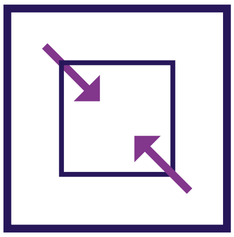
Risk (Portfolios)

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. We always aim to optimise across all factors where possible. However, sometimes we may place more emphasis on one factor over another.

Strategy Allocation

Defensive

Manager of Managers - True Potential SEI Defensive	**40.0%**
Active Management with Passive Implementation - True Potential 7IM Defensive	**26.0%**
Agile, Low-Cost Value Investing - True Potential UBS Defensive	**34.0%**

Cautious

Direct Equity & Bond Investing - True Potential Close Cautious	**14.5%**
Manager of Managers - True Potential SEI Cautious	**20.5%**
Active Management with Passive Implementation - True Potential 7IM Cautious	**16.0%**
Momentum with Volatility Control - True Potential Allianz Cautious	**15.5%**
Fund of Funds - True Potential Schroders Cautious	**15.0%**
Agile, Low-Cost Value Investing - True Potential UBS Cautious	**18.5%**

Balanced

Momentum with Volatility Control - True Potential Allianz Balanced	16.0%
Direct Equity & Bond Investing - True Potential Close Balanced	14.0%
Alternative Dynamic - Goldman Sachs Dynamic	2.0%
Income Funds - Goldman Sachs Global Income Builder	6.5%
Fund of Funds - True Potential Schroders Balanced	11.0%
Manager of Managers - True Potential SEI Balanced	22.0%
Active Management with Passive Implementation - True Potential 7IM Balanced	10.0%
Agile, Low-Cost Value Investing - True Potential UBS Balanced	18.5%

Growth

Momentum with Volatility Control - True Potential Allianz Growth	22.0%
Direct Equity & Bond Investing - True Potential Close Growth	17.5%
Manager of Managers - True Potential SEI Growth	22.0%
Active Management with Passive Implementation - True Potential 7IM Growth	17.0%
Agile, Low-Cost Value Investing - True Potential UBS Growth	21.5%

Aggressive

Manager of Managers - True Potential SEI Aggressive	32.5%
Active Management with Passive Implementation - True Potential 7IM Aggressive	31.0%
Agile, Low-Cost Value Investing - True Potential UBS Aggressive	36.5%

TRUE POTENTIAL PORTFOLIOS

Asset Allocation

Asset Class	Defensive	Cautious	Balanced	Growth	Aggressive
UK Equities	4.8%	13.8%	17.9%	21.4%	19.2%
North American Equities	13.3%	17.6%	22.9%	29.4%	33.8%
European Equities	5.2%	7.0%	9.7%	10.3%	13.5%
Japanese Equities	2.2%	3.8%	5.5%	5.0%	6.7%
Asia Pacific Equities	0.6%	1.0%	2.1%	2.0%	1.6%
Emerging Market Equities	2.2%	2.7%	5.0%	9.2%	11.3%
Global Bonds	11.9%	8.0%	4.9%	2.4%	1.4%
Global Inflation Linked Bonds	0.8%	0.9%	0.7%	0.6%	0.0%
Emerging Market Bonds	1.9%	2.5%	2.8%	3.3%	2.1%
Global High Yield Bonds	6.2%	4.5%	6.0%	3.6%	1.3%
UK Gilts	6.6%	6.6%	3.8%	2.8%	2.3%
UK Credit	6.0%	11.2%	8.0%	4.8%	4.8%
Property	0.1%	0.3%	0.4%	0.4%	0.0%
Commodities	0.8%	1.6%	1.2%	0.8%	0.5%
Cash	37.4%	18.6%	9.0%	4.0%	1.4%

Source: Smith & Williamson, 30 June 2017

+ 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 +

Direct Equity & Bond Investing - True Potential Close Balanced	13.5%
Fund of Funds - True Potential Schroders Balanced	14.0%
Manager of Managers - True Potential SEI Defensive	40.0%
Momentum with Volatility Control - True Potential Allianz Balanced	11.5%
Active Management with Passive Implementation - True Potential 7IM Growth	8.0%
Agile, Low-Cost Value Investing - True Potential UBS Growth	13.0%

