

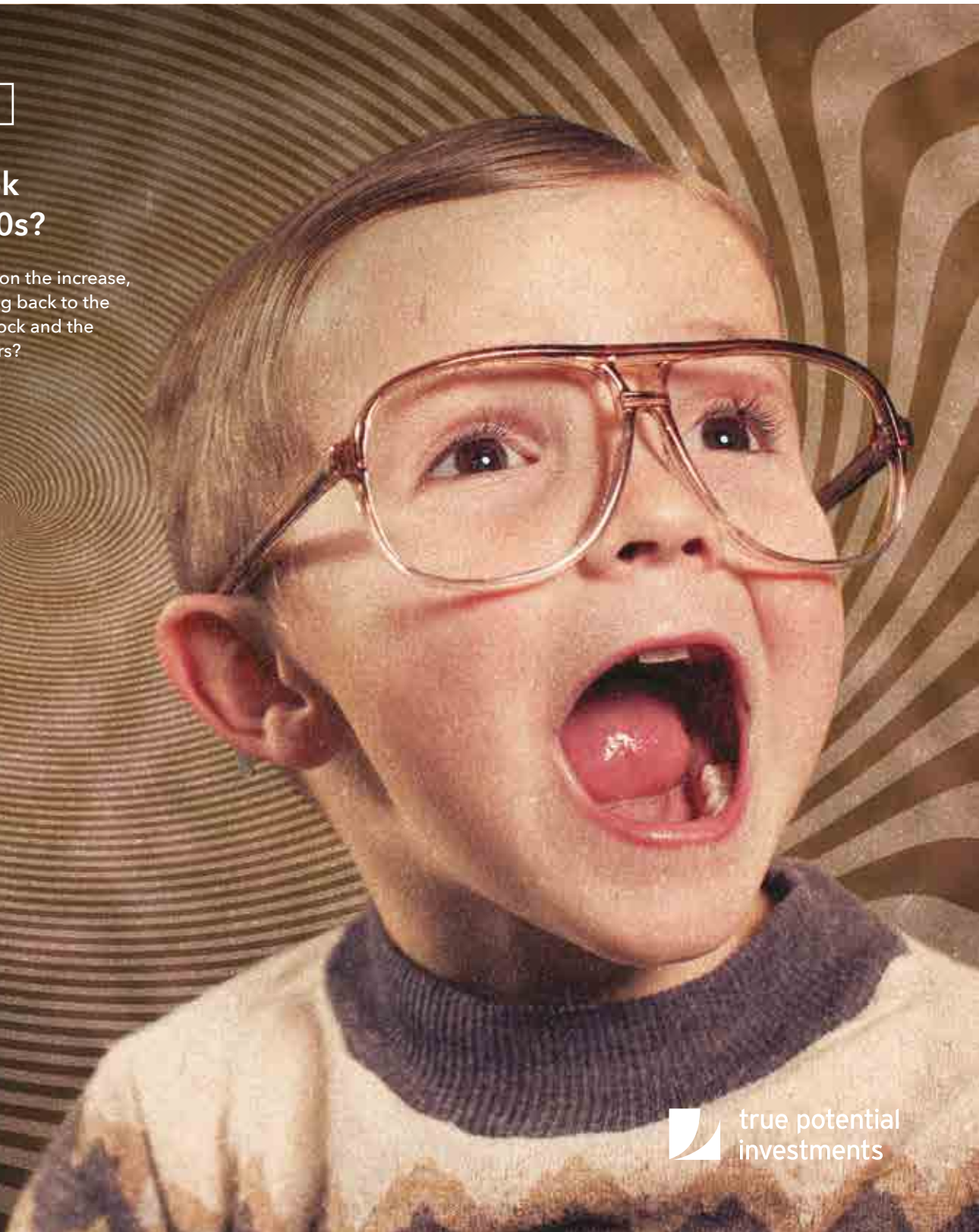
TRUE INSIGHT

True Potential Portfolios | Issue 23

PAGE 12

Was it ok in the 70s?

With inflation on the increase,
are we heading back to the
era of Glam Rock and the
Bay City Rollers?





Contents



04 Performance Update
A review of how the True Potential Portfolios are performing.

06 Review of the Markets
An overview of the markets and their behaviour in Q2 2021.

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

09 Trading Places
Analysis of the UK's efforts to re-establish its reputation as a champion of free and fair trade.

10 Vaccine Development
The True Potential Portfolios hold investments in a number of the companies that have been instrumental in vaccine development.

12 Was it ok in the 70s?
With inflation on the increase, are we heading back to the era of Glam Rock and the Bay City Rollers?

18 Science Behind our Portfolios
An overview of Portfolio allocation and performance.



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By using Carbon Balanced Paper for True Insight Magazine, True Potential LLP has balanced through World Land Trust the equivalent of **6,636kg of carbon dioxide**. This support will enable World Land Trust to protect **4,645m² of critically threatened tropical forest**.

View From The Riverside



Welcome to edition 23 of True Insight, our summer 2021 magazine. The circulation is now over 100,000 as the number of investors in our portfolios continues to grow.

In the pages that follow, we take a look back at investment markets over the last three months and look ahead to what we see coming in the third quarter of the year.

We also tackle a subject of concern over past decades - inflation - offering our thoughts on this sleeping giant, the 'then and now' and how to overcome any threat to the real value of your investments.

Post Brexit trade agreements are vital to the UK and we report on positive developments, which will see industries in all parts of Britain benefit from Free Trade Agreements.

Thirdly we look at the companies driving the global vaccination effort, developing and manufacturing a medical solution to help combat the pandemic and further world recovery.

I hope you all enjoy reading this edition of True Insight and please keep in touch with us by tuning in to True Potential's YouTube channel where you can view daily market updates and our weekly 'Do More With Your Money' podcast.

You can watch these videos at www.tpllp.com/youtube.

All of us at True Potential wish you a very good summer, whether you are venturing overseas or enjoying long summer nights in the UK.

