

INDEPENDENT GOVERNANCE COMMITTEE ANNUAL REPORT

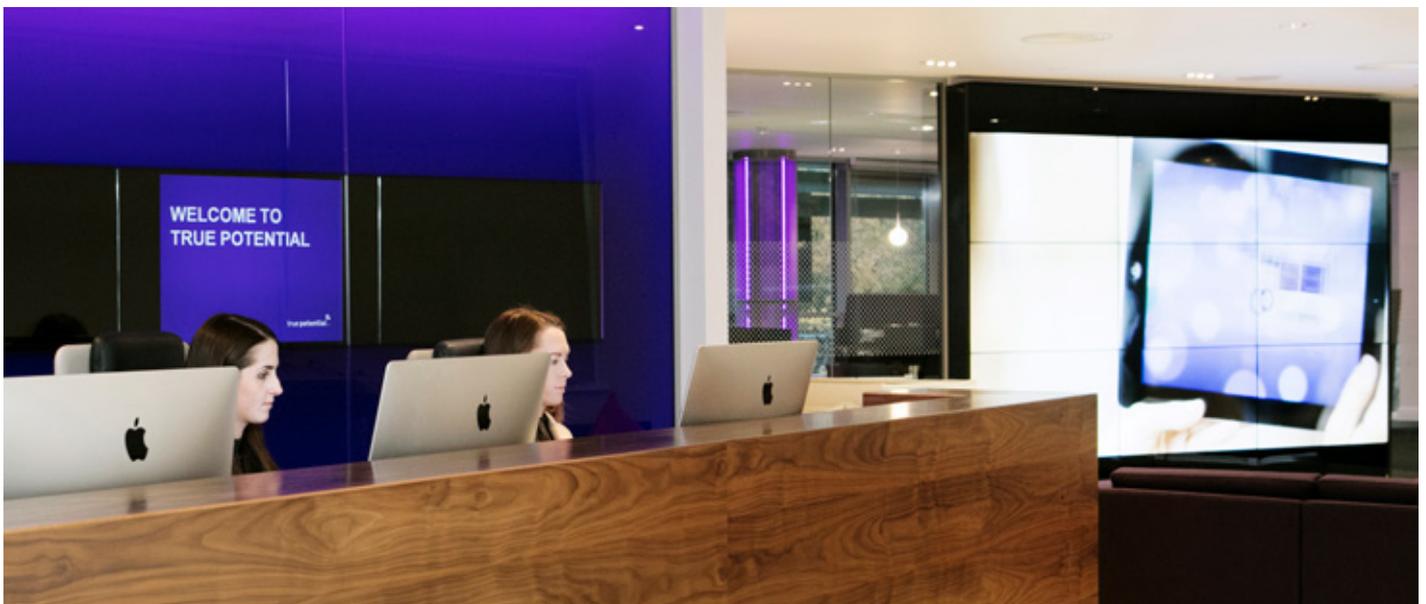
For the year ending 31 March 2017



true potential investor

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Introduction

This is the second annual report of the True Potential Investments Independent Governance Committee (IGC) and covers the year ending 31 March 2017.

This report is aimed at the Auto Enrolment scheme members. The IGC exists to ensure that the Auto Enrolment scheme members get a good deal from True Potential Investments. This includes value for money, product features and flexibility. During the year under review the IGC met on four occasions.

Several Auto Enrolment providers have offered pensions business for numerous decades. The terms upon which some historic products (often known as legacy business) are offered are often out of line with current charges. The regulator has been very concerned about this for the last few years. Overcoming the challenges of these outdated products is time-consuming for these legacy providers.

The IGC is fortunate in as much that True Potential Investments entered the UK pensions and Auto Enrolment market in 2013. Thus, it does not have any of this legacy. The IGC has used its independence to challenge True Potential Investments in areas of process and delivery for the benefit of Auto Enrolment members.

The IGC has checked that what True Potential Investments says it is doing is delivered in practice. A copy of the IGC Terms of Reference are available on request.

Brian Shearing

Chairman, IGC

True Potential Investments

Communications with Auto Enrolment Members

The Independent Governance Committee is very pleased to know that True Potential Investments has communicated with Auto Enrolment members during the year as follows:

Communications	Recipients
New True Potential Investor App Available	11,906
What's Your True Potential Investor Story?	2,075
Another Win for True Potential Investor at The Lang Cat Awards	1,610
New Live Video Chat	3,984
Transfer Gift	3,921
Investor Survey for Testimonials	39,829
Workplace Pension Survey	474
Last Chance to Vote for True Potential in the European Business Awards	39,777
Investor Newsletter Feb	40,617
The Big ISA Giveaway Campaign	38,122

True Potential Investments prides itself on its innovative technology. Investor / client facing technology is available to all Auto Enrolment members, it allows each member to set an individual retirement fund goal and track progress towards this.

