TRUE

INSIGHT

True Potential Portfolios | Issue 31

RISE OF THE MACHINES.

An in depth look at Artificial Intelligence. How it can and probably will be a game changer. **pg. 20**

ALSO INSIDE

true potential investments

Contents.

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

Mark Henderson
Chief Executive
True Potential Investments

This summer issue gives me the opportunity to welcome regular and new readers to True Insight at a time where we see client numbers grow.

We now have close to half a million investors holding assets on our platform and in our portfolios. In a commoditised world we believe in the strength of the individual and never lose sight of our purpose, which is to help all clients meet their individual financial goals. To put this simply, it is a question of how much and by when, using our technology to give everyone the ability to set individual goals and monitor the journey towards the goal as often as you wish.

As a group, we have investors of all ages in different phases of life, for example over 111,000 of you contribute monthly to your investments using our technology via impulseSave® or by direct debit.

As portfolio managers we study external events to help form our forward-looking investment strategies. Individual investor behaviour is just as important, as this influences how you think about your long-term goals. We examine biases, patterns and predictability in more depth on page 10.

'Data dependent' is an increasingly used phrase as central banks study data to evaluate the effects of their inflation fighting policies. It gives them the ability to change the direction of travel should this be necessary and we have seen this come into play in the UK, US and Europe.

There are so many sources of data pored over by financial analysts which feed into 'market sentiment' and we thought you would be interested in reading more about the main leading and lagging indicators and why they are so important to investment managers globally.

I mentioned data analysis earlier and the subject of Artificial Intelligence is in the news almost daily. Feelings range from an open welcome to a guarded fear of what this could lead to and calls for extensive regulation in what is already a highly regulated world.

Data collection is part of everyday life and has been for decades, whether it is through the use of mobile phones, buying goods online or in store, banking transactions or travel. The race to dissect the vast sources of collective data started before the recent headlines and is continuing.

Without doubt AI is a fast-moving area and the beneficial applications will bring about change, sometimes subtle, other times in more noticeable ways. We are deploying AI across the business to personalise the delivery of our services to our clients and speed up responses to queries. However, AI will not replace human contact at True Potential. It will be used to augment the delivery of our services to every client.

I will sign off and I hope you enjoy reading this edition of True Insight.

With best wishes until next time.

Performance update.

1.25%

The True Potential Growth + Portfolio was up 1.25% in the second quarter of 2023.

3.00%

The True Potential Balanced + Portfolio has grown by 3.00% in the last 12 months.

73.16%

The True Potential Aggressive Portfolio has grown by 73.16% since launch (October 2015).

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

Jeff Casson
Chief Investment Officer
True Potential Investments

+ Over the second quarter of 2023, the higher risk Portfolios provided positive returns with equity prices rising. In this environment, the True Potential Growth+ Portfolio posted the strongest return of +1.25%.

The True Potential Growth Aligned Aggressive fund performed well, buoyed by its large exposure to US and Japanese equities. Outside of equities, holding alternative assets was beneficial, particularly AQR Managed Futures.

“Over the twelve-month period, the True Potential Portfolios are in positive territory.”

Portfolios	3 months	1 year	Since launch (1 Oct 2015)
Defensive	-0.56%	-0.70%	**+15.47%**
Cautious	-0.29%	+0.87%	**+28.35%**
Cautious +	+0.18%	+1.59%	**+29.72%**
Cautious Income	+0.05%	+0.47%	**+34.77%**
Balanced	+0.45%	+2.79%	**+42.17%**
Balanced +	+0.60%	+3.00%	**+48.01%**
Balanced Income	+0.29%	+1.97%	**+39.71%**
Growth	+1.02%	+4.46%	**+61.05%**
Growth +	+1.25%	+4.63%	**+60.23%**
Aggressive	+1.19%	+5.33%	**+73.16%**

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

Against a challenging backdrop of elevated inflation and the aggressive tightening of interest rates, over the twelve-month period, the True Potential Portfolios are in positive territory, with the exception of the True Potential Defensive Portfolio.

Within Balanced, our most popular risk category, the True Potential Balanced+ Portfolio provided the strongest return, benefiting from a large exposure to equity markets, particularly the US. Within the Portfolio, the True Potential Goldman Sachs Income Builder fund performed well, with returns elevated due to its large exposure to GBP and the good performance of high yielding bonds.

Since the True Potential Portfolios were launched in October 2015, investors have been rewarded for taking higher levels of risk with the True Potential Aggressive Portfolio +73.16%, illustrating the long-term benefits of multi-asset investing.

Full five year past performance data for the True Potential Portfolios can be found on page 22. Figures shown after Ongoing Charges Figure (OCF) have 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: Q2 2023

+ Attention continued to focus on weakness in certain pockets of the financial sector amid uncertainty around central banks' monetary policy stance as inflation, despite being lower than last year's peaks, remained well above the target of 2%.

