TRUE

INSIGHT

True Potential Portfolios | Issue 32 | Autumn 2023

THE PATH TO A SOFT LANDING.

The term soft landing has been used frequently in recent news articles, but what does it mean for investors? **pg. 16**

ALSO INSIDE

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Contents.

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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 **6,826kg of carbon dioxide.** This support will enable World Land Trust to protect **1,311m²** **of critically threatened tropical forest.**

Mark Henderson
Chief Executive
True Potential Investments

+ Welcome to Issue 32 of True Insight.

I will begin with the news that we have undertaken a review of our portfolio charges and I am delighted to announce that we have made significant reductions to the costs the majority of our clients will pay with immediate effect.

We have been managing portfolios for eight years now and currently look after over £23bn on behalf of our clients. This scale has enabled us to reduce costs progressively since 2015 as you can see from the table below. Against a background of higher prices for goods and services, including inflation linked increases, we want to reward your loyalty in a meaningful way.

Portfolio	2015 OCF	% change	2023 OCF
Defensive	0.82%	-13%	0.71%
Cautious	0.89%	-12%	0.78%
Balanced	0.93%	-16%	0.78%
Growth	0.87%	-12%	0.76%
Aggressive	0.85%	-11%	0.75%

OCF = Ongoing charges figure.

The accumulation of wealth usually comes later in life but 'from small acorns grow mighty oaks' and it is never too early to start investing. These wise words have been muttered for generations, usually to disinterested audiences. Part of the indifference stems from a lack of financial awareness in younger generations with other priorities. We are seeking to overcome this, in part, through our new 'On the Money' initiative with schools throughout the UK and a desire to drop just a few wise ideas into the fertile minds of young adults to try and make personal finance more interesting and relevant for them.

Our other two feature articles are intended to demystify some of the terms used in financial reporting. Topically we have the concept of a 'soft landing' increasingly used in conjunction with central bank efforts to curb inflation, with some success based on the latest published data.

We also get a little, but not too, technical as we look at past fashionable investment themes and bring this right up to date by including how one segment has dominated returns from one of the most important of all stock market indices, the S&P 500.

With best wishes to you all and please don't forget our weekly 'Do More With Your Money Podcast' is available each Friday onwards for you to watch at your convenience on our YouTube channel.

7.75%

The True Potential Balanced Income Portfolio was up 0.18% in the third quarter of 2023 and has grown 7.75% in the last 12 months.

7.71%

The True Potential Aggressive Portfolio has grown by 7.71% in the last 12 months.

60.15%

The True Potential Growth Portfolio has grown by 60.15% since launch (October 2015).

Figures shown after Ongoing Charges Figure (OCF) have been deducted.

Performance update.

Jeff Casson
Chief Investment Officer
True Potential Investments

+ The third quarter saw the strongest performance coming from the True Potential Balanced Income Portfolio.

The True Potential Threadneedle Monthly Income fund performed well, buoyed by its large exposure to UK equities. Larger capitalisation UK equities have benefited from the weakness in Sterling leading to UK exports being cheaper for non-Sterling buyers. The fund's holding in Shell enjoyed good returns, as a result of higher oil prices.

> "Since the launch of the proposition, investors have been rewarded with solid long-term returns."

Portfolios	3 months	1 year	Since launch (1 Oct 2015)
Defensive	-0.46%	+1.75%	**+14.94%**
Cautious	-0.56%	+3.50%	**+27.64%**
Cautious +	-0.68%	+4.03%	**+28.83%**
Cautious Income	-0.06%	+5.24%	**+34.69%**
Balanced	-0.80%	+5.15%	**+41.04%**
Balanced +	-0.63%	+5.54%	**+47.09%**
Balanced Income	+0.18%	+7.75%	**+39.97%**
Growth	-0.56%	+6.35%	**+60.15%**
Growth +	-0.37%	+7.54%	**+59.64%**
Aggressive	-0.17%	+7.71%	**+72.87%**

Source: True Potential Investments, data as of 30 September 2023.

Over the twelve months to the end of September, the True Potential Portfolios are providing a positive return. This has been achieved against a backdrop of fast rising interest rates and elevated inflation.

The True Potential Aggressive Portfolio produced strong returns over the 12 months period. The Portfolio benefitted from a large exposure to equities, the best performing asset class. The True Potential UBS Aggressive fund, one of our largest positions in the Portfolio, performed particularly well with its large weighting to US equities beneficial.

The True Potential Defensive Portfolio produced a positive return but lagged the other Portfolios. This was due to a lower exposure to equities compared to the higher risk mandates.

Since the launch of the proposition, investors have been rewarded with solid long-term returns. The True Potential Aggressive Portfolio is up +72.87%, illustrating the power of staying invested over the long-term.

Full five year past performance data for the True Potential Portfolios can be found on page 22. Figures shown after Ongoing Charges Figure (OCF) has been deducted.

Scan and log in to your online account to view and manage your investments.

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

Review of the markets: Q3 2023

The direction of central bank policy and the effects higher rates were having on the global macro economy continued to be in focus. Inflation remained above central bank targets although significantly lower than the peaks in 2022.

Overall, the global economy remained robust, more so than many expected at the start of the year. Strong labour markets continued to underpin consumer spending despite elevated interest rates and inflation levels. Manufacturing data in developed markets continued to improve over the quarter despite the headwinds of higher costs and weaker demand for goods.