Additional pension contributions can be made online by each member to help add more money to their pensions or buy other financial products such as an Individual Savings Account if they so wish.

During the year under review, approximately 3,000 unique Auto Enrolment scheme members have logged into True Potential Investor every month. Several of these members have invested in other True Potential Investments products (primarily Individual Savings Accounts) and/or transferred other pensions into the True Potential Investments pension scheme. Thus, potentially sending a message of their satisfaction with True Potential Investments.

The Investment Funds

The primary default fund for the True Potential Investments Auto Enrolment proposition is the Legal & General Multi-Index 5 Fund (I Class). This fund is risk profiled as a Balanced Fund. The True Potential Investments proposition also includes four other Legal & General funds which match the other four risk profiles as are used by the True Potential Investments risk profiling system.

Details of these five funds as at 31 March 2017 are as follows:

Fund Name	Risk Profile	Total Value in Scheme	No. of Accounts	Average Account Value (£)
Legal & General MULTI-INDEX 3 FUND I-CLASS	Defensive	£199,129	234	£851
Legal & General MULTI-INDEX 4 FUND I-CLASS	Cautious	£788,841	673	£1,172
Legal & General MULTI-INDEX 5 FUND I-CLASS (Default Fund)	Balanced	£17,250,845	39,122	£441
Legal & General MULTI-INDEX 6 FUND I-CLASS	Growth	£346,546	318	£1,090
Legal & General MULTI-INDEX 7 FUND I-CLASS	Aggressive	£275,021	209	£1,316

Auto Enrolment clients can also select from other True Potential Investments funds available. Investment in these other funds increase the total Auto Enrolment scheme value as at 31 March 2017 to £22.7 million.

The performance of the Legal & General funds is:

Fund Name	Risk Profile	1 Year	6 Months	3 Months	1 Month	Since Launch
Legal & General MULTI-INDEX 3 FUND I-CLASS	Defensive	9.16%	1.45%	1.73%	0.29%	26.14%
Legal & General MULTI-INDEX 4 FUND I-CLASS	Cautious	12.36%	3.44%	2.59%	0.57%	30.16%
Legal & General MULTI-INDEX 5 FUND I-CLASS	Balanced	16.70%	5.82%	3.44%	0.76%	37.10%
Legal & General MULTI-INDEX 6 FUND I-CLASS	Growth	20.21%	7.89%	4.42%	0.98%	39.78%
Legal & General MULTI-INDEX 7 FUND I-CLASS	Aggressive	23.66%	9.78%	5.08%	1.25%	41.00%

As of 31/03/2017 - source Bloomberg

Value for Money

The Independent Governance Committee is committed to delivering a scheme that all members can say is value for money and in the absence of a regulatory acceptable definition we have deferred to an excellent report published by the Pension Policy Institute entitled, 'Value for Money for Defined contribution Pension Savers'.

The Pensions Policy Institute report uses some analysis provided by the National Audit Office known as the '4E' approach. The 4Es are Economy, Efficiency, Effectiveness and Equity.

Whilst the IGC is not wedded to everything in the Pensions Policy Institute report it is grateful for its words. All Auto Enrolment default funds must have a fund Ongoing Charges Figure and other associated charges of no more than 0.75% (per year).

The True Potential Investments Auto Enrolment scheme charges are within the permitted level. Notwithstanding the regulatory cap on charges, the IGC requests True Potential Investments to attempt to find ways to reduce the fund and associated costs.

The IGC is mindful of the other Value for Money aspects included in the Pensions Policy Institute report. The IGC notes the comments in the Pensions Policy Institute report regarding multi-asset funds. As True Potential Investments is itself a manager of multi-asset funds the IGC requests True Potential Investments to use its expertise to develop its own default fund(s) for its Auto Enrolment scheme.