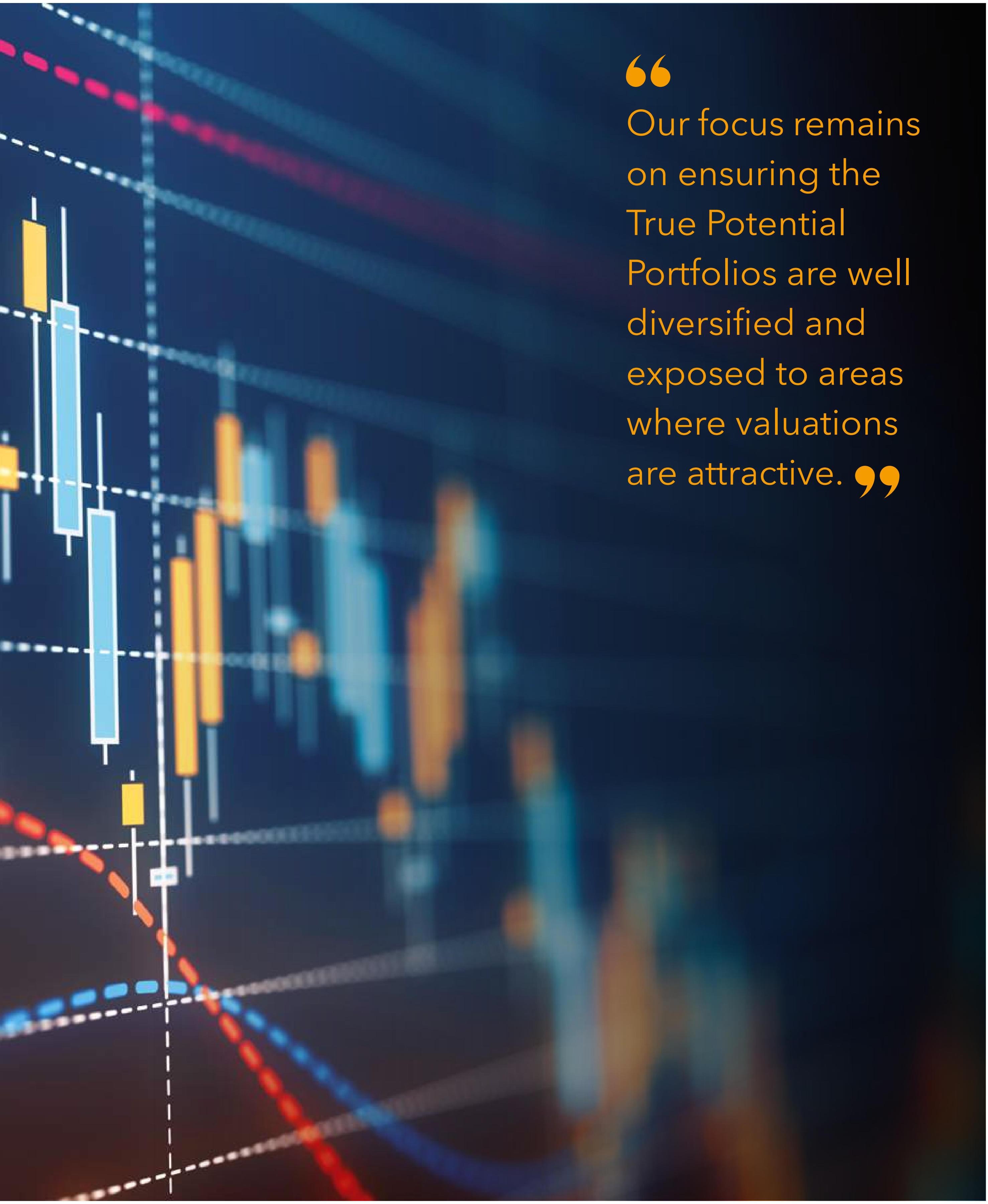
At the same time, debate surrounding the US debt ceiling created a complex environment for investors to navigate. Despite these challenges risk assets delivered good gains with global equities delivering positive returns for the quarter, benefiting from a better-than-expected earnings season. By contrast, bond market volatility spiked once again as core inflation remained elevated.

Coming into the second quarter, tensions were growing in the banking sector following some large bank failures in the US and an orchestrated rescue of Credit Suisse by UBS. After a short spike in volatility, investors' risk aversion retreated as central banks provided liquidity support and prevented an escalation.

Over the past quarter economic data have proven more resilient than many had envisaged. The manufacturing sector across much of the developed world has slowed over the past six months due to a combination of weaker demand for goods and soaring costs. Some of these headwinds are retreating. Importantly, the service sector activity, which today is a larger part of the economy, has been remarkably robust. In part boosted by pent-up savings from the Covid era but also from strong labour markets underpinning consumer spending despite higher inflation and rising rates.

Further East, after the end of the zero Covid lock down late last year, initial recovery in China showed some promising signs with sentiment improving broadly. However, the data in Q2 pointed to weaker growth with household confidence taking a significant hit due to property sector weakness. Export activity and business sentiment have also been subdued by slowing demand in the developed world and ongoing geopolitical tensions between China and the US. The trajectory from here will depend on how much appetite policymakers have to boost growth, while very low inflation is allowing the Chinese central bank to cut policy rates in order to support household and corporate balance sheets.

As ever, our focus remains on ensuring the True Potential Portfolios are well diversified and exposed to areas where valuations are attractive.



> Our focus remains on ensuring the True Potential Portfolios are well diversified and exposed to areas where valuations are attractive.

Market outlook.

As we look ahead to the third quarter and beyond, opportunities for growth continue to present themselves to our fund management team and our external fund manager partners. Globally, inflation is moving lower, which will offer central banks some breathing space in respect of monetary policy. Economic data have proven to be more resilient than many expected and Congress has resolved the US debt ceiling impasse. Earnings growth expectations are gaining positive momentum.

In this article we share the key components of our investment outlook.

Economic growth data have been stronger than expected in the UK.

Economic growth.

Economic growth indicators are stronger than expected. Labour markets remain incredibly tight, with unemployment in the US at 3.7% and annual wage growth of +5.6%. We are seeing similar statistics in Europe and the UK. Services data are proving more resilient amid a willingness from the public to keep spending. With this in mind, we believe US recession risk has been pushed further out into 2024.

Economic growth data have been stronger than expected in the UK. However, with monetary policy likely to remain tighter for longer to tackle inflationary challenges, it presents a headwind to growth. Chinese data continue to disappoint relative to expectations, but nominal and real growth remain strong.

The firmer trend in these data points has encouraged several of our fund manager partners to moderate defensive exposure.

Financial and credit conditions.

We expect credit availability to continue to be restrictive and to act as a substitute for aggressive Federal Reserve tightening to cool inflation. Examples include the Federal Reserve Senior Loan Officer Opinion Survey, showing 46.7% of US banks have tightened credit terms. The NFIB Small Businesses Survey indicated 73% of small businesses haven't borrowed money for business purposes in the last three months. The Beige Book noted a tightening of financial conditions in district banks and a tick up in delinquencies to pre-pandemic levels.

Inflation.

The trend of global headline disinflation is likely to continue, with contributing factors broadening from just base effects. In the US current headline CPI inflation momentum (3 months) is running at 2.4%, providing encouragement that US inflation is moving closer to its 2% target level. We expect core inflation to remain stickier. This theme is not limited to the US, similar trends are experienced in the UK and Europe.