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

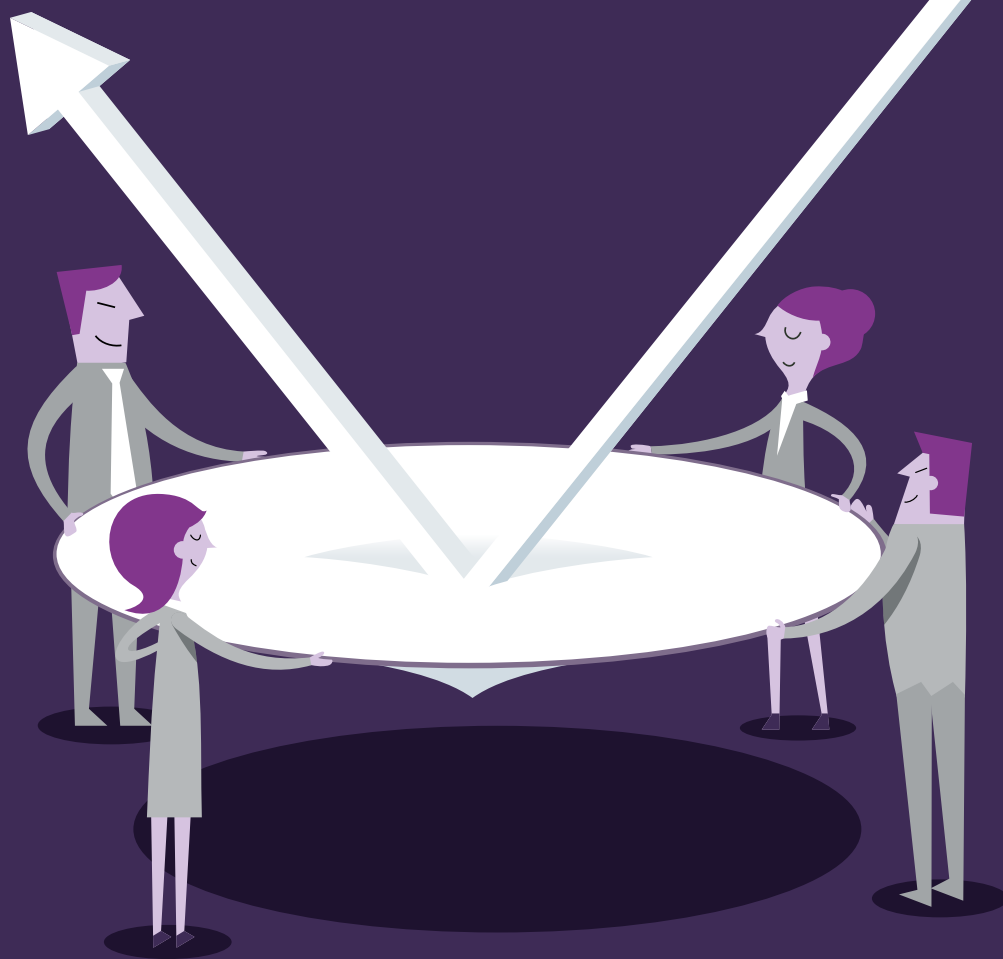
The True Potential Portfolios are a suite of fully-diversified, discretionary-managed investment solutions.

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.



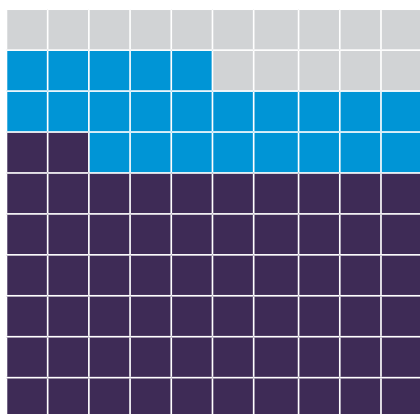
Portfolios

	30 June 2016 to 30 June 2017	30 June 2017 to 30 June 2018	30 June 2018 to 30 June 2019	30 June 2019 to 30 June 2020	30 June 2020 to 30 June 2021	Since Launch 1 Oct 2015 to 30 June 2021
Defensive Portfolio	+5.08%	+1.53%	+2.55%	+0.81%	+5.32%	+22.82%
Cautious Portfolio	+8.71%	+2.24%	+3.14%	+0.29%	+10.77%	+36.26%
Cautious + Portfolio	+9.31%	+2.57%	+3.66%	-0.64%	+11.91%	+37.27%
Cautious Income Portfolio	+11.68%	+0.88%	+4.11%	-2.69%	+14.60%	+39.80%
Balanced Portfolio	+13.42%	+3.62%	+3.67%	-1.28%	+15.68%	+49.85%
Balanced + Portfolio	+13.13%	+4.09%	+4.54%	-0.69%	+15.51%	+54.65%
Balanced Income Portfolio	+13.20%	+1.99%	+3.33%	-3.71%	+16.47%	+44.56%
Growth Portfolio	+16.47%	+5.40%	+4.17%	-1.26%	+19.23%	+65.95%
Growth + Portfolio	+16.87%	+7.02%	+4.11%	-2.93%	+20.59%	+65.37%
Aggressive Portfolio	+18.99%	+7.66%	+3.20%	-3.09%	+23.58%	+75.53%

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 majority of the UK eligible population have received their first Covid-19 vaccine dose"

Total percentage of people aged 18 and over who have received a Covid-19 vaccination, by dose.



— 1st dose: 85.2%
— 2nd dose: 62.7%

Source: coronavirus.data.gov.uk, June 2021



Review of the Markets:

Q2 2021

Investors have enjoyed a strong first half of the year. Global equities have continued to build on the previous quarter's positive momentum. Returns have been buoyed by faster than expected global economic recovery, driven by the speed of Covid-19 vaccination rollouts, as monetary and fiscal policy remained accommodative.

The majority of the UK population have now received their first Covid-19 vaccine dose with the US and Europe close behind. The greater the number of individuals vaccinated the more the global economy will continue its path of reopening.

Economic data proved resilient and incredibly strong in some important areas. The IHS Markit US Composite PMI was revised upwards to an all-time high of 68.7 in May 2021, signalling one of the sharpest upturns in business activity.

The debate on inflation intensified during the quarter. Inflation has moved higher as the base effect of falling prices in early 2020 translated into an acceleration in annual price increases. In the US, the year-on-year CPI inflation rate came in at 5% compared to the March figure of only 1.7%. The more transitory parts of the inflation calculation proved to be the biggest contributors to that 5% figure with fuel prices (+56.2%) and used cars and trucks (+29.7%) experiencing some of the largest moves.

How central banks react to higher inflation has been discussed heavily. The Federal Open Market Committee (FOMC) continued with its communication that inflation is transitory and the Fed Dot Plot, the prediction from FOMC members of when interest rates could move

higher was brought forward from 2024 to 2023, with some members seeing rate rises as soon as 2022. The potential for a reduction in quantitative easing and higher rates indicates a gradual move towards policy normalisation in the US.

Regionally within equities, Europe performed strongly, investors increased exposure as the vaccination rate climbed, which supported the cyclical element of the market and those sectors perceived as being more sensitive to the economic recovery.

The UK partially reversed some of its relative underperformance from 2020, providing solid returns. The domestic economy is leading the vaccination rollout with the removal of restrictions setting the UK on track to deliver strong GDP growth in the second half of 2021.

Further afield, Japan bucked the trend generating weaker returns than many other regions. A result of late vaccination rollout and breakouts of Covid-19 have hampered performance.