The conclusion from the Pensions Policy Institute report is:

// Our research shows that focusing on cost alone may ultimately result in a poorer investment outcome for Defined Contribution pension savers. We have demonstrated that, by employing a 4Es framework, a Defined Contribution scheme can take account of a much broader range of issues than cost alone. Indeed, it helps illustrate the benefits of investment approaches that seek to still deliver the upside potential of equity investment but with considerably less volatility. The risk-adjusted return of different investment approaches certainly merits consideration as part of the overall Value for Money debate. //

The 2016 IGC Report 'Next Steps'

In the first report the Independent Governance Committee issued a year ago the following activities were identified for the 2016/17 year:

- **Ensure that a survey of members is carried out**
- **Review the default investment funds made available by True Potential Investments**
- **Understand from True Potential Investments how individual employers select and review their default investment strategies**
- **Monitor the performance standards of the Auto Enrolment administration provided by True Potential**
- **Monitor the proportion of members who access their pension information online**
- **Note the outputs that emerge from the Financial Conduct Authority's review of IGCs**

A survey of members has been carried out and it is intended that a further survey will be performed later in 2017.

The default fund and funds have been under continual review during the last 12 months. As can be seen from statistics included elsewhere in this report the majority of Auto Enrolment members select the default fund for the investment of their pension fund. There appears to be no real selection of this fund other than the provider has named it as the default fund. As the True Potential Investments Auto Enrolment scheme gets into a more mature position the IGC intends to suggest to True Potential Investments that it provides default funds more appropriate to individual members time to retirement or time into retirement.

To date, the administration performance standards of the True Potential Investments pension administration is to an acceptable high standard. The IGC is working with True Potential Investments to ensure that detailed Management Information is available in order that the IGC can assess the on-going position. As has been stated elsewhere in this report True Potential Investments is pleased with the number of Auto Enrolment members who have accessed details of their pension fund online during the last year. That said, the IGC does not want True Potential Investments to rest on its laurels, so it is requesting True Potential Investments to identify ways to ensure that even more members use the online facility in the future. The Financial Conduct Authority has not yet published any details of its intended review of IGCs so this activity is carried forward to the 2017/18 year.

IGC Activities for 2017/18

The IGC had identified the following activities for it to ensure happen during 2017/18:

- **The IGC to further review its 2016/17 next steps and build upon them**
- **True Potential Investments to carry out a more comprehensive survey of Auto Enrolment scheme members with the objective of achieving a higher rate of response than was achieved last year**
- **True Potential Investments to set up an email address for any Auto Enrolment member to contact the IGC directly**
- **The IGC to continue its quest for a sensible measure of value for money in the context of AE scheme members**
- **True Potential Investments to identify ways to further increase the proportion of Auto Enrolment scheme members who login to their account and include a facility for members to feedback their experience**
- **True Potential Investments to further investigate the feasibility of managing its own internally managed Auto Enrolment default fund(s) if True Potential Investments can demonstrate that such fund(s) would be beneficial to Auto Enrolment scheme members. True Potential Investments is also requested to consider if some sort of lifestyling of funds would be appropriate**
- **The IGC will seek an assurance from True Potential Investments that it has adequate cyber security processes in place**

Appendix A

Auto Enrolment Investment Funds

Legal & General Multi-Index 3 Fund I-Class – main features and highlights

True Potential Investments Morningstar Risk Profile: Defensive

Fund Objective highlights:

To provide a combination of growth and income and to keep the fund within a pre-determined risk profile. At least 75% of the fund is invested in other authorised investment funds. More than 50% is invested in index-tracking funds operated by Legal and General. More than 50% of the fund is invested in corporate and sovereign (government) bonds, of which over 70% are investment grade, money market instruments and bank deposits. The fund has some exposure to global equities and UK Commercial property. A very small position (less than 1%) is shown in commodities (via an S&P energy future).

Derivative Usage: Can only be used to help with efficient day to day portfolio management of the fund and to reduce market risk.

Sector: IA Mixed Investment 0-35% shares

Asset Class: Mixed Asset

Quartile Ranking over 1 year: 4th Quartile

Performance over 1 year versus IA Mixed Investment 0-35% shares sector: Underperformed by 0.79%

Performance over 3 years versus IA Mixed Investment 0-35% shares sector: Outperformed by 5.37%

Largest Asset Class: Cash (18.0%)

Largest Geographical Region: UK (40.25%)

Largest single holding: Legal & General Liquidity Fund (18%)

Trust Net Relative Risk Score: 28 (this is measured relative to the FTSE 100, which has a risk score of 100).