Within asset classes, currency was a key feature of return. Sterling depreciated by approximately 4% against the US Dollar. A weaker currency proved beneficial for overseas asset returns when converted to Sterling.

Within equity markets, a weaker currency was also helpful for larger capitalisation UK stocks as exports were cheaper for overseas buyers.

This, along with the large weighting to energy stocks, led to the UK being one of the strongest performing regions.

The oil price moved significantly over the period with West Texas Intermediate up just under 29%. Tightening of supply has been driven by Saudi Arabia cutting oil production by one million barrels per day and Russia also reducing supply by 300,000 barrels per day. Demand continues to be strong, particularly from China, the world's largest importer, and India.

This has fed into equity markets with the energy sectors enjoying the best returns for the third quarter. From a consumer perspective, according to RAC, petrol prices in the UK have jumped up to over 156p per litre.

Bond markets posted weak returns with the month of September a particular struggle for the asset class. Central bank policy guidance from the US has been that interest rates are unlikely to move higher from here, however, they are likely to stay higher for longer than anticipated. The Federal Reserve's Dot Plot, a chart representing the Federal Open Market Committee's (FOMC) outlook, now indicates fewer interest cuts than previously forecast.

In this environment, longer dated bonds provided the weakest returns relatively, being more sensitive to moves in interest rates. Also contributing to the upward pressure on yields of longer maturity bonds in the US was the requirement of additional supply, intended to fund the US government fiscal spending plans.

Bringing all of the above together within multi-asset investment, there is always opportunity. Here at True Potential we exploit those opportunities through our diversified True Potential Portfolio solution, helping clients to achieve their goals.

29%

The oil price moved significantly over the period, with West Texas Intermediate up just under 29%.

Source: Bloomberg, 30 September 2023.

1m

Saudi Arabia has cut oil production by one million barrels per day.

Source: Bloomberg, 30 September 2023.

Market outlook.

3.8%

Unemployment in the US at 3.8%.

Source: US Bureau of Labor Statistics, 30 September 2023.

5.3%

US annual wage growth of +5.3%.

Source: Indeed HiringLab, 30 September 2023.

2.0%

The Federal Reserve's 2% Core personal consumption expenditure (PCE) inflation target could be achieved later next year.

+ As we move closer to the end of the year and into the next, opportunities continue to be on the horizon for both True Potential and our external manager partners. Inflation is significantly lower than last year's peak, allowing central banks to be less focussed on tightening monetary policy. Economic data continue to prove resilient with the consumer enjoying continued high levels of employment.

Economic growth.

Economic data continue to be strong. Labour markets remain tight with US unemployment at 3.8%, historically very low. Wage growth is resilient at 5.3%. Manufacturing data improved from earlier in the year.

In the UK, the economy has fared better than many expected. However, UK mortgage holders are more sensitive to higher interest rates compared to their US cousins with mortgages in the US generally having 30 year fixed terms. China has struggled so far this year, although recent retail sales and industrial production data surprised to the upside. Investors are waiting to see if, and in what form, further stimulus could come through from the People's Bank of China (PBOC).

Inflation.

Core US consumer price index (CPI) disinflation is evident. The Federal Reserve's 2% Core personal consumption expenditure (PCE) inflation target could be achieved later next year if there is a cooling of real US wage growth. If this happens, it would allow the Federal Reserve to make policy less restrictive.

Core inflation dynamics appear stickier in Europe, however, growth dynamics are lower with the European Central Bank (ECB) expecting real GDP growth of +0.7% for this year. This leads us to believe that Europe will not experience significant further interest rate rises.

The UK faces similar challenges to Europe, potentially even a stagflation risk. However, with strong Core disinflationary momentum through H2 2023, we expect the Bank of England (BoE) to shortly bring their interest rate hiking cycle to a close. However, interest rates will not be cut meaningfully until inflation is well contained.

Investors are currently facing a less synchronised global economic cycle in terms of growth, inflation, and monetary policy.

The key risk to this disinflationary view is an increase in headline CPI due to the higher oil price and base effects dropping out of the calculation.

In the UK, the economy has fared better than many expected.

Opportunities for growth.

In a world of robust real economic growth, equities remain our favoured asset class. Identifying areas offering valuation support is a key tenet of our process. True Potential fund manager partners have been tactically leaning into quality as a style factor to access businesses with strong balance sheets able to withstand a period of higher for longer interest rates.

We favour sovereign bonds over corporate bonds, with yield levels on sovereign bonds providing attractive entry points. In the US, given inflation and bond supply dynamics, we see potential for long dated yields to rise, thus have less appetite for exposure. Our outlook on Gilts has improved given the positive real yield available, desirable should the UK enter a period of stagflation.

Alternative assets remain a structurally important component of multi-asset portfolio. Cash provides a source of both yield and diversification and a higher hurdle for investment in risk assets. However, even in an environment of high interest rates, cash returns are currently still behind inflation.

Meanwhile the US dollar on a trade weighted basis has remained strong and remains of interest on a tactical basis. Of note is Sterling's recent weakness given the UK's weaker economic growth outlook.
To summarise, the developed market economic environment remains robust, particularly in the US. Headline disinflation is underway although challenges remain from the higher oil price, while significant tightening of interest rates is unlikely to take place from here.

On the money
with True Potential

115

115 of our financial advisers have volunteered to visit schools nationwide.

30,000

Over 30,000 students will receive our comprehensive personal finance lessons.

Compounding. Interest rates. APR. Inflation. Good and bad debt.