Within fixed income, sovereign bond yields have fallen with the US Ten Year Treasury yield now at 1.49% having started the period at 1.75%. Falling yields mean rising bond prices. The recent fall is some retracement of the swift move higher in the previous quarter.

Commodity prices were strong with the oil price up 23.5% (WTI) responding to increasing demand as economies reopened and OPEC+ successfully managed supply.

Investment Outlook

Our central investment thesis of a cyclical recovery is maturing.

Within our True Potential Portfolios proposition, reductions have taken place in early-stage cyclical equity sectors such as energy and financials after their recent strong performance. The more quality focussed areas of the equity market, sectors such as pharmaceuticals, utilities, and consumer discretionary are being added to as the style tilt of the proposition broadens.

Opportunities continue to present themselves but we are analysing the next stage of the cycle before significantly adjusting our investment positioning. In this environment, we believe the best returns will come from equity markets and are emphasising this asset class across the Portfolios.

Ten-year US Treasury yields are now at 1.3% as investors respond to the prospect of interest rates moving higher in the US earlier than initially expected. Forecasts of how high rates will be at the end of the year range from 1.5% up to 1.75%, lower than when analysts were polled earlier in the year.

Our view is that yields will rise from here but slowly. Stimulus is likely to be scaled back but we do not foresee a “taper tantrum” reaction. We expect the Federal Reserve to be careful with their communication and there is an understanding among investors that tapering will come through at some point. Yield levels on US Treasuries are unlikely to head significantly lower from here unless there is a shock to economic growth or activity data.

Investment-grade corporate bonds are generally deemed unattractive with spread levels, the amount of extra yield an investor receives above that on government bonds, very tight relative to history but we are willing to hold and take the higher yield. Alternative assets to traditional bonds and equities have been added to and are being further investigated as we move to the next stage of the cycle. Examples include products capitalising on foreign exchange movements and those products that can benefit from market volatility.

Globally, the economic recovery continues, driven onwards by vaccination rollout and stimulus. Economic data points continue to be strong. A key question is how long the expansion can go on? There are some signs of economic data peaking. However, this does not necessarily herald a contraction. Although momentum will slow, growth is set to continue through the remainder of 2021 but with regional nuances. As ever, diversification will remain paramount.

Inflation continues to be an important discussion topic. We believe the pick up in the inflation rate we are currently witnessing will be transitory. Looking at the components that have seen the most pressure, second-hand cars and travel, backs up our thesis although we are not complacent and are continuing to monitor this closely.

Within the US, there are some examples of higher wage inflation coming through, especially in the leisure and hospitality sectors. We acknowledge that there are many

factors presenting a barrier to individuals re-entering the labour market, with particular challenges around childcare and fiscal support. As we move through the year, we see these factors moderating as furlough schemes come to an end, financial support programmes roll off and more people go back to work which should help dampen wage increases. These trends should also find an echo in the developed markets of the UK and Europe.

Across Emerging Markets pandemic-related concerns may persist in the short term. China is a significant component of developing market indices and is currently an unattractive proposition. We are exploring other ways to gain exposure to this part of the world, notably Emerging Market currencies, commodity holdings and developed market shares with a strong link to commodity prices.

With central banks around the world apparently committed to continued stimulus in one form or another and inflation presenting potentially the greatest challenge to the investment outlook, “real assets”, those that can provide a hedge against the corrosive effects of a general rise in prices such as equities, are likely to remain in demand.



On June 23, 2016 the UK voted to leave the European Union. Three and a half years, much hand wringing and two prime ministers later we finally exited on January 31st 2020 followed by an eleven-month transition period. The end of July marked our first seven months of true independence.

As if making up for lost time the Trade Secretary, Liz Truss, has been busy forging Free Trade Agreements (FTAs) with trading partners around the world. To date 68 such agreements have been signed.

To be fair, most of these merely replicate the terms under which we already traded, negotiated when we were part of the EU.

However, in early June an FTA with Australia was signed and was the first such deal to be negotiated from scratch since Britain left the EU.

Critics have pointed out that Australia comprises a relatively small part of our total exports and there are concerns that while the nation enjoys cheaper, tariff-free Aussie wine, our upland sheep farmers may struggle to compete with an

influx of low cost lamb imports. But that misses the point. What the Australian deal highlights is that, while much of the international community is retrenching, an independent UK is looking outward, eager to do business with the rest of the world and develop links with partners old and new. The ink on the Australian deal is not yet dry and finer details still need to be worked through but there appears to be no let up in the pace at which new agreements are being pursued.

A deal with New Zealand is in the pipeline and the agreement with Japan, signed in October last year, while based on existing trading conditions, builds on the agreement we had as part of the EU and has been tweaked to make it more relevant for the UK's own specific economic needs.

What all these deals also achieve is to bring the UK closer to membership of the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPATPP). Catchily named, this is a trade agreement covering a number of Pacific, Latin American and North American countries.

The eleven constituent members, including Canada, Japan, Chile and Australia account for over 13% of world trade making the CPATPP one of the world's largest free trade areas.

Accession to this partnership would represent a significant milestone in the UK's mission to position itself at the heart of the fastest growing area of the global economy. Moreover, it would bring post-Brexit Britain a significant step closer to the ultimate goal of a Free Trade Agreement with the United States.

Unlike the EU where FTAs require approval by the European Parliament and deals are frequently subject to input by member states with vested interests, the UK government is free to conduct negotiations without recourse to Parliament.

As the world rebounds from the Covid-19 lockdown and global trade resumes, this agility and ability to act swiftly will prove invaluable in reestablishing the UK's reputation as a champion of free and fair trade and its status as a leading, sovereign trading nation.

Vaccine Development

Technological advancement is often associated with devices to make our daily lives more interesting or less stressful, but major recent developments have been in the healthcare and pharmaceutical industry and their rapid response to the pandemic.

Future generations will look back on 2020 as a watershed moment leading to changes in our perception of healthcare. From vulnerabilities exposed and differentiation in the provision of service globally,

to significant positive long-lasting changes emanating from research and development. Meanwhile public and private sector collaboration has increased, as has the acceleration of remote care via online appointments and telemedicine.

The shift from physical stores to online in retail has been ongoing for a number of years, accelerating during the pandemic. A similar trend is now upon us in healthcare.