True Potential Investments Comment: This fund has most of its exposure in bonds and cash with some exposure to real assets (equities and property). Over a 3-year period the fund has outperformed its peers, but has underperformed over the year. The fund has fallen from second quartile to fourth for the year.

Over the year £178,000 was invested into the fund through Auto Enrolment, with 187 new accounts. This equates to an average account size of £952. Transaction fees* for the fund are estimated at 0.01%. This represents the average stockbroker fees and transfer taxes (including stamp duty) that the Fund incurred buying and selling its assets over the last three financial years.

Source :*Legal & General Investment Management website

Legal & General Multi-Index 4 Fund I-Class – main features and highlights

True Potential Investments Morningstar Risk Profile: Cautious

Fund Objective highlights:

To provide a combination of growth and income and to keep the fund within a pre-determined risk profile. At least 75% of the fund is invested in other authorised investment funds. More than 50% is invested in index-tracking funds operated by Legal and General. More than 50% of the fund is invested in corporate and sovereign (government) bonds, of which over 70% are investment grade, money market instruments and bank deposits. The fund has exposure to global equities and UK Commercial property. A very small position (less than 1%) is shown in commodities (via an S&P energy future).

Derivative Usage: Can only be used to help with efficient day to day portfolio management of the fund and to reduce market risk.

Sector: IA Mixed Investment 20-60% shares

Asset Class: Mixed Asset

Quartile Ranking over 1 year: 3rd Quartile

Performance over 1 year versus IA Mixed Investment 20-60% shares sector: Underperformed by -0.70%

Performance over 3 years versus IA Mixed Investment 20-60% shares sector: Outperformed by 5.77%

Largest Asset Class: UK Corporate Bonds (18.5%)

Largest Geographical Region: UK (41.25%)

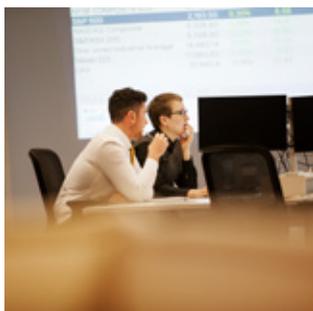
Largest single holding: Legal & General Sterling Corporate Bond Fund (16.5%)

Trust Net Relative Risk Score: 40 (this is measured relative to the FTSE 100, which has a risk score of 100).

True Potential Investments Comment: A slightly riskier version of the Index 3 Fund. As a consequence it carries a relatively higher exposure to risk real assets (equities and property). Over a 3-year period the fund has outperformed its peers, but has underperformed over the year. The fund has fallen from second quartile to third for the year. Over the year £467,000 was invested into the fund through Auto Enrolment, with 440 new accounts.

This equates to an average account size of £1,062. Transaction fees* for the fund are estimated at 0.01%. This represents the average stockbroker fees and transfer taxes (including stamp duty) that the Fund incurred buying and selling its assets over the last three financial years.

Source : *Legal & General Investment Management website



Legal & General Multi-Index 5 Fund I-Class – main features and highlights (the default fund)

True Potential Investments Morningstar Risk Profile: Balanced

Fund Objective highlights:

To provide a combination of growth and income and to keep the fund within a pre-determined risk profile. At least 75% of the fund is invested in other authorised investment funds. More than 50% is invested in index-tracking funds operated by Legal and General. The fund has exposure to global equities including UK equities, corporate and sovereign (government) bonds, UK commercial property, commodities, money market instruments and bank deposits. A very small position (less than 1%) is shown in commodities (via an S&P energy future).

Derivative Usage: Can only be used to help with efficient day to day portfolio management of the fund and to reduce market risk.

Sector: IA Mixed Investment 40-85% shares

Asset Class: Mixed Asset

Quartile Ranking over 1 year: 2nd Quartile

Performance over 1 year versus IA Mixed Investment 40-85% shares sector: Underperformed by -0.81%

Performance over 3 years versus IA Mixed Investment 40-85% shares sector: Outperformed by 4.30%

Largest Asset Class: UK Equities (21.0%)

Largest Geographical Region: UK (40.5%)

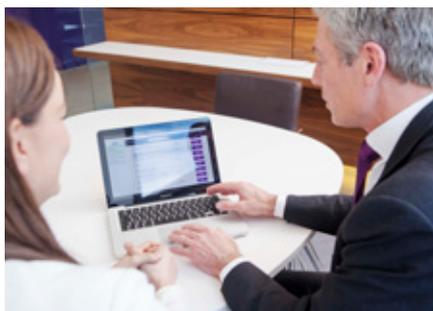
Largest single holding: Legal & General UK Index Trust (18.5%)

Trust Net Relative Risk Score: 56 (this is measured relative to the FTSE 100, which has a risk score of 100).

