TRUE

INSIGHT

True Potential Portfolios | Issue 36 | Autumn 2024

MEASURING UP: TRUE POTENTIAL & THE ARC INDICES.

It's essential to have a clear view of how your investments are performing with True Potential. **pg. 16**

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

+ Two great political unknowns are now behind us following the US Presidential election and in Rachel Reeves' first budget as UK Chancellor.

In what seemed an impossibility 4 years ago US voters have returned Donald Trump to the White House. Come January he will be oldest President, at 78, to be sworn into office. This was a resounding victory with the Republican party in control of the US Senate and retaining their majority in the House of Representatives.

Back home, the UK budget brought an end to the second guessing around our new government's fiscal policies. Employers, individuals and families with exposure to taxes on capital will have 'bruised' broad shoulders, or narrower shoulders at least, as future tax burdens have increased. For individuals, the importance of financial planning has been heightened, but please resist the temptation to throw the baby out with the bath water. Pensions and ISAs have never been more important - use them as much as you can.

We must keep matters in perspective, however. Our impartiality on investment decision making is vital as we continue to assess global opportunities for our portfolios. I am pleased to say that this disciplined approach has been rewarded as we continue to deliver growth across all 10 portfolios. You don't have to take my word on this, we have had our performance independently assessed and you can see how well we are doing on page 16.

Our market commentary and portfolio highlights articles explain how we have delivered the investment returns for you.

The curtain is now drawn on the US election after a combined $3.5bn was spent on the campaigns. Our thoughts on how the policies of the newly elected President will affect our portfolios begins on page 10.

Geopolitics generates headlines and may have a bearing on short term tactics but the continued independence for Central Banks from political interference is much more important. Interest rates dictate the returns on cash and the cost of borrowing that feeds directly into investment returns. This is why we pay more attention to the detail behind rate setting announcements. In this edition of True Insight we delve deeper into the data and indicators that are key factors leading when and how much rates come down.

Give yourself a little time. Pour yourself a drink and enjoy reading True Insight. We are watching world events and will make investment decisions, as always, in your best interests.

4.21%

The True Potential Cautious Income Portfolio was up 4.21% in the third quarter of 2024.

17.26%

The True Potential Aggressive Portfolio has grown by 17.26% in the last 12 months.

60.94%

The True Potential Balanced Income Portfolio has grown by 60.94% since launch (October 2015).

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

Performance update.

Jeff Casson
Chief Investment Officer
True Potential Investments

+ The third quarter of 2024 saw positive returns from all True Potential Portfolios. This is the fourth consecutive quarter the True Potential Portfolios have generated positive returns following a challenging backdrop in 2022 and 2023. The strongest performance came from the Cautious Income portfolio returning +4.2%. Performance has been driven by excellent stock selection from active fund managers and a large allocation to high yield bonds.

Global equities generated positive returns despite some bouts of volatility over the period. In the US equities generated growth, however, in contrast to Q1 and Q2 this was broadly led by Utilities, Industrials and Financials, with Information Technology lagging behind. This is reflective of the evolving expectations of US interest rate cuts. Lower interest rates are generally expected to put more money in the pockets of consumers and smaller businesses. Consequently those sectors that had previously lagged behind, outperformed over the quarter. The Bank of England cut UK interest rates in August providing investors with some confidence around the path of the UK recovery and this was evident through good equity returns. More rate cuts are expected to follow.

The True Potential Close Brothers Cautious Income fund grew +4.9% in the third quarter of 2024, ranking it the top performing True Potential fund. Exposure to Real Estate Investment Trusts (REITS), generated positive returns as the property sector benefits from lower interest rates and more expected rate cuts than in Q2. Strong stock and bond selection provided solid returns from their equity book and corporate bonds. The fund is currently a 34% allocation of the Cautious Income portfolio and 13.5% of the Balanced Income Portfolio.

The True Potential Cautious Income Portfolio has generated a total return of +54.76% since it's launch in October 2015.