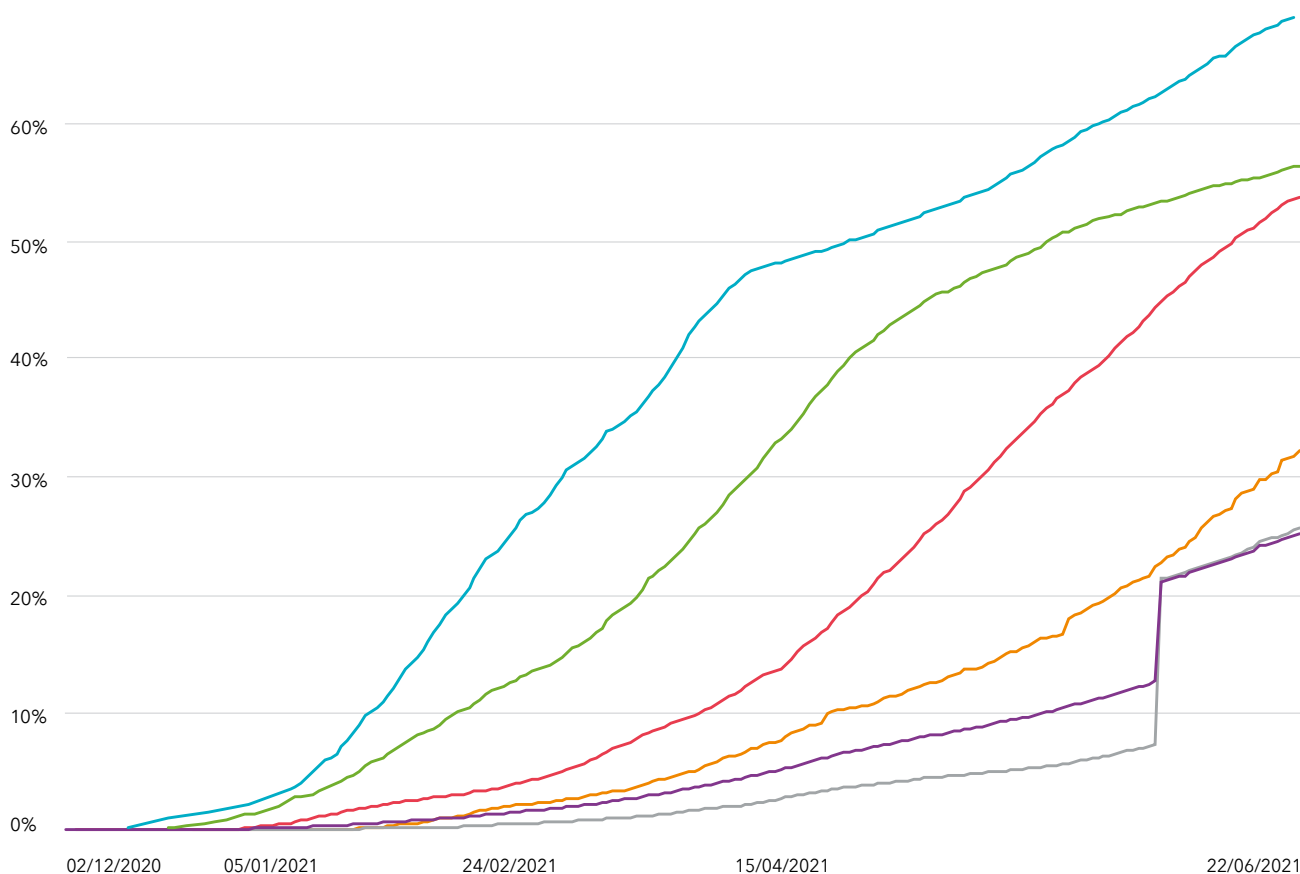
The need to 'get something done' with rapid deployment of approved vaccinations saw global cooperation between private companies, on a scale not previously witnessed.

This is evidenced by the percentage of world population that has been vaccinated, figures which grow each day, with increasingly tangible commitments from richer countries to help other less well-off countries.

Share of people who received at least one dose of Covid-19 vaccine

Share of the total population that received at least one vaccine dose. This may not equal the share that are fully vaccinated if the vaccine requires two doses.

- United Kingdom
- United States
- European Union
- South America
- Asia
- World



Source: <https://ourworldindata.org/covid-vaccinations>



For context, let's consider measles and the vaccine development timeline. In 1954, the measles virus was isolated, it was four years later, in 1958, that the first vaccine was tested and a further five years before it was licensed in 1963. That's the equivalent of 108 months, nine times longer than the development of the Covid-19 vaccine.

What a stark contrast, challenging why historically drug development and change in healthcare has been relatively slow. A key difference being the evolution of technology over recent years, new means of analysis, significantly improving scientific and clinical understanding.

The True Potential Portfolios hold investments across the sector, in a number of the companies that have been instrumental in vaccine development. In the UK, AstraZeneca and in the US, Pfizer, Moderna and Johnson & Johnson.

New technology has been embraced to improve research diagnostic capabilities and is now finding its way into the delivery of healthcare including our interaction with doctors, record keeping and data analysis for the common good.

The significant shifts witnessed in 2020 come against the backdrop of an ageing society that will see the demands on healthcare and related services increase.

The addressable market for healthcare and related companies will only continue to grow with an interesting mix of businesses that are exposed to rising demand and innovation.

Healthcare and technology have been a key area of focus and we have a strategic allocation to the sector, recognising this positive long-term backdrop.