True Potential Investments Comment: The fund currently has c.51% exposure to equities across markets globally. Over a 3-year period the fund has significantly outperformed its peers, but has marginally underperformed over the year. The fund is second quartile over the year. In the last 12 months £14.5 million was invested into the fund through Auto Enrolment.

This is funded by 29,923 new accounts, which equates to an average account size of £486. Transaction fees* for the fund are estimated at 0.01%. This represents the average stockbroker fees and transfer taxes (including stamp duty) that the Fund incurred buying and selling its assets over the last three financial years.

Source :*Legal & General Investment Management website



Legal & General Multi-Index 6 Fund I-Class – main features and highlights

True Potential Investments Morningstar Risk Profile: Capital Growth

Fund Objective highlights:

To provide a combination of growth and income and to keep the fund within a pre-determined risk profile. At least 75% of the fund is invested in other authorised investment funds. More than 50% is invested in index-tracking funds operated by Legal and General. The fund has exposure to equities globally (between 70% and 100%), corporate and sovereign (government) bonds, UK commercial property, money market instruments and bank deposits. A very small position (c. 1.0%) is shown in commodities (via an S&P energy futures contract).

Derivative Usage: Can only be used to help with efficient day to day portfolio management of the fund and to reduce market risk.

Sector: IA Mixed Investment 40-85% shares

Asset Class: Mixed Asset

Quartile Ranking over 1 year: 1st Quartile

Performance over 1 year versus IA Mixed Investment 40-85% shares sector: Outperformed by 2.70%

Performance over 3 years versus IA Mixed Investment 40-85% shares sector: Outperformed by 5.97%

Largest Asset Class: UK Equities (21.5%)

Largest Geographical Region: UK (33.0%)

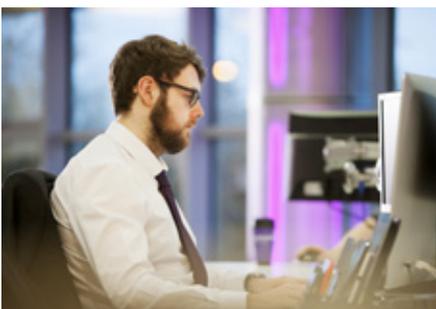
Largest single holding: Legal & General UK Index Trust (18.5%)

Trust Net Relative Risk Score: 70 (this is measured relative to the FTSE 100, which has a risk score of 100).

True Potential Investments Comment: High exposure to UK, US, European and Emerging Market equities is required to meet the higher risk and return objectives associated with the risk profile of the funds. It also gains exposure to risk by investing in global corporate and sovereign debt markets- this exposes clients to credit risk and currency risk when un-hedged. The fund is outperforming its peers over the short and long term and continues to remain first quartile for the year.

Over the year £292,000 was invested into the fund through Auto Enrolment, with 240 new accounts. This equates to an average account size of £1,215. Transaction fees* for the fund are estimated at 0.01%. This represents the average stockbroker fees and transfer taxes (including stamp duty) that the Fund incurred buying and selling its assets over the last three financial years.

Source : *Legal & General Investment Management website



Legal & General Multi-Index 7 Fund I-Class – main features and highlights

True Potential Investments Morningstar Risk Profile: Aggressive but currently maps to the Growth category

Fund Objective highlights:

To provide a combination of growth and income and to keep the fund within a pre-determined higher risk profile at least 75% of the fund is invested in other authorised investment funds. More than 50% is invested in index-tracking funds operated by Legal and General. The fund has exposure to global equities (between 70% and 100%) as well as higher yielding and higher risk international corporate and sovereign (government) bonds. The fund also invests in UK commercial property and maintains a very small position (c.1.3%) in commodities (via an S&P energy future).

Derivative Usage: Can only be used to help with efficient day to day portfolio management of the fund and to reduce market risk.

Sector: IA Flexible Investment

Asset Class: Mixed Asset

Quartile Ranking over 1 year: Unavailable

Performance over 1 year versus IA Flexible Investment sector: Outperformed by 4.50%

Performance over 3 years versus IA Flexible Investment sector: Outperformed by 7.06%

Largest Asset Class: UK Equities (26.3%)

Largest Geographical Region: UK (25.8%)

Largest single holding: Legal & General UK Index Trust (21.75%)

Trust Net Relative Risk Score: 80 (this is measured relative to the FTSE 100, which has a risk score of 100). Therefore, this fund is deemed to be just over three quarters as volatile as investing in a FTSE 100 index tracker).