They are all factors that affect both our daily lives and our financial security. Yet for the most part, we are left to figure them all out for ourselves. To this day, thorough financial education remains absent from classrooms around the UK leaving millions of students ill-prepared for the world that awaits them.

Inflation makes the news headlines on an almost daily basis but what it means and, crucially, how to beat it over the medium to long term, is something too few people truly understand. This publication, our daily markets videos and our weekly Podcast, available on YouTube, are all designed to lift the veil by addressing the issues that affect your money.

Similarly, technology developments in recent years have removed barriers and opened up financial markets to millions, meaning investing has never been more accessible. True Potential's impulseSave® technology is a best-in-class example, enabling our clients to open an account and top it up with as little as £1 in seconds on a smart device.

> "The 'On the Money' initiative aims to address the pressing need for increased financial literacy among children before they leave school."

But while technology has surged ahead and businesses do what they can, financial education in schools has stalled and this has not gone unnoticed by those it affects most.

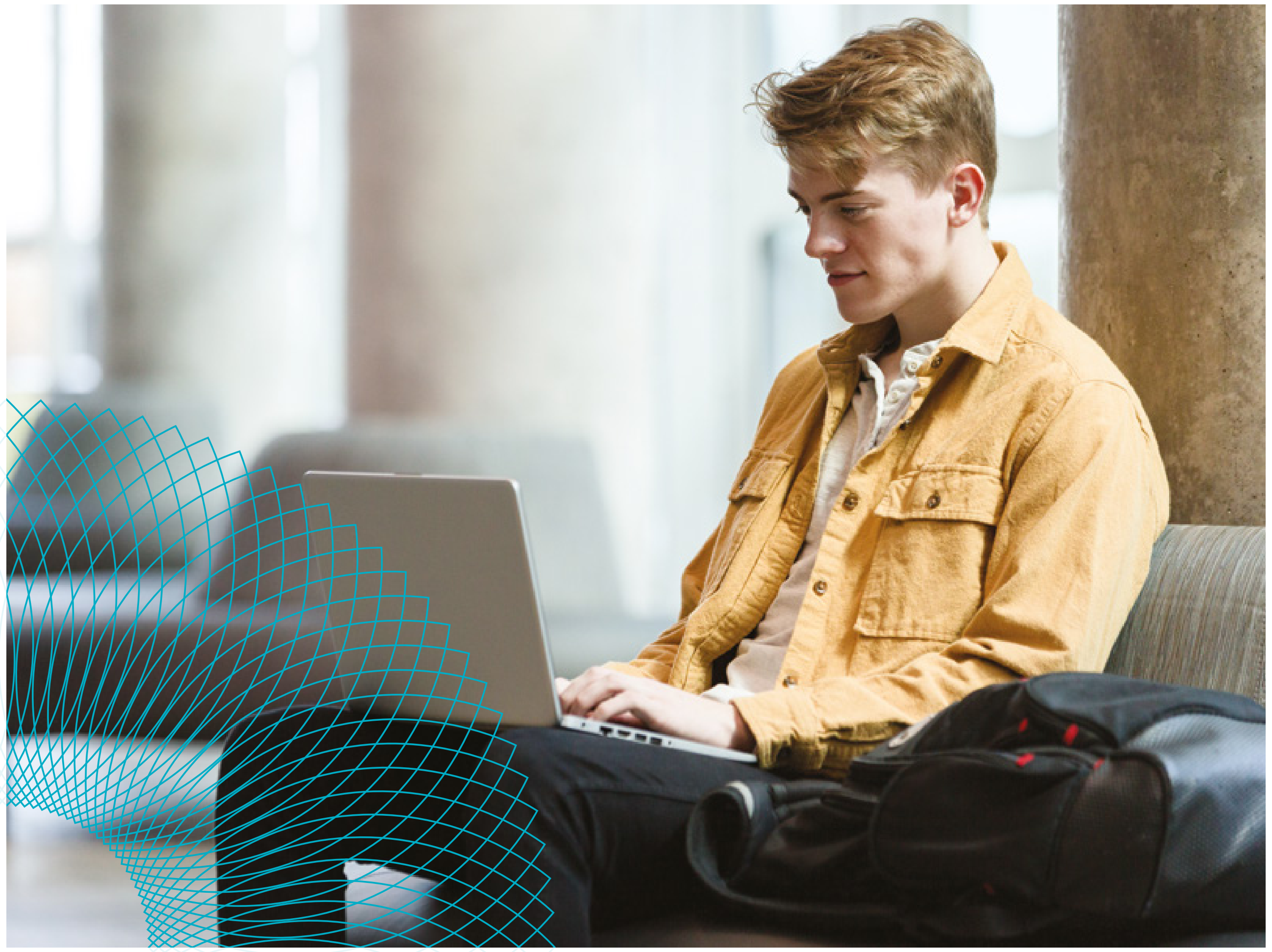
A YouGov survey commissioned by True Potential has found that 79% of 18-24 year-olds believe higher numeracy skills would positively impact their ability to manage personal finances, with 52% admitting they feel confused about financial matters either some or a lot of the time.

The survey found that 63% of Britons wanted the government to improve the quality of mathematics education in schools, with 91% calling for an increased emphasis on practical, real-world applications of mathematics in education, such as budgeting and investing. In the meantime, the UK continues to have a growing savings gap, with too few people saving adequately to provide a financial safety net or for a comfortable retirement.