> This is the fourth consecutive quarter the True Potential Portfolios have generated positive returns.

Portfolios	3 months	1 year	Since launch (1 Oct 2015)
Defensive	+2.32%	+9.50%	**+25.85%**
Cautious	+2.54%	+12.08%	**+43.05%**
Cautious +	+2.43%	+12.78%	**+45.30%**
Cautious Income	+4.21%	+14.90%	**+54.76%**
Balanced	+2.58%	+14.41%	**+61.36%**
Balanced +	+2.27%	+14.48%	**+68.39%**
Balanced Income	+3.26%	+14.98%	**+60.94%**
Growth	+2.03%	+15.45%	**+84.89%**
Growth +	+1.97%	+16.69%	**+86.28%**
Aggressive	+1.78%	+17.26%	**+102.71%**

Source: True Potential Investments, data as of 30 September 2024.

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 2024

> Data suggested that fears of a sharp slowdown in the US economy were overly alarmist.

Another quarter, another cracking performance for equities, with global indices reaching new highs.

It hasn't all been plain sailing though; in early August, a confluence of factors produced a sharp sell-off in global equities, with Japan particularly affected. Concerns had started to build over the summer that after a long period of surprising resilience, the US economy was starting to crack and then the July labour market data showed a sharp slowdown in payroll growth and a jump in the unemployment rate. At the same time, the Japanese central bank raised interest rates, triggering a rapid appreciation of the yen, which exacerbated the sell-off in Japanese equities. Between mid-July and early August, the Nikkei declined by 25% and the US S&P 500 by 8% while the relatively defensive composition of the UK market resulted in the FTSE 100 recording a smaller drop of 3%.

However, subsequent data suggested that fears of a sharp slowdown in the US economy were overly alarmist. Labour market data were revised higher and in September, a very solid increase in payrolls was recorded. The story of US economic resilience and technological advances driving solid growth of corporate earnings continues, and the equity market continues to reach new highs. In truth, the economic data from Europe suggests the economy is struggling but with a large proportion of revenues derived overseas and falling interest rates, the European market has shrugged off domestic economic weakness.

Equities also found support from cuts in interest rates, as central banks took comfort from falling inflation. In the third quarter, the Federal Reserve cut by 0.5%, the European Central Bank delivered a second 0.25% cut and the Bank of England cut for the first time by 0.25%. The strength of the US economy has prompted investors to scale back their expectations of subsequent cuts in US interest rates, but significant further cuts are still expected in all three regions. This backdrop also underpinned strong performance in bond markets over the quarter, with US Treasuries gaining 4.5% and UK Gilts gaining 3%, despite some concern about the UK's fiscal situation. Corporate bond markets exceeded these returns.