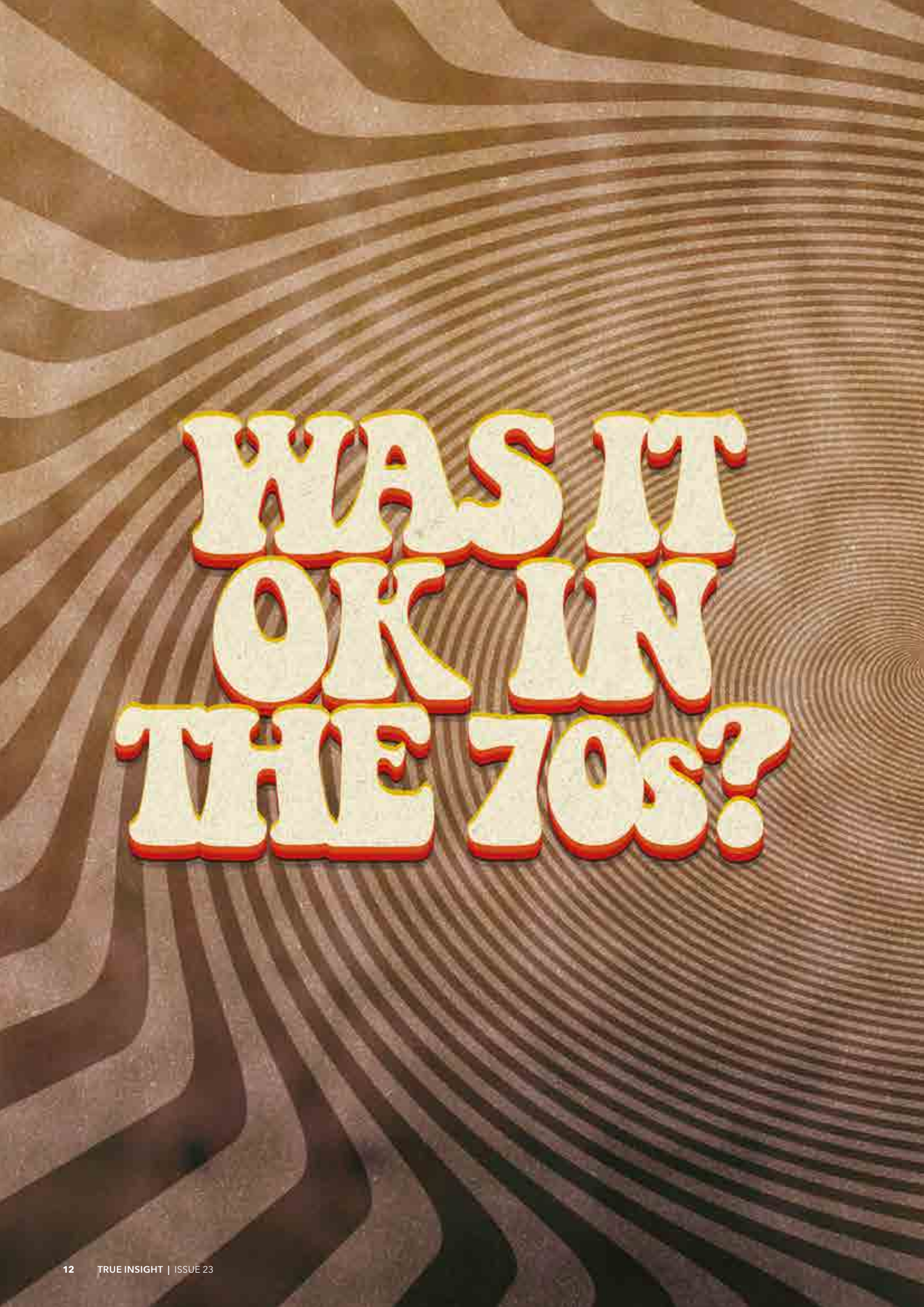
Innovation and development through the Covid-19 period highlights how change can occur. As the author Matt Ridley has discussed, 'innovation is evolution not revolution'. In the case of Covid-19 vaccinations, this form of innovation is evident.

There are factors, such as circumstance, collaboration, years of work and technology, that taken together, will change healthcare provision into the future. This can only be a positive.

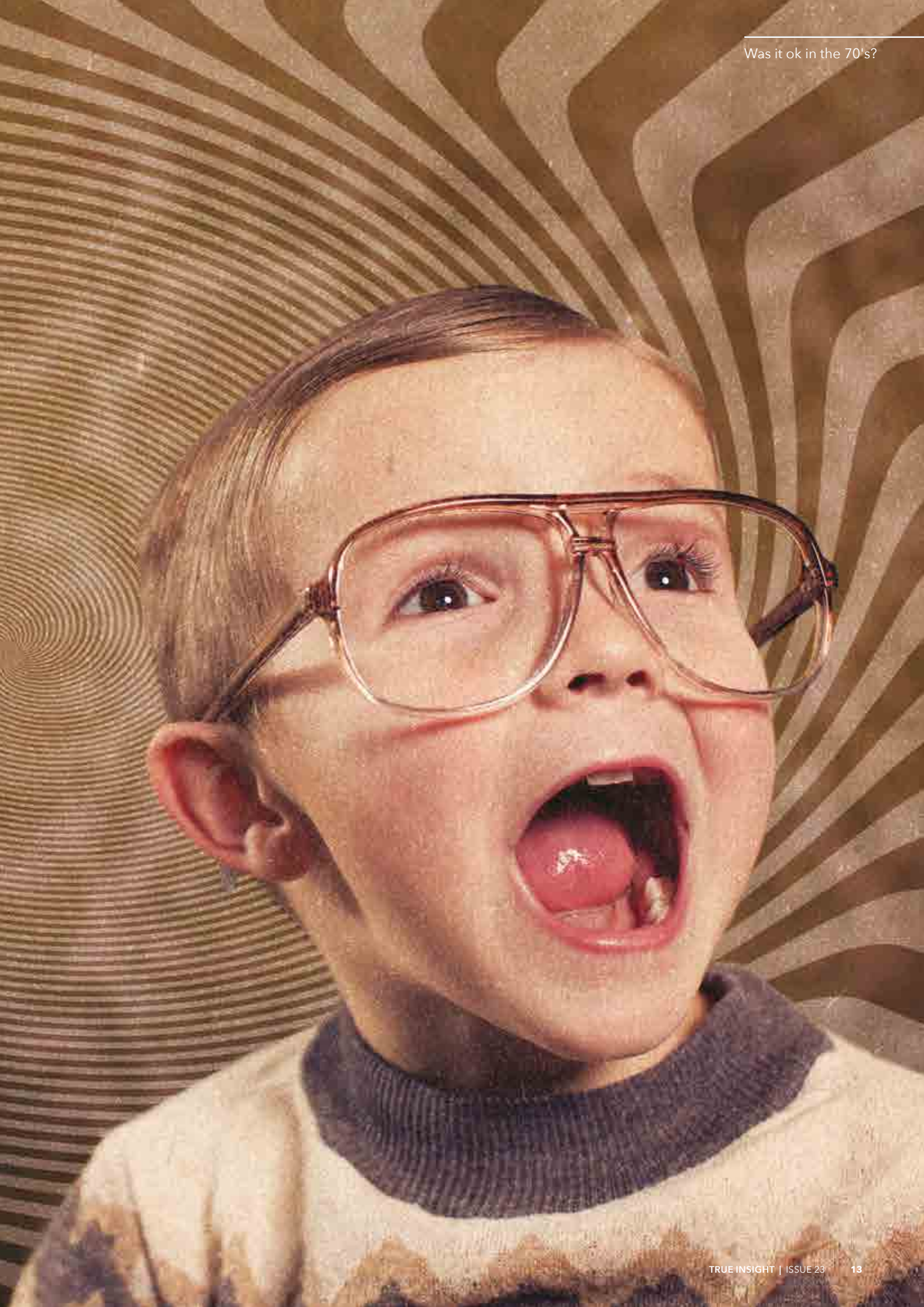


The speed of innovation and vaccine manufacture is truly impressive:





**WAS IT
OK IN
THE 70s?**

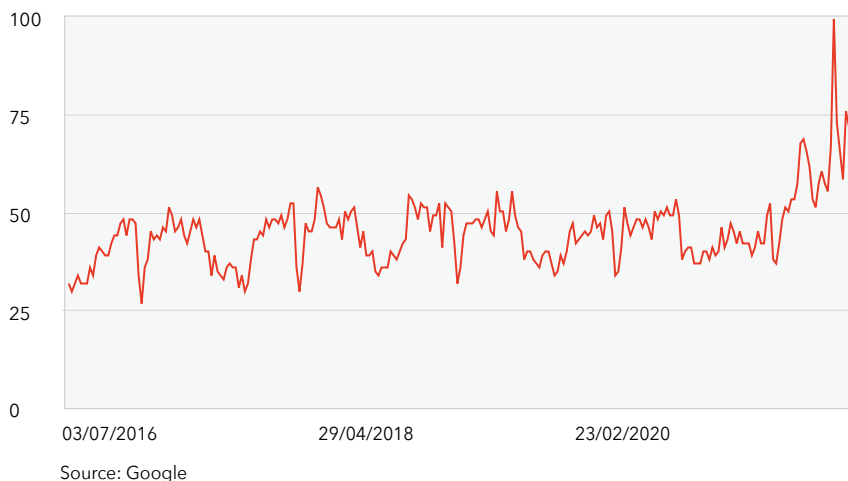


G lam rock, platform soles and the Bay City Rollers.

For those of us of a certain age there are particular aspects of the 1970s we'd care not to relive. Inflation is another and while it has never gone away the topic has been given more column inches this year as economic growth across the world is strong, interest rates are low and government spending is high giving us an environment which could see a rise in the cost of living.

The Google Trends chart below shows the current popularity of the topic, a reading of 100 indicates peak global search activity, during the middle of May.

Interest over time: Google Trends



Before going any further let's define inflation as sustained price increases across a wide range of products. It is not the change in the price of one item relative to another, prices of goods and services are driven by distinct supply and demand factors. For those parents reading, it comes as no surprise, the price of holiday accommodation increases in rhythm with the school holiday calendar. Perhaps because inflation is reported as a single number, it has an allure of being a simple concept, however it is far from that. Economists have presented various theories on the causes of inflation and the interaction of various factors on the potential for inflation.

A popular monetarist theory is that in the long run, inflation is determined by growth in money supply, over and above that required.

For some, it is easy to reason that after twelve years of quantitative easing - too much money being printed by central banks - that particular chicken is coming home to roost. For others there is no relationship and other factors are more pertinent such as an aging population and technological innovation.

The debate is exacerbated today as economies reopen and supply chain disruption is evident, we've seen the headlines with semiconductor

shortages hurting the motor industry, basic commodity prices such as iron and copper have recently touched record highs. Going back to our definition, is this a sustained broad-based increase in prices, or are shorter term influences in specific sectors causing distortions that will fade once supply-side issues get resolved?

At a headline level you can see why there is some excitement. The consumer price index in the United States increased to 5% in May and UK inflation has risen above 2% for the first time in two years.

"Domestic Inflation in 1970s occurred through a different set of circumstances without any of the technological innovation and globalisation of labour to counteract a sharp rise in prices caused by an oil price shock"

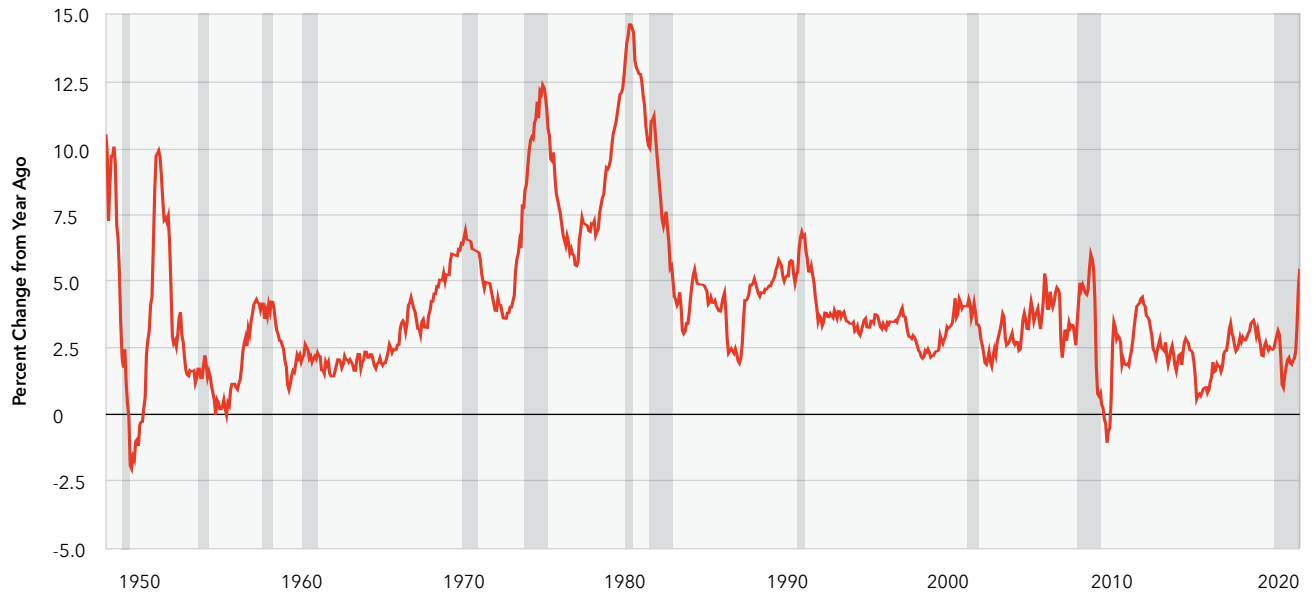
But context is very important. The chart opposite is a long run history of US consumer prices complete with highs, lows and spikes.

Low inflation has characterised the past decade and so it is reasonable for economists to consider a new possibility, that the next decade may be different with inflation reverting to higher levels.

At this point we acknowledge that inflation over the next cycle may run higher than we have come to expect, but we do not envisage the rampant inflation as seen in 1970s Britain, here's why.

Companies' costs went up during a period of muted economic growth when consumer purchasing power was low. The unions, much stronger then than now, fought for higher wages to compensate, pouring fuel on the fire and helping to create stagflation, stagnant growth with unbridled inflation. With retail price inflation, peaking at 26.9% in 1975!

Consumer Price Index for All Urban Consumers: All Items in U.S. City Average



Source - <https://fred.stlouisfed.org/series/CPIAUCSL#0>

This time around the hike in prices reflects a “positive demand shock”. Economic activity and prices are recovering from a year ago when lockdown restrictions caused business to stop and prices to collapse – the so-called base effect.

As the global economy recovers from the pandemic and lockdown restrictions are eased, countries around the world are taking advantage of record low borrowing rates to build back better and greener, placing climate change and improved infrastructure at the forefront of policy decisions.

If these investment initiatives deliver productivity gains, any inflation generated through faster growth may be contained - even if economic activity remains above trend for a long period. Potentially great news for us all.

What does this mean for investment returns?