Working with 20 per cent of the UK's financial advisers, True Potential is uniquely placed to make a difference. This month we launched 'On the Money' – a new campaign aimed at turning the tide on poor access to financial education and better preparing children for adulthood.

This initiative aims to address the pressing need for increased financial literacy among children before they leave school. As part of the campaign's first phase, 115 of our financial advisers have volunteered to visit schools nationwide to provide comprehensive personal finance lessons to over 30,000 students.

The lesson content has been developed in partnership with the Open University and will cover skills such as understanding bank accounts, saving, budgeting, debt management, credit scores, income tax, and national insurance contributions. Students will also study the impact of inflation and interest rates on everyday finances. With consumer borrowing at a five year high, the lessons will also cover the difference between good and bad debt. Virtually everyone will borrow money at some point in their lives, yet it is not something typically explored at school.



'On the Money' builds on our track record of action to improve financial literacy. True Potential's previous partnership with the Open University has seen free online personal finance courses accessed by over a million learners since 2013.

Meanwhile since 2017 we have worked with our charity partner, the Harrison Foundation, to open six Centres for Social Mobility across the UK and overseas, which provide education and training to young people to help them grow in confidence and acquire the skills needed to secure a job.

Poor financial literacy is a significant issue in the UK, limiting young people's ability to manage their money effectively and get on in the workplace. The On the Money campaign aims to bridge this gap by empowering students with the confidence and capability needed to achieve their own financial security and close the savings gap.

The faster, easier way to manage your money.

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.

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.

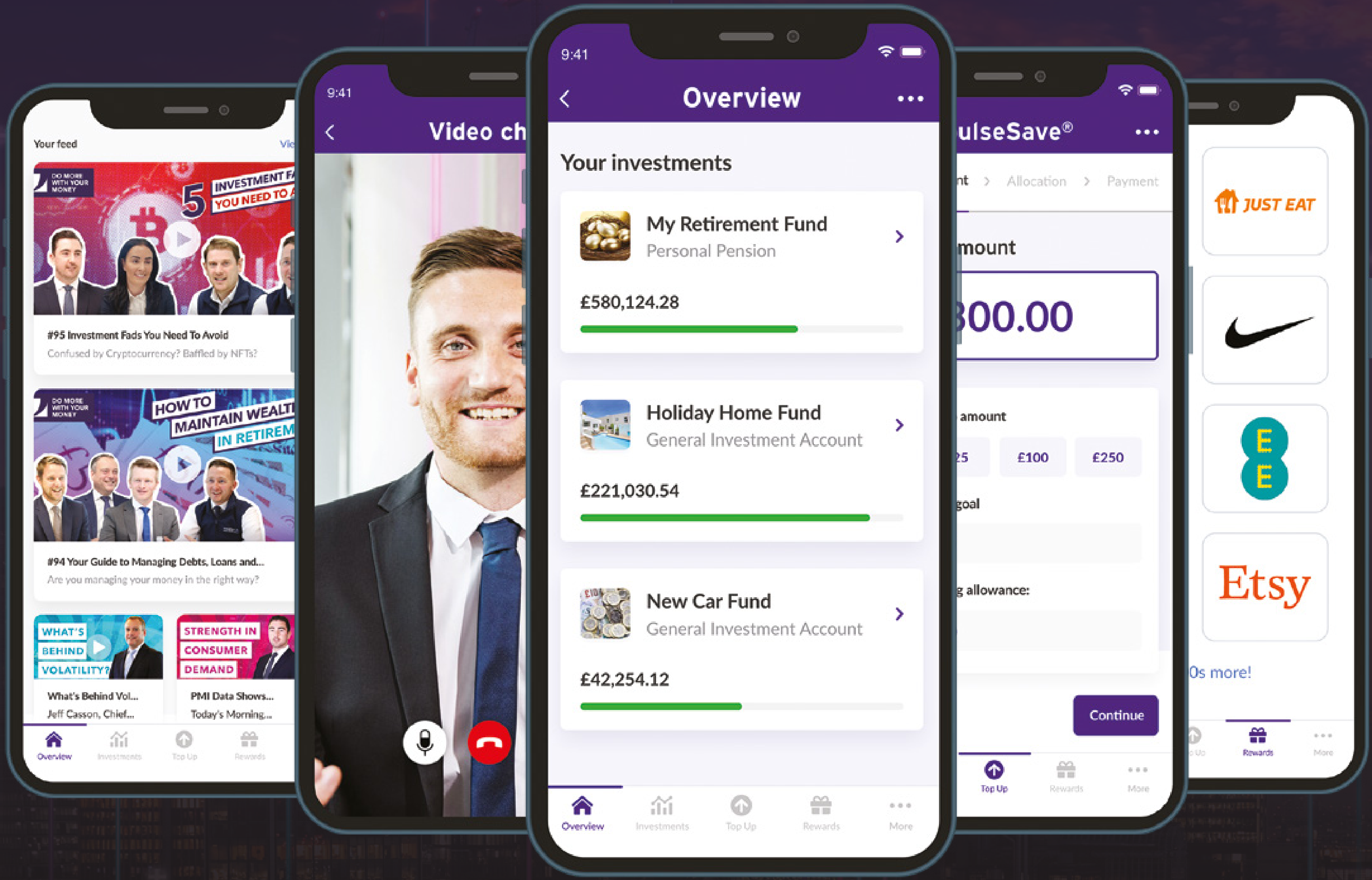
To download our new app point your phone's camera at the QR code opposite and press the link.