5.6%

US annual wage growth of +5.6%.

3.7%

Unemployment in the US at 3.7%.

2.4%

US current headline CPI inflation (3 months) is running at 2.4%.

Opportunities for growth.

Given the blend of stronger economic data and pockets of valuation opportunity, we are happy to hold a modest overweight to equities. In the event that a deterioration in economic growth materialises, encouraging central banks to ease interest rates, we hold a slight overweight to global government bonds. We continue to find them attractive within a multi-asset construct, particularly in the US given the view that interest rates over the next 12 months have a greater tendency to be lower, supporting bond returns to a greater extent than in the UK and Europe. The same applies to inflation-linked bonds, which offer an opportunity should we see interest rates lowered in the US whilst core inflation remains above central bank target.

In summary.

- Economic data is proving more resilient, encouraging managers to moderate defensive positioning relative to strategic asset allocations;
- Recession risks have not been avoided but have been pushed out;
- Headline disinflation remains underway; however, core inflation remains a challenge. Coupled with stronger economic data, this is likely to keep monetary policy in developed markets higher for longer;
- Valuations across credit and equity have tightened but opportunities remain.

Behavioural biases.

+ The study of human behaviour is a complex yet fascinating field. The human brain is excellent at solving very complex problems quickly. By simply reading this article you are deciphering 26 unique symbols into words and sentences, then adding meaning and context to them using your own experiences and memories. All in a matter of milliseconds.

There are many elements of our life where we don't want to fully analyse a problem or situation before we make a decision or react. If you are crossing the road and notice a car speeding towards you, you move out of the way automatically. You don't want to think about the speed, distance, colour or size of the car before you move, you just do it.

The ability to create mental shortcuts is very useful and may well save your life. However, when we consider financial decisions, investments and long-term goals, creating mental shortcuts, or biases, when making decisions can result in a detrimental outcome. When we build a portfolio asset allocation or set long term financial goals, we want to use all of the available information effectively and have processes in place to ensure that no shortcuts are taken.

There are many behavioural biases that can influence decision making in finance and investing. They may seem irrational or counter intuitive, however, when we understand the root of them, it allows us to put measures in place to overcome them.

One behavioural bias which can be closely linked to behaviour with investments is the Hot-hand Fallacy. This was first described in a research paper by Thomas Gilovich, Amos Tversky and Robert Vallone in the 1980s. Its roots stem from sports and it is the perceived overconfidence an individual has in a player or team if they have been performing well. If a football team has won five games in a row, there can be a belief that they are on a "hot streak" and more likely to continue winning. This can result in many important factors being ignored that can influence the outcome of the next game.

There are many discussions around the root of this bias. Our minds often look for patterns or sequences and if we are only considering a small sample of data, in a world that is driven by random events, our reasoning may seem illogical. We learn from experiences and from the simplistic view of a child. Touching the flame of a candle will lead to a burnt finger. Your reasoning would logically conclude that it is dangerous, and you wouldn't do it again based on the previous experience.

If we apply this to financial markets and look at asset classes, this reasoning does not work. The table opposite ranks major asset class performance year on year, and we can observe that every year is different. Each year there will be a top and bottom performing asset, with the final positions confirmed at year end. There will be instances where some assets perform well or poorly for a number of years, however that does not mean the trend will continue.

Cash/Cash Equivalents is an asset class utilised by investors within a portfolio, which generally will have a very low volatility and provide liquidity. In 2018 it performed the best of all assets in the table; however, we can see that strong performance in 2018 did not continue into 2019 when it shifted to the bottom of the table. Cash was also the top performing asset in 2022, however, we know this alone is not enough information to conclude that it will continue to be the top performer in 2023 or 2024. We are only half-way through 2023 and we can see that the table now looks materially different to last year. Cash has now dropped to the bottom three performing assets on the table year to date.

2016	2017	2018	2019	2020	2021	2022	2023 H1
Global High Yield Bond (Hedged) 15.60%	Emerging Market Equity 37.74%	Cash Equivalent 1.87%	US Equity 31.48%	US Equity 18.43%	Global Property 32.47%	Cash Equivalent 1.46%	US Equity 16.88%
US Equity 11.95%	Pacific Ex Japan Equity 26.04%	Global Agg Bond (Hedged) 1.76%	Global Property 24.48%	Emerging Market Equity 15.76%	US Equity 28.68%	UK Equity -4.84%	Japan Equity 13.00%
Emerging Market Equity 11.66%	Europe ex UK Equity 24.06%	UK Gilts 0.50%	Europe ex UK Equity 21.83%	Japan Equity 14.48%	UK Equity 18.50%	Pacific Ex Japan Equity -5.87%	Europe ex UK Equity 12.99%
UK Gilts 10.73%	Japan Equity 23.99%	Global High Yield Bond (Hedged) -2.72%	UK Equity 21.05%	Europe ex UK Equity 8.93%	Europe ex UK Equity 13.69%	Global High Yield Bond (Hedged) -11.05%	UK Equity 8.43%
Pacific Ex Japan Equity 7.98%	UK Equity 22.30%	US Equity -4.39%	Japan Equity 19.61%	UK Gilts 8.88%	Pacific Ex Japan Equity 4.77%	Global Agg Bond (Hedged) -11.22%	Emerging Market Equity 5.00%
Global Property 6.86%	US Equity 21.82%	Global Property -4.78%	Emerging Market Equity 18.69%	Pacific Ex Japan Equity 6.65%	Global High Yield Bond (Hedged) 2.53%	Japan Equity -16.65%	Global High Yield Bond (Hedged) 4.94%
Global Agg Bond (Hedged) 3.95%	Global Property 8.61%	Pacific Ex Japan Equity -10.19%	Pacific Ex Japan Equity 18.49%	Global High Yield Bond (Hedged) 5.73%	Japan Equity 1.71%	US Equity -18.13%	Global Agg Bond (Hedged) 2.96%
Japan Equity 2.38%	Global High Yield Bond (Hedged) 8.42%	Japan Equity -12.88%	Global High Yield Bond (Hedged) 13.34%	Global Agg Bond (Hedged) 5.58%	Cash Equivalent 0.05%	Europe ex UK Equity -19.78%	Global Property 2.69%
Cash Equivalent 0.33%	Global Agg Bond (Hedged) 3.04%	UK Equity -14.15%	Global Agg Bond (Hedged) 8.22%	Cash Equivalent 0.67%	Global Agg Bond (Hedged) -1.39%	Emerging Market Equity -19.83%	Cash Equivalent 2.05%
UK Equity -0.10%	UK Gilts 1.95%	Emerging Market Equity -14.32%	UK Gilts 7.15%	Global Property -8.17%	Emerging Market Equity -2.34%	Global Property -23.62%	Pacific Ex Japan Equity 0.36%
Europe ex UK Equity -3.06%	Cash Equivalent 0.86%	Europe ex UK Equity -17.10%	Cash Equivalent 2.28%	UK Equity -10.47%	UK Gilts -5.27%	UK Gilts -25.11%	UK Gilts -3.91%