All assets perform differently, and inflation impacts them in different ways.

Over the long term equities have typically provided a good return relative to inflation, especially when inflation is mildly positive.

Prices for commodities typically rise with inflation and tend to be volatile. Index linked bonds issued by governments have their return linked to inflation, providing a good hedge, but perform poorly if inflation disappoints.

Infrastructure investments have contracts linked to price rises and do well in an inflation environment, but also do badly if growth is poor.

Individually each asset class presents opportunities but also challenges. Therefore, we believe in multi-asset investing which offers diversification at times of uncertainty and potential to capture growth.

Finally, it is truly regrettable that the threat from inflation is particularly harmful for investors trapped in low return or nil return bank accounts.

If interest rates must rise in the next few years do not be surprised if banks restrain what they pay depositors.

This will erode your wealth. There is also talk of allowing inflation to ‘run hot’. This is an interesting expression. In essence central bankers are saying interest rates will not respond quickly as growth rebounds.

After the great financial crash they underestimated the challenge to growth, which left many people disadvantaged, and are determined to avoid a repeat. Along with governments their mantra is to build back better.

This narrative is relevant to our managers because they invest across a broad range of assets with potential to generate real returns over the long term.

Being diversified means you can remain invested while the debate around inflation continues to unfold.

Peace of mind when you need it most.

In an ever-changing world, keeping you in control of your investments is our top priority.

That's why, as a True Potential client, you can benefit from 24/7 online access to your own secure account, allowing you to safely manage your investments at the click of a button.

Your personal account allows you to track goals for your investments and monitor their performance from the convenience of your desktop, tablet or smartphone. What's more, our pioneering online impulseSave® feature means you can even top up your investments on the go from as little as just £1.

Ready to take back control? Search for "True Potential" in your app store to download the app today.



With investing, your capital is at risk.



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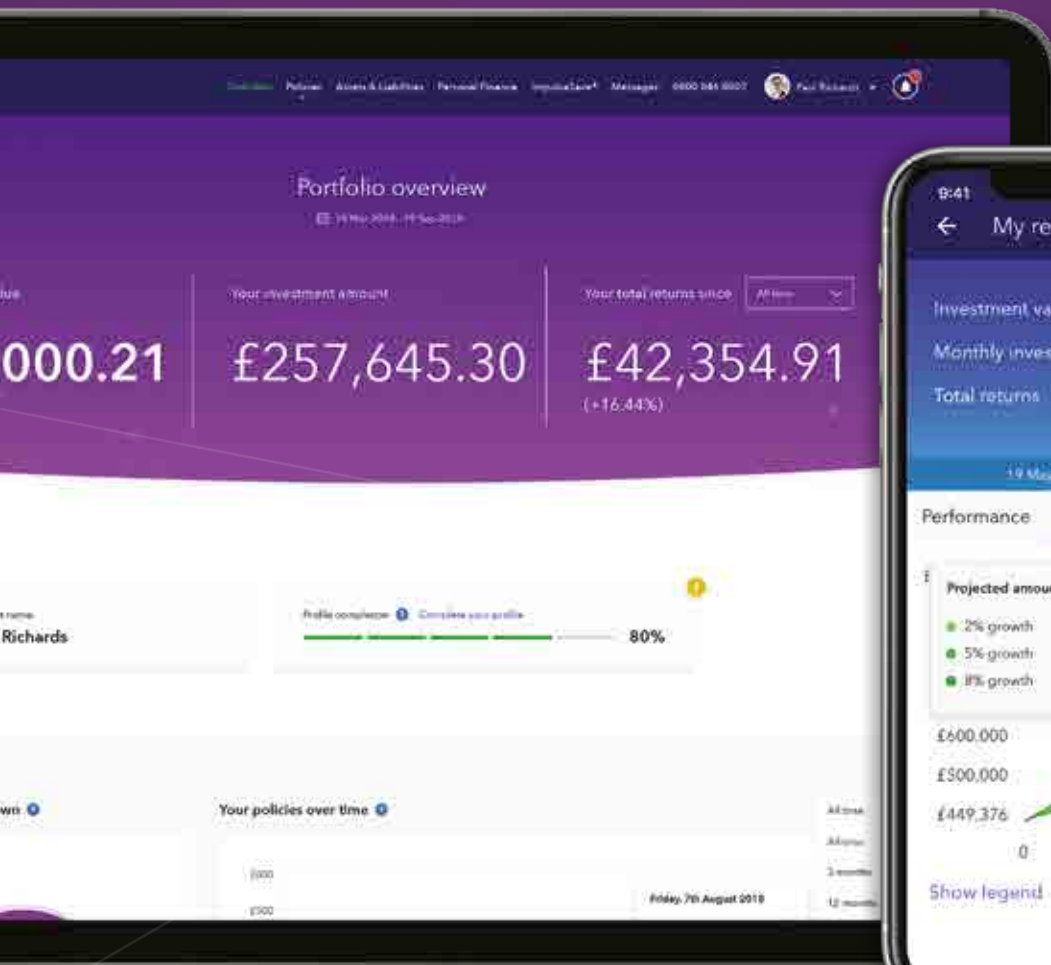
View your investments
24/7 online and
via our app

+

Track spending
and learn about
your financial habits

+

Top up your
investments
anytime with
impulseSave®



+

Add your assets
and liabilities to track
your net wealth

+

Contact us through
secure encrypted
messaging

+

Complete your
annual suitability
review

The science behind our portfolios

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

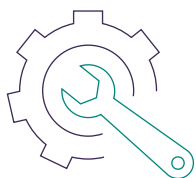
For example, we offer nine funds within the Balanced category, therefore if no preference was given to one fund over another, an equally-weighted allocation to each fund would be 11%.

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

Below are the optimisation results for the True Potential Portfolios. We always aim to optimise across all factors where possible. However, sometimes we may place more emphasis on one factor over another.