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

Download on the App Store

GET IT ON Google Play

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



Get in touch with our dedicated Relationship Management 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.

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Portfolio changes: Q3 2023

As a result of changes made both at the portfolio and underlying manager level, overall equity exposure increased over the quarter driven by additions to US, Japan and UK equities with reductions to Europe and Emerging Market equities. Fixed income exposure also increased through additions to UK Gilts whilst cash and alternatives exposure came down.

Economic data from the US continue to demonstrate resilience relative to other regions as disinflation momentum continues albeit at a slower pace with real GDP remaining robust. In Japan, cheap valuations, structural changes to make companies more shareholder friendly and potential for the Bank of Japan to move away from ultra loose monetary policy support allocation. Europe, by contrast, looks more challenged given the region's linkage to China and stickier core inflation dynamics. Our outlook on UK equities, specifically the FTSE 100, has recently improved. The index's commodity linkage and exposure to companies with revenues in US dollars makes it a beneficiary of rising oil prices and sterling weakness. Within fixed income, we favour sovereign bonds over corporate bonds given more compelling valuation. Accordingly, asset class exposure changes over the quarter have aligned the portfolios closer to the True Potential view.

We have made changes to the fund allocations in the portfolios, increasing the allocation to Pictet funded from an adjustment to 7IM in both the Core and Plus portfolios. Pictet was added to as their overweight to equity and higher allocation US equity fits well with the True Potential view. 7IM was the funding source given their defensive positioning does not align as closely to the True Potential view in respect of their underweight to equity, lower US equity exposure, preference for credit over global sovereign bonds and large allocation to alternatives.

Manager allocation changes were also made to the Income portfolios to drive greater consistency in the level of risk taken in them relative to the core portfolios. In Cautious Income, Close Brothers, Goldman Sachs Income Builder and Threadneedle were reduced with the proceeds put into Schroder and UBS. In Balanced Income, Close Brothers and Goldman Sachs Income Builder were reduced with the proceeds put into Threadneedle and UBS. Of the True Potential income manager cohort, Threadneedle and Goldman Sachs Income Builder are higher risk whilst Schroder is lower risk so these changes brought risk closer to the core portfolios. Close Brothers was reduced to moderate concentration to the manager and UBS was increased to enhance yield.

Underlying managers have also been active over the quarter. Within equity, managers including Growth Aligned and UBS added to the US in valuation conscious ways through addition to the S&P Equal Weight. Select managers such as Schroder and Growth Aligned also added to Japanese equity to take advantage of the tailwinds outlined above. In September, several managers added to UK equities to benefit from higher energy prices and sterling weakness. Growth Aligned added to the FTSE 100 and UBS closed their UK underweight.

Within fixed income, several managers have adjusted positioning to take advantage of yield curve steepening as the US yield curve un-inverts. For example, Growth Aligned takes the view that yields on longer dated bonds will rise faster than yields on short-dated bonds driven by increased issuance of long maturity US Treasuries and rising term premium. To position for this, they added to a US Steepener ETF (which is positioned short 10-year and long 2-year US treasuries), reduced long-dated US treasuries and added to short-duration global aggregate bonds.

Elsewhere within fixed income, managers have added to Gilts to take advantage of positive real yields. For example, Schroder sold out of long-dated US treasuries and rotated into Core UK Gilts and Close Brothers rotated some of their US Treasury exposure into the UK Gilts. Within alternatives, Schroder diversified out of their existing exposure by adding to three new strategies.

The path to a soft landing.

+ The term soft landing has been used frequently in recent news articles mostly when describing the desired outcome of central bank policies. But what does it mean to investors?

Within multi-asset investing, a "soft landing" is a term used to describe the situation where an economy or a financial market undergoes a controlled and gradual slowdown rather than a sudden and severe downturn. It is essentially a scenario where economic growth or market conditions moderate without causing a recession, financial crisis, or significant negative impact on various financial assets.

Key characteristics of a soft landing include:

1

Gradual Economic Slowdown: In the context of an economy, a soft landing implies that the rate of economic growth is intentionally slowed down to a more sustainable pace. This is typically done to prevent the economy from overheating, which can lead to inflation, asset bubbles and other imbalances. Measures such as interest rate hikes, reduced government spending, or changes in monetary and fiscal policy are often used to achieve this gradual deceleration.

2

Market Stability: In financial markets, a soft landing suggests that asset prices, such as stocks and real estate, adjust in a controlled manner rather than experiencing a sudden and sharp decline. This controlled adjustment helps prevent severe market dips and panic selling.

Achieving a soft landing is a delicate balancing act for policymakers, as it involves making timely and well-calculated decisions to moderate economic growth or market exuberance without inadvertently causing a downturn. Overly aggressive measures can lead to unintended consequences, such as a recession, while a failure to act can result in overheating and financial instability. Clearly, the failure of central banks to react to rising inflation in 2021 has borne the consequences today of much higher interest rates and more prolonged price pressures.

Perhaps the misunderstanding in this part of the economic cycle has been about the supposed path to a soft landing. The US economy dominates that of the western world – 'when the US sneezes the rest of the world catches a cold'. Up until quite recently markets in the US had priced in several rate cuts over the next nine months as being the necessary medicine for a soft landing. However, US economic output currently appears too strong to justify this: whilst job growth has slowed substantially, it has continued to exceed the expectations of policymakers; measures of consumer demand remain robust, and inflation remains above 2%.