Source: Bloomberg 30/06/2023.

It is important to consider this bias both when market environments are favourable and challenging. Recognising the volatility we observed in 2022, the table highlights how difficult it was for investors, when only cash generated positive returns from the major assets listed above. Importantly, one challenging year of returns does not give us the full picture.

We recognise that the Hot-hand Fallacy and many other biases that form our behaviour are normal. They are hardwired into our minds to help us function efficiently day-to-day. At True Potential, we understand them and how they can be detrimental to decision-making.

To overcome this, we build robust processes and design our multi-asset portfolios around the principle of advanced diversification. This approach allows us to consider all the available information and not lose sight of our clients' long-term goals, especially in times of short-term volatility.

Past performance is not a guide to future performance.

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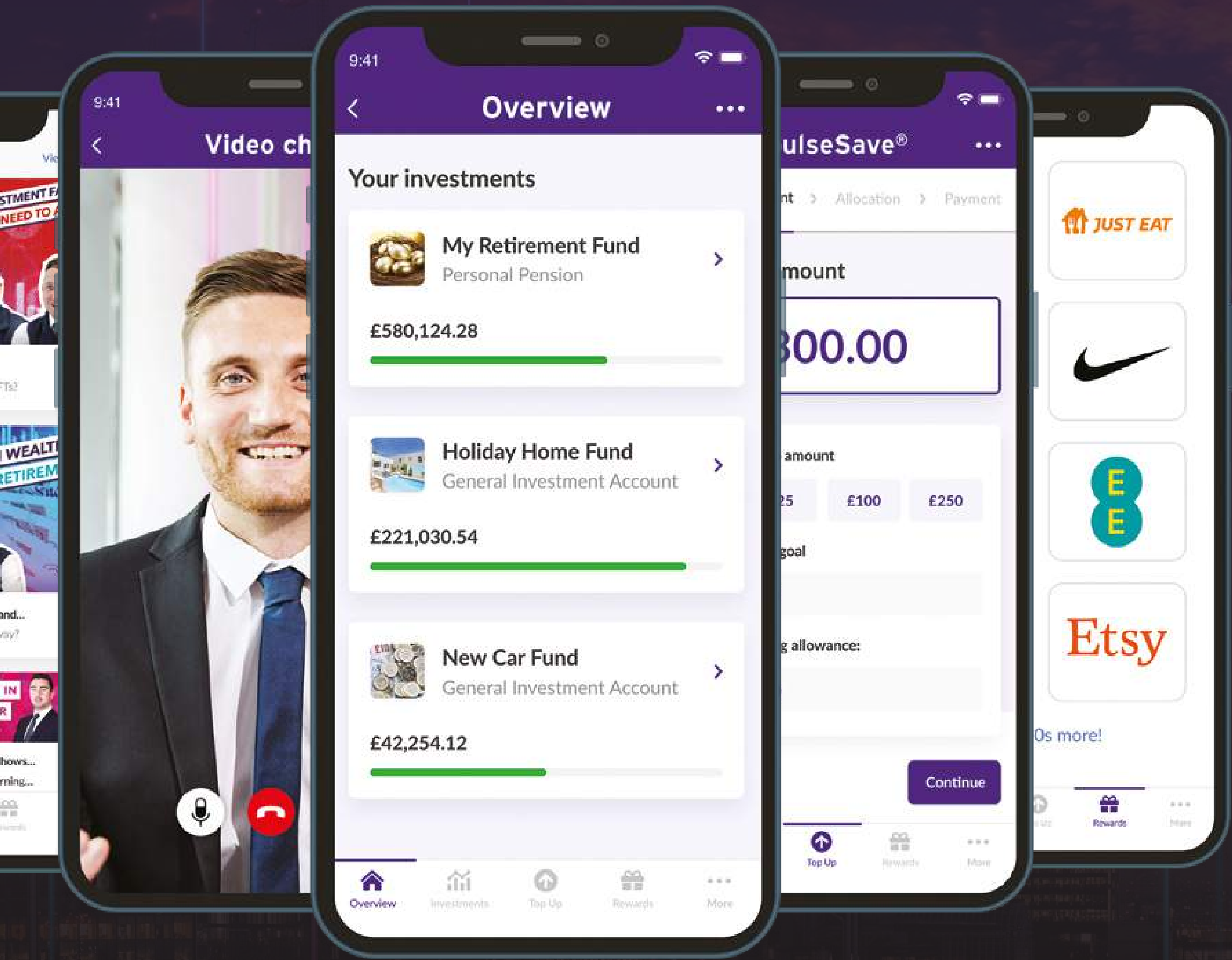

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Portfolio changes: Q2 2023

As a result of changes both at a portfolio and manager level equity levels rose over the quarter driven by increases to US and Japanese equity, while UK equity exposure was moderated. Within fixed income, exposure to global corporate bonds and high yield bonds grew at the expense of sovereign bonds and emerging market debt. Alternatives were also reduced.

Economic data from the US continue to be strong relative to other regions and US price pressures remain on a downward trajectory while UK core CPI inflation continues to trend higher, fuelling expectations that the Bank of England will continue to raise interest rates compared to the US Federal Reserve, which is pausing its programme of rate hikes. Economic growth remains materially higher in America compared to the UK and US equities also offer defensive, quality characteristics which are attractive at this stage in the cycle.