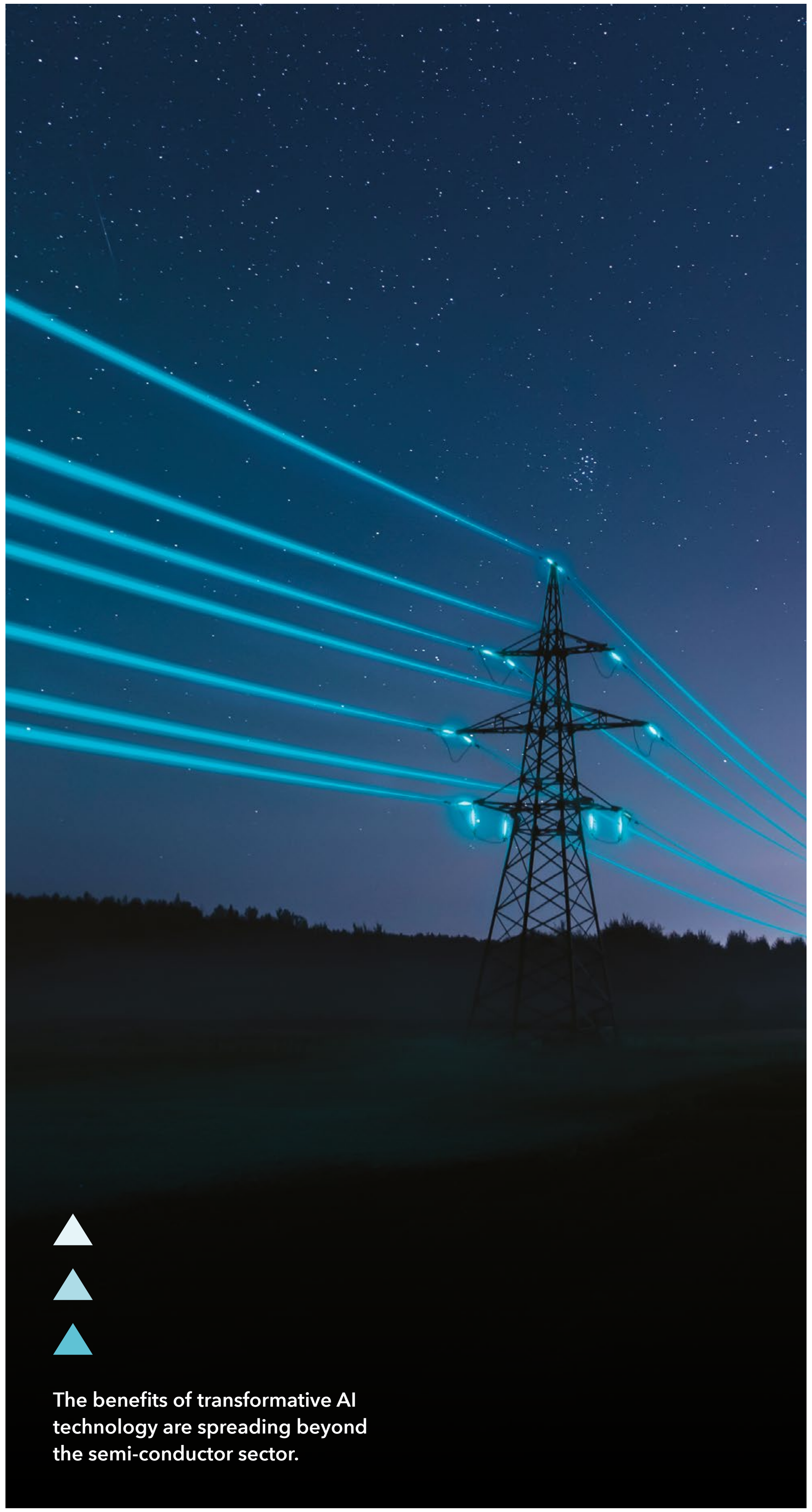
Towards the end of the quarter news started to emerge of a policy pivot in China. The Chinese stock market had been lagging due to well-known structural economic problems, particularly in the property market. Until recently the Chinese government's attempts to revive growth have been insufficient but the combination of monetary easing, support for the equity and property markets and speculation of a large fiscal stimulus have raised hopes that this policy response could have a significant impact. In the last week of September, Chinese mainland stocks gained a whopping 35%! Some of those gains have been given back as investors await detail on the fiscal package but the index remains up over 12% on the year, having been in negative territory prior to the announcements.

Market outlook.

'Events, dear boy, events' British Prime Minister Harold Macmillan replied when asked what the greatest challenge for a statesman is. For investors currently, there are certainly a whole host of events to navigate, from the outcomes of the US presidential election and the first UK budget under the new Labour government, to the war in the Middle East and a fundamental policy pivot in China. The final quarter of the year is anything but dull!

So far, 2024 has been a year of outsized returns for equities, with the MSCI global index returning almost 20%, led by the US but with strong returns also from Europe, UK and Japan. The question is whether after having exceeded expectations, equities can continue to perform well? There are grounds for optimism given robust earnings expectations into next year, the likelihood of further interest rate cuts from central banks as inflation continues to fall, and evidence that the benefits of transformative AI technology are spreading beyond the semi-conductor sector. For example, power-hungry AI is generating demands to upgrade energy infrastructure, leading to significant investment by large technology companies, as well as governments.