This is where those "key characteristics" of a soft landing become useful when framing the current economic backdrop: There is little evidence of a rapid economic slowdown in the US; markets are resilient (although volatile, currently); inflation is falling but not yet at target levels; employment growth continues, and forward guidance indicates higher GDP growth and lower unemployment ahead. Rather than interest rates needing to be reduced, in line with previous market expectations, an unusual adjustment is ongoing – markets are acknowledging stronger US economic fundamentals by pricing slower interest rate cuts in the future.

The concept of a soft landing underscores the importance of prudent economic and financial management, forward-thinking policy, and effective communication in navigating the complexities of economic cycles and market dynamics. When executed successfully, a soft landing can help sustain economic stability, promote long-term growth, and protect the interests of investors, businesses, and the general population. However, such growth outcomes can only be viewed in the 'rear view mirror'. We remain faithful that policy makers will avoid the failures of the past and act with prudence when reducing economic excesses, whilst maintaining aggregate employment levels. Multi-asset portfolios stand to benefit from this desired outcome.

3

Inflation Control: One of the key goals of achieving a soft landing is to manage inflation. By slowing down economic growth, policymakers aim to curb inflationary pressures, ensuring that prices remain stable or rise at a moderate and manageable rate.

4

Employment Preservation: Soft landings also aim to protect employment levels. During an economic slowdown, maintaining job stability is a priority, as a sudden downturn can lead to widespread layoffs and increased unemployment. A controlled economic adjustment helps avoid these negative consequences.

5

Forward Guidance: Central banks and financial authorities often use forward guidance to signal their intentions to the market and the public. Clear and transparent communication about policy actions helps manage expectations and reduce uncertainty.

Myths you've been told about investing.

+ What is it you think about when you hear the word investing? There are plenty of misconceptions and myths about investing. The reality is investing can be simple, and something that can be relatively straightforward in an ISA or pension. It's a topic we cover regularly on our Do More With Your Money Podcast, including in a recent episode entitled 'Investment traps to avoid', available to watch now on our YouTube channel.

Here are some of the most common investing myths that may be holding you back from your investment goals.

You need to be rich to be an investor.

Anyone can be an investor. Even if you are just starting out in your career, you can choose to put an affordable percentage of your wages into an investment at a risk level you are comfortable with. It doesn't necessarily have to be a big lump sum investment.

Little and often investing, over a long term period, has the potential to grow in value significantly. At True Potential you can top your investments up from just £1 with impulseSave® in the True Potential app. However, capital is at risk when investing and past performance isn't a guide to future performance, so you must be prepared for any eventuality when investing.

Investing is too much of a risk.

It is true that some investments will be high risk, for example day trading or cryptocurrency, where volatility is high.

However, there are other investments that may be less volatile, such as investment portfolios that are diversified regionally and across a broad range of asset classes. Generally, investment managers will build portfolios with mixes of equities, bonds, and other assets with the aim of 'not putting all of your eggs into one basket.' While these investments may be less volatile, there is still an element of risk and the perspective will depend on your individual circumstances.

While different funds will have their own time horizons, generally investments are more suited for long term goals, considered as five years or more, such as retirement through a pension, and you can take an attitude to risk survey to help find the right Portfolio for you from a defensive to aggressive scale.

Investments take up too much time.

Investing is typically for the long term, depending upon the time horizon of the fund invested in, and checking in on performance in the short term isn't really indicative of anything. Days, weeks, even months, aren't really all that relevant when you think a pension may be invested for multiple decades.

There is a term, 'set and forget' for regular investing. Simply set a direct debit of a regular amount for the start of each month to go directly into your investment. This ensures you are continually doing little and often investing over a long term period.

Investing is all about timing.

In an ideal world, of course you want to invest as markets are rising, allowing you to ride a wave of growth upwards.

But there isn't a way of knowing when markets are going to rise or fall. Trying to time the markets is pointless, nobody knows what is going to happen an hour from now, let alone in a day or a week.

What may make more sense is to regularly invest little and often, perhaps at the start of every month after you've just been paid. Over time this may mean your average investment price is smoothed out compared to a one off lump sum investment.

A Cash ISA is safer than a Stocks & Shares ISA.

Cash ISAs may be suitable for some shorter term goals, you may receive a fixed rate of interest if you lock your money away for a set period of years.

But look at things from another perspective. Cash ISA rates are still below the rate of inflation, meaning any growth in your cash won't keep up with the growth in prices.

For example, as of October 18 2023, a Cash ISA may seem attractive as the Bank of England interest base rate is currently 5.25%, but at the same time the current UK consumer prices index (CPI) inflation measure is 6.7%. With this in mind, perhaps consider a Cash ISA for a shorter term goal.

On the alternative side, for longer term goals, in a Stocks & Shares ISA your money may be able to grow at a rate that exceeds the rate of inflation. Markets have been volatile recently, but that potentially means you are buying units at a lower price, which could mean more potential for growth in the years to come.

Whether you are just starting out with investments, or you want to review what you already have, it is recommended that you seek financial advice from a professional.

Scan to watch our *Investment traps to avoid* episode on YouTube.

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. Tax is subject to an individual's personal circumstances, and tax rules can change at any time. This article is not personal financial advice.

What lies beneath.

Advanced Diversification. That's the mantra we live by at True Potential. Not slavishly jumping on the latest bandwagon, we construct portfolios from old and new investments, traditional and alternatives positioned for the future rather than relying on what has been.