In terms of fund manager changes, allocation to Pictet has been increased across all Core and Plus portfolios, Pictet's large exposure to US equity aligning with the True Potential view. Growth-Aligned was increased in the Defensive portfolio while Schroders was raised in the Cautious Plus and Balanced Plus portfolios and introduced in the Growth Plus portfolio to improve the consistency of asset allocation between Core and Plus ranges. This move also improves diversification, affording greater exposure to a manager that has proved to be very lowly correlated to the other True Potential manager partners.

Reductions were made to 7IM and Goldman Sachs Balanced 4. Both managers are large holders of alternatives which now appear less attractive than other asset classes. 7IM also have large UK and low US equity holdings which has challenged performance. 7IM were reduced across all Core portfolios and the Balanced Plus portfolio and completely removed from the Growth Plus portfolio. Also reduced in the Balanced Plus and Growth Plus portfolios were SEI to moderate the Value style bias. Significant changes were made to the Income portfolios to bring the level of risk more in line with the Core Portfolios. In Cautious Income Close Brothers, Goldman Sachs Income Builder and Threadneedle were all reduced with proceeds going to UBS Income and Schroders. In Balanced Income Close Brothers and Goldman Sachs Income Builder were reduced to fund additions to UBS Income and Threadneedle.

Underlying managers have been active over the quarter. Growth Aligned, Pictet and Allianz all increased Japanese equities. Style wise, select managers increased exposure to Quality style equities, Pictet via a US Quality ETF while Growth-Aligned successfully played it through a US market-cap strategy, rotating out of US mega-cap stocks into an equally weighted sector US equity ETF where valuations were more supportive.

Within fixed income, several managers extended duration at the start of the quarter. Close Brothers, Schroders and Growth-Aligned all built duration via US Treasuries. Growth-Aligned also added to index linked US TIPS and later rotated long-dated gilts into inflation-linked gilts given the attractive yields on offer. Within corporate bonds, UBS closed their underweight position through additions to Euro and Dollar denominated investment grade bonds and US high yield.

Within Alternatives, managers including Close Brothers, Growth Aligned and Schroders added to gold as a diversifier. Growth Aligned sold out of the Goldman Sachs Alternative Trend strategy whilst UBS moderated exposure to CARS, the currency vehicle.

Information overload.

"A long term, forward looking, price discounting mechanism". A convoluted description of the Stock Market. However, to the casual observer it can appear to be anything but long term or forward looking.

Up one day but not the next, driven by news flow, economic data and sentiment, the financial markets can appear to look no further forward than the end of their nose.

So what do they focus on? What are the critical pieces of information that long term investors base their decisions upon?

Data come from a variety of sources: government bodies, central banks or industry and trade bodies.

Some data are "lagging" and may confirm a signal or indicate the potential extent of a trend. Other statistics are "leading" indicators, used to help forecast economic events which can have a bearing on stock market movements.

Over reliance on any one metric is unwise but taken together they can indicate how an industry, or an economy, is faring both in its own right and relative to others.

Currently the focus is on inflation. Kickstarted by the war in Ukraine, accelerated by central bank action and above average wage settlements. Inflation is corrosive. It makes forward planning for both the government and business owners difficult and undermines investment. Once it becomes established there is little the authorities can do to bring inflation down other than to appeal for moderation in wage demands or seek to slow the economy by raising taxes and or interest rates.

Stock market returns are, ultimately, derived by economic growth and higher corporate profits but more immediate fluctuations are heavily influenced by liquidity flows, movements of cash. Obviously, any change in interest rates will affect both short-term cash movements and long-term profitability so inflation numbers are carefully scrutinised.

While inflation data records the prices of finished goods and services, the Purchasing Managers Index (PMI) is a leading indicator that registers variations in new orders, output, employment, delivery times and inventories of goods ordered. Purchasing managers are ideally placed to have an awareness of when business conditions are changing and what that may mean for inflation, the economy and, by extension, the future direction of monetary policy.

PMIs are a diffusion index, meaning they are constructed in such a way that any reading greater than 50 signals expansion and any reading that is below 50 signals contraction. The latest readings for the UK show an interesting mix between manufacturing and service industries. Services PMI was 53.7, whereas Manufacturing was 46.5. The composite reading was in expansionary territory at 52.8.

53.7

PMI for UK services was 53.7.

46.5

PMI for UK manufacturing was 46.5.

52.8

The composite reading was in expansionary territory at 52.8.

Source: S&P Global PMI, June 2023.

Much attention is also centred on GDP data. Gross Domestic Product is the value of all the goods and services produced by an economy. Notoriously difficult to compile and subject to several revisions after the initial release of figures they nevertheless indicate a trend and are a useful tool especially when considering where to allocate cash within the Portfolios.