In China, the authorities' change in policy direction could also revitalise the stock market. Targeted measures to encourage companies to buy back their stock and to help asset managers and pension funds buy equities will underpin the market. More importantly the prospect of large-scale fiscal intervention to revive the property market and support consumer spending could help to rebalance the Chinese economy, which has been overly dependent on increasingly unproductive investment and exports in recent years. At this point, detail on Chinese fiscal expansion is light but the government's commitment to support growth is being compared to ECB President Mario Draghi's 2012 promise to do 'whatever it takes' to back the European bond market.



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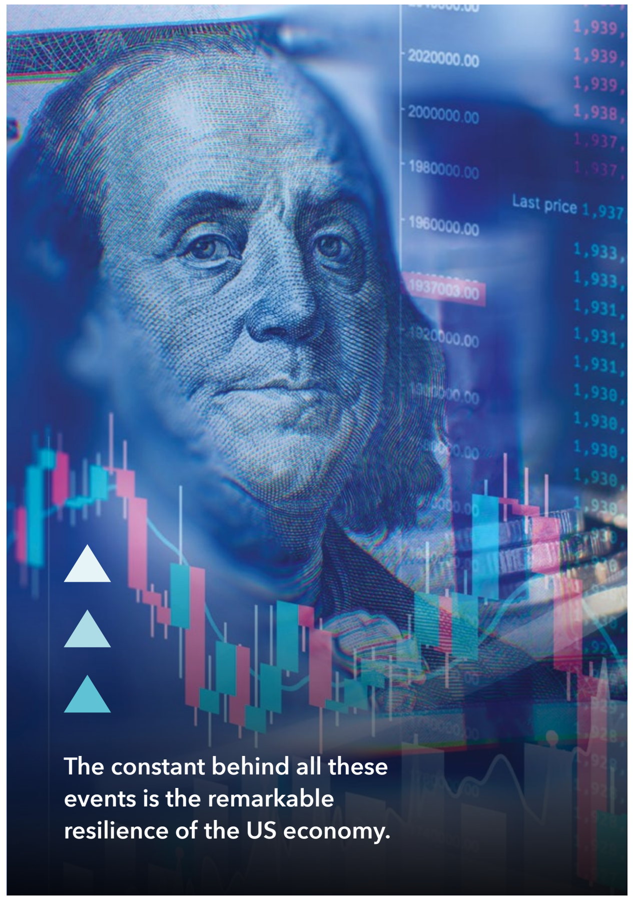

The constant behind all these events is the remarkable resilience of the US economy.

Falling global inflation over the last 18 months and interest rate cuts have also led to better returns in the bond market, with year-to-date bond returns in the US ranging from just over 2% for Treasuries to 7.5% for high yield. Looking ahead, a still elevated yield available across the bond market and the disinflationary economic environment should support returns into next year. An important development has been the return of bonds as a diversifying asset class for equities as inflation concerns have subsided.

The wild card of a Republican sweep has now been confirmed. Donald Trump has campaigned on a promise of corporate tax cuts and tariffs on imports, which might re-ignite inflation and limit the Federal Reserve's scope to cut interest rates as aggressively as investors currently expect. However, equity investors would welcome lower corporate taxes.

The constant behind all these events is the remarkable resilience of the US economy, driving solid corporate earnings growth. As we look ahead to 2025, we expect multi asset portfolios to continue to produce strong returns with positive contributions from both equities and bonds.

COMING UP TRUMP'S.

The US election and its implications for investors.

After all the twists, tensions and knife-edge polling, the US election proved far more decisive than expected. But what does Donald Trump's second term mean for financial markets?