One of the ever-present debates in financial services is that of active versus passive management. Does an experienced fund manager really secure you better returns than the lower cost algorithms of an index tracker?

The case for each is strong. We use both.

And each approach requires scrutiny. As an investor you need to know what you're investing in. You need to look under the bonnet.

In truth the active/passive argument is much more nuanced. Some indices are easier to outperform than others. The UK market, with its large exposure to the Resources sector, has been relatively easy to beat if your call on oil and mining stocks has been right. America's S&P 500, by contrast, has proved a more difficult nut to crack for various reasons.

It is the largest, most liquid market. It is subject to more analysis than any other market. No element of it remains unmeasured, unmetered or unmarked. It contains many of the leading companies in the largest and most rapidly expanding areas of the global economy, and in concentrations that few active managers would consider prudent.

While the S&P 500 may be perceived as a broad reflection of the US economy, a closer inspection reveals that a small number of stocks wield substantial influence over its performance. Around one quarter of the value of the index is comprised of a handful of stocks: Apple, Microsoft, Alphabet (Google), Amazon, Nvidia, Tesla and Meta (Facebook).

The "Magnificent 7" dominate not just the composition of the index but also the performance. Largely responsible for the S&P's global outperformance over the last 10 years, in recent months the tide has turned for some tech stocks and during August, 50% of the market's decline was attributable to just these seven shares. Apple alone accounted for 30% of the retreat. The effect of share price volatility in these stocks and value concentration has been felt in the broader index.

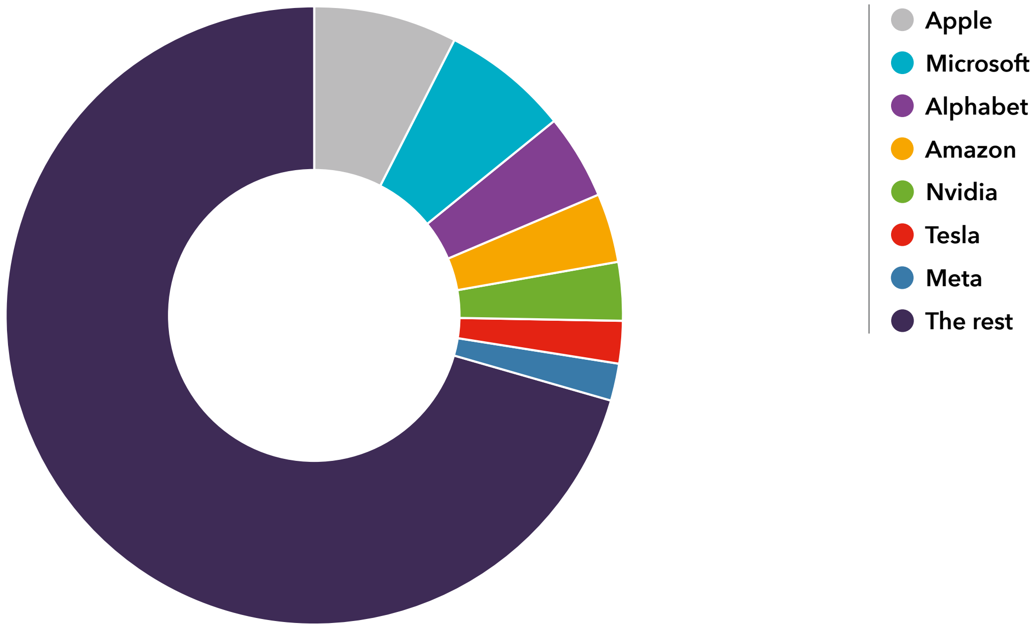
True, these international behemoths deserve their place in investors portfolios but Netflix, one of the original "FAANG"s, (Facebook, Apple, Amazon, Netflix, Google) has been replaced by Nvidia, the computer chip company, in a timely reminder that what goes up can come down. During Covid, while the world stayed at home watching telly, the price of Netflix more than doubled, only to come tumbling back by 75% when restrictions were relaxed.

Financial history is littered with similar stories. The original "Nifty Fifty" referred to a group of highly valued blue chip stocks popular in the 1960s and '70s and perceived as infallible. The market downturn of the 1970s dispelled the notion of their invincibility but serves as a cautionary tale for those who put too much faith in the record of past performance and the comfort of catchy acronyms.

Markets, or at least those who opine on them, love a snappy moniker: the FAANGs, the Magnificent 7, the Nifty Fifty. "Blue Chip", a byword for financial stability and good standing, ironically derives its name from the highest value gambling stake, blue traditionally being the colour of the largest casino chip.

While most acronyms relate to developed markets, the "BRICS" was coined by a Goldman Sachs economist to represent the developing economies of Brazil, Russia, India, China and South Africa. While the term has been used in countless sales promotions, the very disparate nature of these countries' economic structures, political systems and growth trajectories has raised doubts about the cohesion of this grouping over and above the obvious marketing appeal of the phrase.

S&P Market cap ($trn)



> "We construct portfolios from old and new investments, traditional and alternatives positioned for the future rather than relying on what has been."

There are multiple headline grabbing investment processes. Passive or index investing, over representing rapidly expanding growth sectors, putting greater store in duller but worthy "value" shares, momentum investing – buying those shares that are going up- or the inverse, contrarian investing-buying cheap bombed out underperformers. All these strategies work. Until they don't.

Investment can be overcomplicated. So too can it be oversimplified. Whatever the approach, nuance and analysis is required.