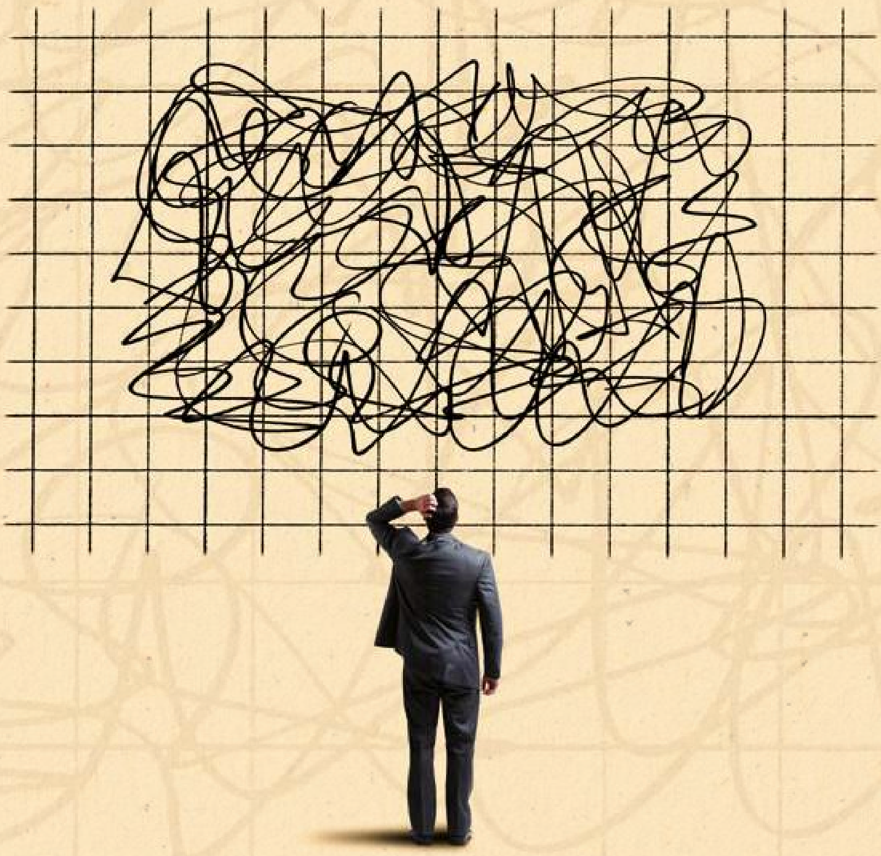
Linked to both GDP growth and the prospects for inflation are the employment and unemployment figures. A lagging indicator for economic growth, they provide a useful steer on the likely course of inflation. If the labour market is 'tight', and unemployment is low, it will make it easier for workers to press for higher wage settlements thus stoking inflation.

Along with employment data, household expenditure and consumer sentiment surveys indicate how ready consumers are to spend. This is especially relevant when trying to identify inflexion points particularly in an economy like the UK's which is driven by consumption.

The 'multiplier effect' describes how money spent in one place is then used to buy something elsewhere which, in turn, funds a further purchase and so on stimulating an economy and setting in motion drivers to propel it forward. Though intangible itself, consumer confidence generates very tangible results and is both essential to and symptomatic of a healthy economy.

So too, business sentiment. The Business Climate Indicator is another piece of 'soft' or survey data which seeks to gauge the confidence of business owners. The prosperity of an economy relies upon investment which is costly, takes time to generate a return and requires careful consideration. Without investment a business will stagnate and ultimately fail. When determining economic prospects, the confidence of business leaders and how prepared they are to invest today will have material ramifications for how the economy fares tomorrow.

Traders and the media are quick to seize upon these indicators to turn a quick buck or sell content. We and our manager partners employ them to inform decision making, guide asset allocation and help you do more with your money.



How to avoid mistakes in pension drawdown.

✚ You've invested for decades to build a pension pot that will support your retirement. While the heavy lifting is mostly out of the way, there are still options to be discussed and crucial decisions to be made.

Building your pension pot and ways to take an income from it are topics we discuss regularly on the Do More With Your Money Show, available to watch on our YouTube channel.

'How to manage your money in retirement' was the topic of a recent episode and in this article, we cover some of the main points from the discussion.

Where to begin?

Your first step as a client is to consider the best way for accessing your pension benefits. There are several options available and it is wise to consider which ones are best suited to your unique circumstances. For example, alternative options include using your pension to buy an annuity, take a 25% lump sum from a flexible access pension, take your pension in one go, or remain invested. Speaking to a financial adviser and considering what is best for you is always the best first step.

For many people, pension drawdown is the route they will take, as this offers the flexibility of remaining invested while taking enough money annually to fund your retirement lifestyle.

If done correctly, pension drawdown is a way you can maximise the benefit from your investments. You have the freedom from age 55 onwards to take your retirement income as you see fit, with the initial 25% withdrawal being tax free. But there are some mistakes you need to avoid.

Too much, too early.

In the excitement of being newly retired, some people will fall into the trap of taking too much and too early. This increases the chance of running out of money later in life.

Your pension may need to fund 30 years of living after your retirement. Speaking to a financial adviser can help you plan your future income.

> "Your pension may need to fund 30 years of living after your retirement. Speaking to a financial adviser can help you plan your future income."

Taking too much money at an early stage will impede potential investment growth. The more money you have invested, and the longer you have it invested for, creates the opportunity for further wealth in the form of growth and compound growth.

A common misconception is that you need to take your full 25% tax free cash when you access your pension. But leaving it invested as part of a flexible drawdown pension ensures more of your pension pot has the opportunity to grow over time, potentially increasing the cash value of the 25% allowance.

It should be noted however that as with all investing, your capital is at risk and you may get back less than you invested.

Decide upon a withdrawal rate for you.

While you can't time the markets, there's a degree of common sense that your withdrawal may be worth less if markets are significantly lower. An adviser could help you decide upon a withdrawal rate to suit your needs and help you navigate potential market volatility and the impact market lows could have on your investment. Your withdrawal rate is something you may want to discuss with your financial adviser as your circumstances will be unique.

If you withdraw too much during a market low, you may deplete your pension pot too quickly and miss out on further growth, potentially meaning you run out of money in later life.

Don't forget inflation.

Over the last 12 months, the cost of living has dramatically risen, with inflation rates surpassing 10% towards the end of 2022.

Consider where prices may be ten years from now. And remember, people are living longer, you may have decades of inflation in front of you. What pays you a good lifestyle today may not in the future.

A financial adviser can help you apply an inflation projection to find out what you may need as an annual retirement income for the future.

Pay attention to tax efficiency and your beneficiaries.

Pension drawdown could have a significant impact on the value of your estate and inheritance tax.

Money kept in your pension is not normally considered part of your estate. By naming beneficiaries in your pension's expression of wish, you can pass on your pension to the next generation.

If you have taken money from your pension, it could be liable to inheritance tax, which is set at 40% on estates over £325,000. It may be better to keep your wealth invested in a pension rather than converting it to cash or assets that could form part of your estate and cross over the £325,000 allowance.

Every person will have a unique set of circumstances to consider when it comes to retirement. That's why speaking with a financial adviser before you take your pension is one of the best decisions you could make.

Scan to watch our latest retirement episode on YouTube.

With investing, your capital is at risk. Investments can fluctuate in value and you may get back less than you invest. Pension eligibility and tax rules apply. Tax is subject to an individual's personal circumstances, and tax rules can change at any time. This article is not personal recommendation or financial advice.