We've just had one of the most unusual US elections in history: an incumbent president pulling out, assassination attempts and a large number of polls that got the final result very, very wrong. Forget the 'October surprise': this one saved all the fireworks for 5 November.

Notably, Trump and the Republicans have secured not just the White House but the Senate and Congress too. This means that Trump now controls both the executive and legislative branches of the US government. 'Unified government', in which one party controls Congress and the White House, has become increasingly rare in recent decades. It gives the incoming president much more power to implement his agenda – at least until the 2026 mid-term elections, when voters get a chance to change their minds.

Tariffs, tax cuts and an immigration crackdown.

But what is Trump's agenda? He has proposed steep tariffs on foreign goods, especially those from China, and sweeping tax reforms. He plans to extend his 2017 programme of tax cuts, much of which is due to expire in 2025. Its main beneficiaries were higher earners and corporations. This time around, Trump has also pledged to remove tax from tips and social-security payments.

Both tariffs and tax cuts are likely to prove inflationary. Higher inflation would drive up bond yields. Although investors would probably welcome an extension of corporate tax cuts, higher inflation could spell slower interest-rate cuts in the US.

Tariffs would clearly be bad news for exporters to the US. Shares in European car-makers fell sharply after the election result became clear, as did Chinese markets. Another of Trump's pledges is to "drill, baby, drill". Deregulation of the oil industry is likely to boost energy stocks. Conversely, Trump has also said that he will remove subsidies for electric vehicles and green energy. But his campaign was backed and boosted by Elon Musk, owner of Tesla, who will play a role in the new administration; Tesla's shares soared after Trump's win. And cheaper clean energy is increasingly attractive for economic reasons as well as environmental ones. On top of that, several Republican states have benefited considerably from the boom in solar and wind power, so their representatives in Congress are likely to oppose the repeal of Biden-era subsidies.

Along with the economy, immigration was the major focus of Trump's campaign. But while immigration – legal and illegal – is a hugely contentious issue in the US, it's also a force that serves to turbo-charge the US economy. Trump's proposed mass deportations would be economically damaging, logistically complex and extremely expensive. The government spending required would add to the US deficit and create further inflationary pressure.

So a key question now is the extent to which Trump will turn his campaign rhetoric into reality. This is something that investors will be watching closely. Trump is not a conventional politician, and many of his campaign statements are widely seen as starting points rather than concrete proposals.

The clearest signals.

As investors await details of Trump's policies, the clearest signal for the direction of financial markets will be the interest-rate decisions made by the US central bank: the Federal Reserve.

In many ways, the Federal Reserve holds more sway over investors than Congress and the White House. While the government controls fiscal policy (government spending), the Fed controls monetary policy (chiefly expressed through interest rates) and does so independently of the executive.

Monetary policy tends to have a more direct impact on financial markets – and a more clear-cut one: as we've seen in recent years, fiscal stimulus packages can often have unwelcome side-effects, particularly with regard to inflation. The impact of changes in US monetary policy is usually felt much more quickly, too – not just in America but around the world.

With the Fed cutting interest rates for a second time in the wake of the election, investors are now looking ahead to its December and January rate-setting meetings.

The unpredictability of a Trump administration is likely to lead to some market volatility, at least until greater clarity emerges on policy and personnel. With the election out of the way, however, investors no longer have to balance two sharply contrasting political scenarios in their calculations. They can now get on with working out the implications of a Republican administration on business, consumers and the economy as a whole. These implications must be factored in alongside monetary policy, global economic conditions and geopolitical events, of course. But, ultimately, a clear election result brings a little more certainty to an uncertain world.