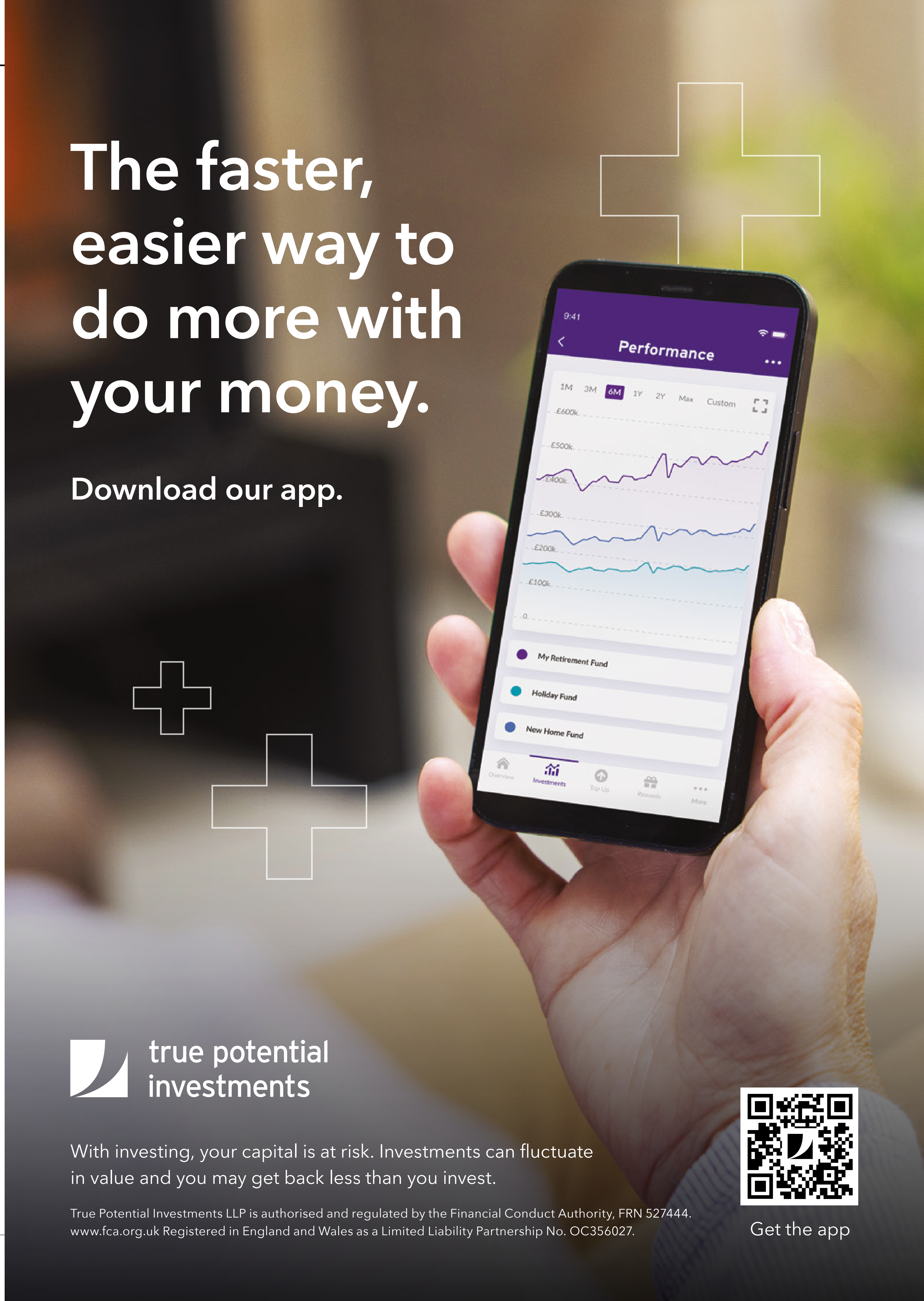
Whatever the goal Advanced Diversification still works.

Five year performance.

Portfolios	30 Sep 2018 to 30 Sep 2019	30 Sep 2019 to 30 Sep 2020	30 Sep 2020 to 30 Sep 2021	30 Sep 2021 to 30 Sep 2022	30 Sep 2022 to 30 Sep 2023	Since launch annualised (1 Oct 2015)
Defensive	+3.24%	-0.01%	+4.76%	-8.12%	+1.75%	**+1.76%**
Cautious	+4.09%	-0.48%	+9.74%	-9.64%	+3.50%	**+3.10%**
Cautious +	+4.52%	-1.41%	+10.92%	-10.18%	+4.03%	**+3.22%**
Cautious Income	+4.36%	-2.66%	+13.63%	-9.33%	+5.24%	**+3.79%**
Balanced	+4.30%	-1.52%	+14.20%	-10.95%	+5.15%	**+4.39%**
Balanced +	+5.24%	-1.28%	+14.20%	-10.53%	+5.54%	**+4.94%**
Balanced Income	+4.58%	-4.54%	+15.82%	-11.09%	+7.75%	**+4.29%**
Growth	+4.57%	-1.39%	+17.66%	-10.05%	+6.35%	**+6.06%**
Growth +	+4.39%	-3.28%	+19.23%	-11.00%	+7.54%	**+6.02%**
Aggressive	+2.99%	-2.91%	+22.30%	-9.53%	+7.71%	**+7.08%**

Source: True Potential Investments, data as of 30 September 2023.
Figures shown after Ongoing Charges Figure (OCF) has been deducted.

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.



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