RISE OF THE

Ever since the Artificial Intelligence (AI) application ChatGPT was made publicly available, the media have been unable to resist rehearsing the plot lines of a dystopian future featuring Skynet and Arnold Schwarzenegger's various Terminator outings.

A more sober appraisal of its potential impact has hardly been helped by the assertion from one of its creators that, unchecked, AI could eradicate humanity.

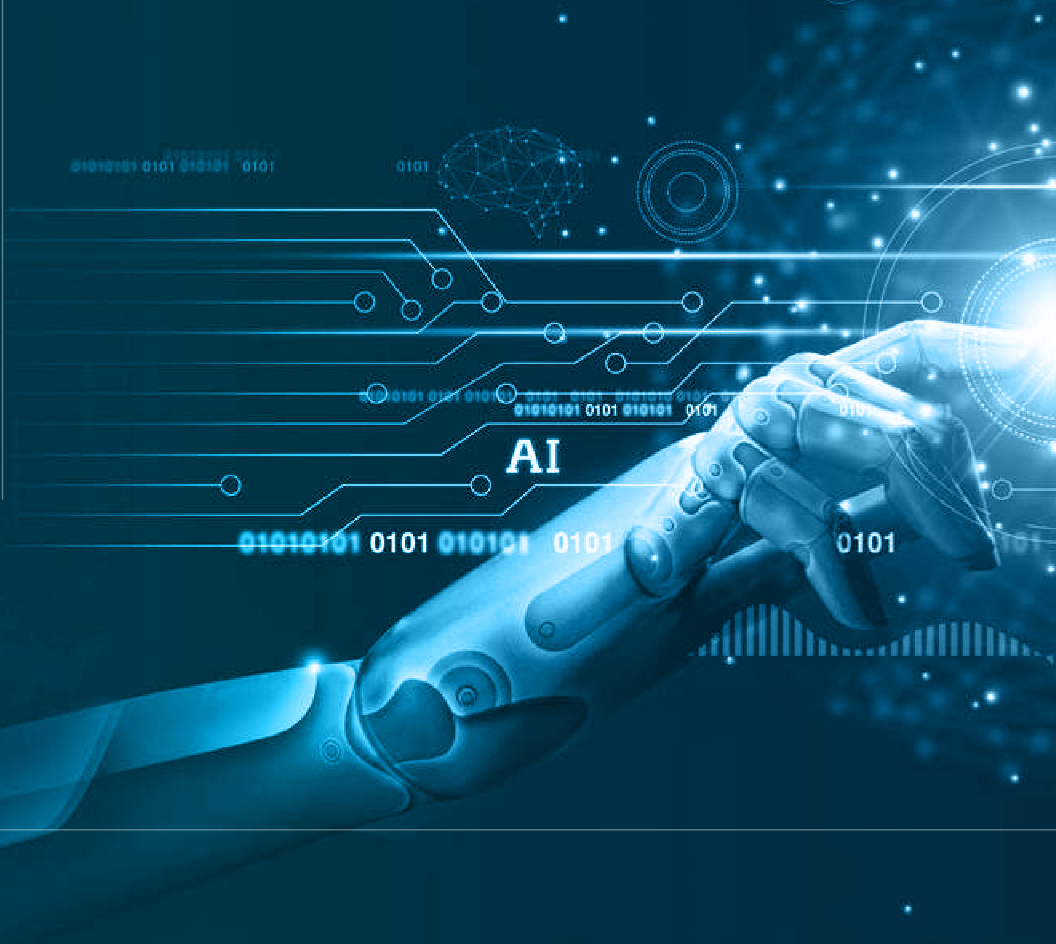
That it is a powerful tool is not in doubt. So, too, its potential to do great harm as well as great good. Less clear at this stage are its applications, who will benefit from it and how best to invest in it.

Unlike previous technological advances it is more likely to impact "knowledge work" and those occupations generally associated with higher wages and educational requirements. Tests have shown that in some cases it is better than a tired human at interpreting medical scans and x-rays. In Singapore AI is already being used to determine the probable outcome of litigation linked to road traffic accidents and Britain's Lord Chief Justice has recommended it be considered as a means of "enhancing access to justice" and freeing up the backlog of legal cases.

At True Potential we're already using AI technology to enhance both adviser and client experiences, starting small to ensure we can track the AI learning. We've integrated it into some of our most commonly requested messages while also using it as an automation tool to streamline processes with quicker throughput. The intention is not to replace people with AI, but instead to use AI to perform tasks that a computer can do, always with the aim of providing the best possible service and experience to our clients.

Within the life science and pharmaceutical industry, the ability of AI to analyse large and diverse sets of data presents an intriguing potential for the identification of key molecules, more rapid drug discovery and the accelerated rollout of new medical therapies.

The impact of AI on the workplace will be profound. Retraining of staff will be required and companies will have to reappraise the skill sets they require, both from existing personnel and new recruits. Key processes will need to be reorganised. We are already seeing its use in 24 hour a day help lines. This function can only get better in terms of its efficiency and the areas in which it can be adopted.



MACHINES.

Internationally, demographics are changing. Populations are ageing and birth rates are slowing. Productivity improvement, the ability to maintain production using fewer resources, which is the main driver of economic growth, has slowed globally over the last ten years. AI represents an opportunity for that decline to be reversed. Goldman Sachs has predicted that AI could disrupt 300 million jobs and increase global output by 7% over the next ten years.

AI can be and probably will be a game changer.

But we've seen other game changing technologies before. Railways, the internal combustion engine, radio, aeroplanes, space travel and the internet have all transformed the way we live our lives. But exactly who would benefit and how to play these revolutionary technologies was not obvious. Huge fortunes were made, and lost, along the way.

AI has long been used in the investment industry. Vast resources, both intellectual and financial, have been dedicated to analysing prior "financial landscapes" and dissecting this historical data to predict future outcomes. But, even with the modest aspiration of getting it right only 51% of the time, the most well constructed, self correcting AI models are unable to outperform consistently the largest, most liquid financial markets.

So which industries will benefit? All will. To some extent. In the same way that, historically, the leading companies in all sectors benefited from the transformative technologies mentioned earlier.