Balanced +

Direct Equity & Bond Investing - True Potential Close Growth	19.0%
Manager of Managers - True Potential SEI Cautious	37.0%
Momentum with Volatility Control - True Potential Allianz Growth	13.0%
Active Management with Passive Implementation - True Potential 7IM Aggressive	11.0%
Agile, Low-Cost Value Investing - True Potential UBS Aggressive	13.0%
Fund of Funds - True Potential Schroders Cautious	7.0%

Growth +

Direct Equity & Bond Investing - True Potential Close Balanced	20.0%
Manager of Managers - True Potential SEI Aggressive	32.0%
Active Management with Passive Implementation - True Potential 7IM Aggressive	18.0%
Agile, Low-Cost Value Investing - True Potential UBS Aggressive	24.0%
Momentum with Volatility Control - True Potential Allianz Balanced	6.0%

Asset Allocation

Asset Class	Cautious +	Balanced +	Growth +
UK Equities	13.1%	18.7%	23.5%
North American Equities	17.3%	24.5%	30.1%
European Equities	9.6%	10.2%	12.2%
Japanese Equities	5.0%	4.5%	5.5%
Asia Pacific Equities	1.5%	1.8%	2.2%
Emerging Market Equities	3.4%	6.0%	9.2%
Global Bonds	8.3%	6.2%	1.1%
Global Inflation Linked Bonds	0.8%	1.6%	0.0%
Emerging Market Bonds	1.0%	2.1%	1.4%
Global High Yield Bonds	4.9%	4.9%	1.1%
UK Gilts	5.0%	4.6%	2.3%
UK Credit	6.9%	4.4%	6.9%
Property	0.3%	0.4%	0.4%
Commodities	1.2%	1.1%	0.8%
Cash	21.7%	9.0%	3.3%

Source: Smith & Williamson, 30 June 2017

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. During September, we made no alterations to the fund allocations within either Income Portfolio.

The Cautious Income Portfolio is currently yielding 3.82% and the Balanced Income Portfolio 4.01% with the equally-weighted Portfolio yielding 3.70%.

Source: Goldman Sachs, Close Brothers, Threadneedle and Schroders, 30 June 2017

Strategy Allocation

Cautious Income

Direct Equity & Bond Investing - True Potential Close Cautious Income	32.5%
Income Focused - True Potential Threadneedle Monthly Income	17.5%
Income Funds - True Potential Goldman Sachs Income Builder	40.0%
Fund of Funds - True Potential Schroders Cautious Income	10.0%

Balanced Income

Direct Equity & Bond Investing - True Potential Close Cautious Income	5.0%
Income Focused - True Potential Threadneedle Monthly Income	35.0%
Income Funds - True Potential Goldman Sachs Income Builder	50.0%
Fund of Funds - True Potential Schroders Cautious Income	10.0%

Asset Allocation

Asset Class	Cautious Income	Balanced Income
UK Equities	27.6%	35.9%
North American Equities	11.1%	12.6%
European Equities	6.7%	7.0%
Japanese Equities	1.2%	1.0%
Asia Pacific Equities	1.4%	1.4%
Emerging Market Equities	0.1%	0.1%
Global Bonds	9.0%	9.3%
Global Inflation Linked Bonds	0.7%	0.1%
Emerging Market Bonds	0.8%	1.0%
Global High Yield Bonds	13.3%	16.6%
UK Gilts	1.7%	0.3%
UK Credit	13.2%	8.1%
Property	4.4%	1.2%
Commodities	2.7%	0.7%
Cash	6.1%	4.7%

Source: Smith & Williamson, 30 June 2017 true potential investments

www.tpinvestments.com

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.

Registered Head Office: Newburn House, Gateway West, Newburn Riverside, Newcastle upon Tyne, NE15 8NX
London Office: 42-44 Grosvenor Gardens, Belgravia, London, SW1W 0EB

Issue 7