True Potential Investments Comment: The fund is mainly invested in higher risk assets of which the main portion is global equities. It also gains exposure to risk by investing in global corporate debt markets- this exposes clients to credit risk and currency risk when un-hedged. Over a 1 and 3-year period the fund has outperformed its peers. Over the year £226,000 was invested into the fund through Auto Enrolment, with 147 new accounts.

This equates to an average account size of £1,539. Transaction fees* for the fund are estimated at 0.00%. This represents the average stockbroker fees and transfer taxes (including stamp duty) that the Fund incurred buying and selling its assets over the last three financial years.

Source :*Legal & General Investment Management website

True Potential Investments Independent Risk Assessment of Legal & General Investment Management Multi-Index 3-7

True Potential Investments have assessed the Strategic Asset Allocation models operated by Legal & General Investment Management. By inputting the weights for each asset class into True Potential Investments risk assessment model, we calculate the expected risk outcome for each fund. This is compared to the risk bands for each risk category devised for True Potential Investments by Morningstar.

Appendix B

Independent Governance Committee Biographies



Brian Shearing
Independent Chair

Brian Shearing has worked in UK financial services throughout his whole career that now spans more than 40 years. Prior to 1992 he was employed by Standard Life, Equity & Law, Geoffrey Morley and Partners Limited, Merchant Navy Officers Pension Fund and Sanwa International plc. From 1992 onwards Brian has operated as a self-employed management consultant providing services to Life Assurers, Fund Managers, Pension Providers and Wrap Platforms (including corporate propositions) as well as those who supply services to these types of organisation. Brian has expertise across fund management, life assurance, pensions, wrap platforms and service suppliers to those sectors.

Brian has an honours degree in Mathematics & Statistics and he is a Fellow of the Pensions Management Institute, a Fellow of the Chartered Insurance Institute and a Fellow of the Institute of Directors. Brian Shearing and Partners Limited is an Associate Member of the Pensions Policy Institute.



David Keir
Independent Member

Head of Research - Saracen Fund Managers

David joined Saracen from Scottish Widows Investment Partnership (SWIP), where he was Investment Director on the UK Equities Desk, running both Institutional and Retail Funds. He was also Head of Research. Before SWIP, David spent 4 years on the UK Equities Desk at Edinburgh Fund Managers. He originally trained with KPMG to become a Chartered Accountant (CA), and is also a CFA Charter holder.



Russell Hogan
Independent Member

Managing Partner & Chief Investment Officer - Dundas Global Investors

Russell has 30 years of investment experience & spent 17 years at Aegon Asset Management (now Kames Capital) becoming CIO in 1995 and thereafter CEO with responsibility for £33 billion. He joined Dundas Global Investors as a director at inception, becoming a full time member of the team in April 2012. Russell is a Fellow of the Securities Institute and holds a degree in Economics from Strathclyde University and an MBA from the Open University Business School.



Sheriden Davy
IGC Member

Sheriden has stepped down and we are taking the opportunity to further strengthen the independent nature of the IGC by appointing a new member independent of True Potential.



Mark Henderson
IGC Member

Senior Partner, True Potential LLP

Mark began his financial services career in private banking with Lloyds, covering investment management and executor and trustee work in the north of England and Scotland.

He then moved to Merrill Lynch's International Private Client Division before joining Positive Solutions where he held the position of Director of Wealth Management.

Mark is one of the founding partners of True Potential LLP, initially heading up provider relations. In this role, he was responsible for gaining industry-wide agreements that enabled the firm to develop technology for evaluations, electronic payments and commission statements.

Instrumental in building the True Potential Wealth Platform, Mark is responsible for enhancing the platform's product range which now covers Individual Savings Accounts, GIAs, Pensions and Investment Bonds both onshore and offshore.

More recently Mark has overseen the establishment of True Potential Investments as an investment management firm and the launch of the Wealth Strategy range of funds. These multi asset funds are managed in association with world class global asset managers have attracted over £1.5bn in assets. Further to this the firm now offers the Managed Portfolios Series of 10 portfolios underpinned by the Wealth Strategy Fund range, both being further examples of True Potential using scale to drive down charges and provide clients with great value and choice to meet their investment goals.



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