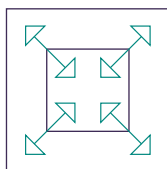
	Defensive	Cautious	Balanced	Growth	Aggressive	Cautious +	Balanced +	Growth +	Cautious Income	Balanced Income
Risk (Volatility)	✓		✓	✓	✓	✓	✓	✓	✓	✓
Risk (Mapped)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cost	✓	✓	✓	✓	✓	✓	✓		✓	✓
Long-Term Expected Return	✓	✓		✓	✓	✓	✓	✓	✓	✓
Risk-Adjusted Return	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Income				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

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



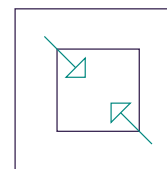
Risk (Baseline Portfolios)

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	25.00%
● Active Management with Passive Implementation - True Potential 7IM Defensive	22.00%
● Agile, Low-Cost Value Investing - True Potential UBS Defensive	27.00%
● Active Engagement, Positive Alignment - True Potential Growth Aligned Defensive	26.00%



Cautious

● Manager of Managers - True Potential SEI Cautious	15.00%
● Active Management with Passive Implementation - True Potential 7IM Cautious	14.25%
● Direct Equity & Bond Investing - True Potential Close Cautious	15.00%
● Momentum with Volatility Control - True Potential Allianz Cautious	16.50%
● 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	14.75%



Balanced

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



Growth

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



Aggressive

● Manager of Managers - True Potential SEI Aggressive	26.00%
● Active Management with Passive Implementation - True Potential 7IM Aggressive	16.50%
● Agile, Low-Cost Value Investing - True Potential UBS Aggressive	29.50%
● Active Engagement, Positive Alignment - True Potential Growth Aligned Aggressive	28.00%

True Potential Portfolios

Asset Allocation

Asset Class	Defensive	Cautious	Balanced	Growth	Aggressive
UK Equity	4.97%	10.99%	13.20%	18.18%	22.17%
US Equity	7.32%	9.61%	15.08%	18.75%	25.64%
US Equity (GBP hedged)	3.19%	5.88%	9.18%	12.33%	13.03%
Europe ex UK Equity	2.46%	3.70%	5.42%	7.66%	8.83%
Europe ex UK Equity (GBP hedged)	1.35%	3.11%	4.51%	5.48%	4.49%
Japan Equity	1.53%	2.51%	3.23%	4.87%	5.84%
Japan Equity (GBP hedged)	1.13%	1.93%	1.99%	2.82%	3.41%
Pacific Ex Japan Equity	0.40%	1.16%	1.64%	1.98%	1.64%
Emerging Markets Equity	2.53%	3.80%	5.36%	6.78%	9.46%
UK Gilts	3.65%	3.28%	2.16%	0.51%	0.09%
UK Corporate Bond	5.95%	8.24%	4.55%	1.93%	0.46%
Global Aggregate Bond	15.20%	11.85%	8.30%	3.00%	0.37%
Global Inflation-Linked Bond	3.87%	2.51%	1.88%	1.56%	0.25%
Global High Yield Bond	4.33%	3.84%	5.42%	2.79%	0.19%
Emerging Market Bond (USD)	3.25%	3.15%	3.68%	3.37%	0.58%
Global Property	0.00%	0.76%	1.12%	1.22%	0.58%
Gold	0.43%	0.68%	0.52%	0.56%	0.30%
Alternatives	5.69%	8.06%	6.62%	3.59%	1.00%
Cash	32.75%	14.94%	6.14%	2.62%	1.67%

Source: TPI. Data as of 30 June 2021

+ Portfolios

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

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

Strategy Allocation



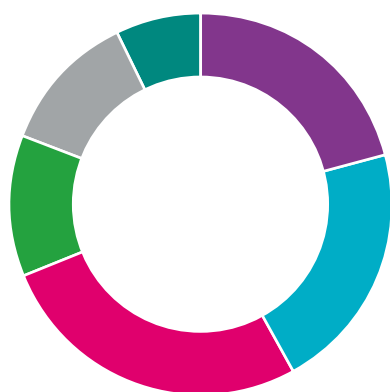
Cautious +

● Manager of Managers - True Potential SEI Defensive	20.00%
● Direct Equity & Bond Investing - True Potential Close Balanced	15.50%
● Fund of Funds - True Potential Schroders Balanced	3.00%
● Active Management with Passive Implementation - True Potential 7IM Growth	7.00%
● Momentum with Volatility Control - True Potential Allianz Balanced	13.00%
● Agile, Low-Cost Value Investing - True Potential UBS Growth	15.00%
● Alternative Dynamic - True Potential Goldman Sachs Balanced	6.50%
● Active Engagement, Positive Alignment - True Potential Growth Aligned Defensive	20.00%



Balanced +

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



Growth +

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

Asset Allocation

Asset Class	Cautious +	Balanced +	Growth +
UK Equity	10.37%	14.40%	19.53%
US Equity	12.16%	14.20%	21.35%
US Equity (GBP hedged)	8.75%	12.08%	13.48%
Europe ex UK Equity	4.71%	5.51%	7.10%
Europe ex UK Equity (GBP hedged)	3.91%	5.16%	5.71%
Japan Equity	3.02%	3.53%	3.96%
Japan Equity (GBP hedged)	2.19%	2.71%	3.30%
Pacific Ex Japan Equity	1.25%	1.69%	1.87%
Emerging Markets Equity	4.29%	5.25%	6.82%
UK Gilts	3.09%	2.80%	1.20%
UK Corporate Bond	5.22%	4.04%	2.43%
Global Aggregate Bond	8.87%	7.64%	2.13%
Global Inflation-Linked Bond	2.21%	2.09%	0.50%
Global High Yield Bond	2.64%	3.22%	1.37%
Emerging Market Bond (USD)	2.83%	2.57%	1.45%
Global Property	0.86%	0.74%	0.70%
Gold	0.68%	0.64%	0.47%
Alternatives	5.25%	3.76%	3.01%
Cash	17.70%	7.97%	3.62%

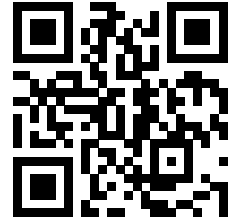
Source: TPI. Data as of 30 June 2021

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



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Income Portfolios

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

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

Strategy Allocation



Cautious Income

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



Balanced Income

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

Asset Allocation

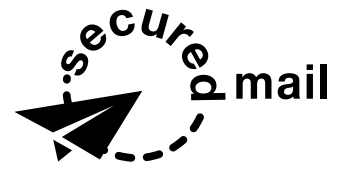
Asset Class	Cautious Income	Balanced Income
● UK Equity	18.76%	30.68%
● US Equity	1.20%	0.56%
● US Equity (GBP hedged)	9.26%	9.40%
● Europe ex UK Equity	1.07%	0.49%
● Europe ex UK Equity (GBP hedged)	5.63%	5.49%
● Japan Equity	0.08%	0.06%
● Japan Equity (GBP hedged)	0.30%	0.30%
● Pacific Ex Japan Equity	0.78%	0.80%
● Emerging Markets Equity	0.02%	0.02%
● UK Gilts	2.58%	1.36%
● UK Corporate Bond	12.20%	8.77%
● Global Aggregate Bond	11.90%	13.19%
● Global Inflation-Linked Bond	1.06%	0.44%
● Global High Yield Bond	12.33%	13.40%
● Emerging Market Bond (USD)	2.47%	2.69%
● Global Property	11.30%	6.55%
● Gold	1.00%	0.47%
● Alternatives	0.88%	0.66%
● Cash	7.18%	4.67%

Source: TPI. Data as of 30 June 2021


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