The extent of AI's potential application is likely to reach further than we currently envisage. The timescale of its adoption is likely to be shorter than we imagine. Its impact will surprise us. But despite its potential to do some jobs quicker than and better than a human being it is still without essential human qualities.

AI can "hallucinate" or if it doesn't "know" something, make it up. Care must be taken to ensure its output is based on fact rather than inference or incorrect data. If it is not to generate inappropriate, incorrect or harmful content based on embedded stereotypes there is a need to keep a human "in the loop".

While the ability of AI to manipulate and process vast amounts of information can be invaluable in the business world, good companies will still require wise management, making sound decisions.

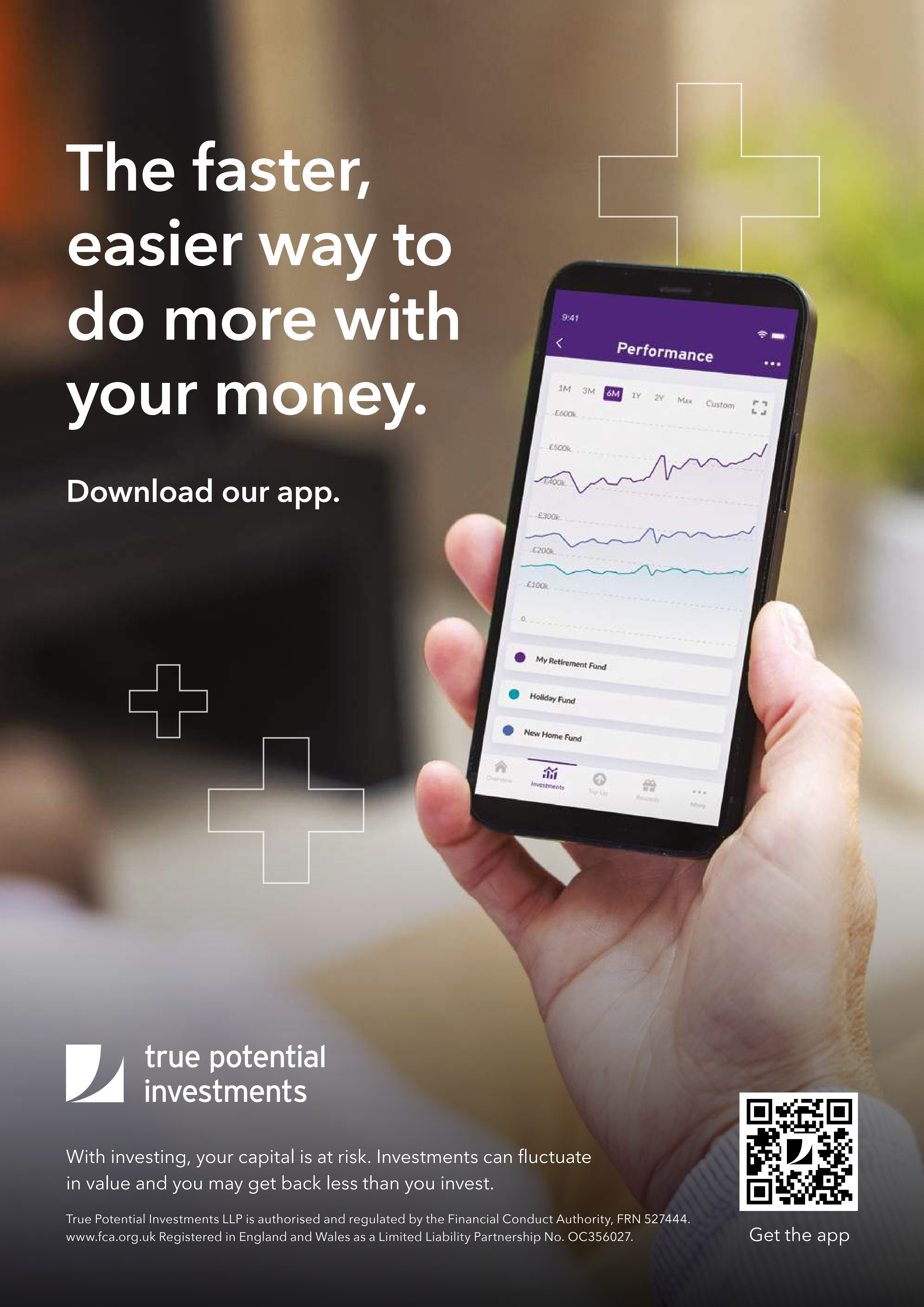
While AI may indeed represent the Rise of the Machines, human beings still have the edge come Judgement Day.

Five year performance.

Portfolios	30 Jun 2018 to 30 Jun 2019	30 Jun 2019 to 30 Jun 2020	30 Jun 2020 to 30 Jun 2021	30 Jun 2021 to 30 Jun 2022	30 Jun 2022 to 30 Jun 2023	Since launch annualised (1 Oct 2015)
Defensive	+2.55%	+0.81%	+5.32%	-5.32%	-0.70%	**+1.87%**
Cautious	+3.14%	+0.29%	+10.77%	-6.61%	+0.87%	**+3.27%**
Cautious +	+3.66%	-0.64%	+11.91%	-6.98%	+1.59%	**+3.41%**
Cautious Income	+4.11%	-2.69%	+14.60%	-4.05%	+0.47%	**+3.92%**
Balanced	+3.67%	-1.28%	+15.68%	-7.70%	+2.79%	**+4.64%**
Balanced +	+4.54%	-0.69%	+15.51%	-7.08%	+3.00%	**+5.19%**
Balanced Income	+3.33%	-3.71%	+16.47%	-5.22%	+1.97%	**+4.41%**
Growth	+4.17%	-1.26%	+19.23%	-7.10%	+4.46%	**+6.34%**
Growth +	+4.11%	-2.93%	+20.59%	-7.39%	+4.63%	**+6.27%**
Aggressive	+3.20%	-3.09%	+23.58%	-6.34%	+5.33%	**+7.34%**

Source: True Potential Investments, data as of 30 June 2023.
Figures shown after Ongoing Charges Figure (OCF) have 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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