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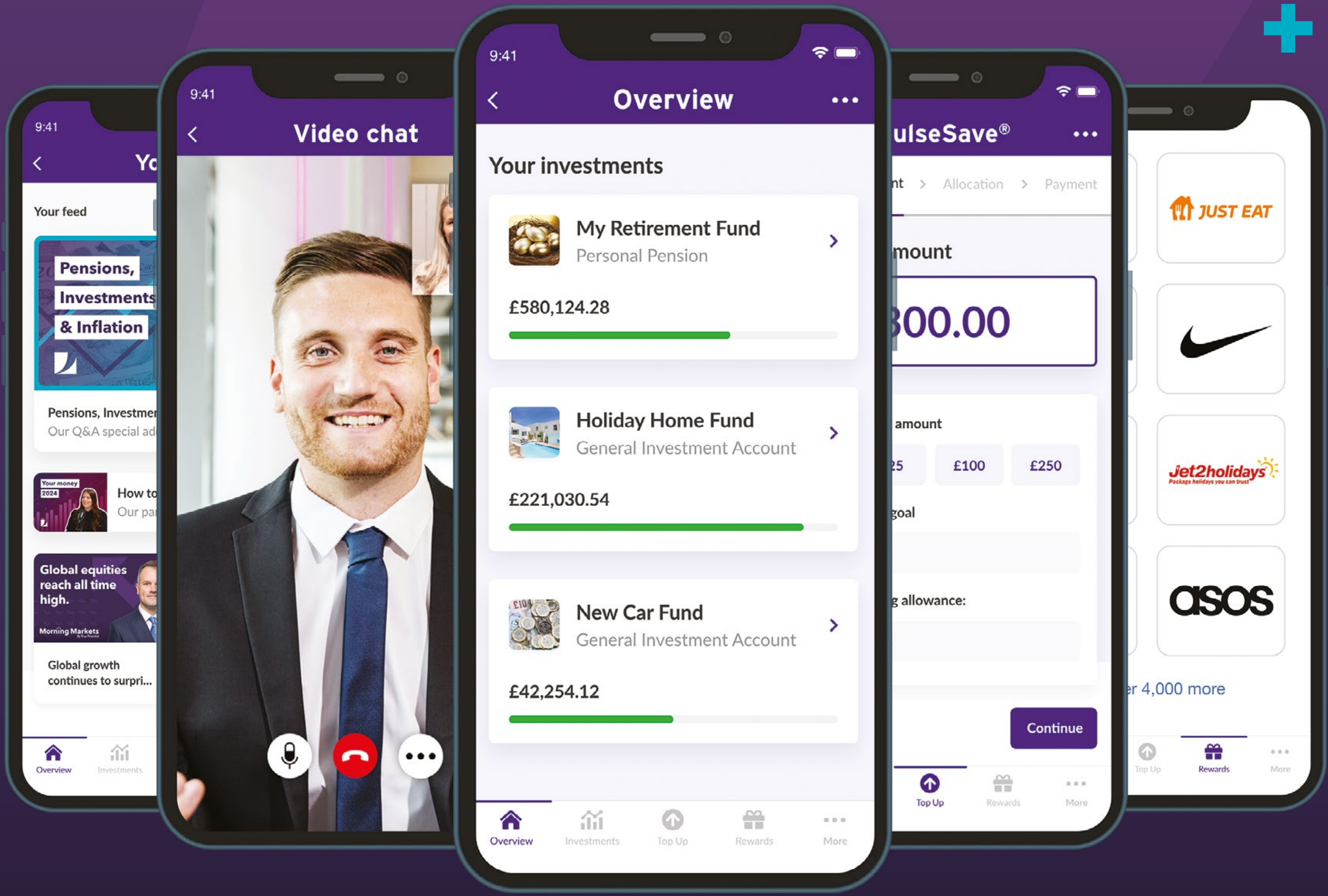

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Portfolio changes: Q3 2024

+ As a result of both manager allocations changes and underlying manager trades, equity allocations have moved slightly lower over the quarter driven by reductions to Europe and Japan whilst additions were made to US and Emerging Markets equities, two regions that outperformed over the quarter. Within fixed income, exposure to UK gilts increased whilst global sovereign bond exposure moved lower given more attractive valuations in gilts.

Inflation continued its downward trajectory towards target over the third quarter which allowed central banks to cut interest rates. The Bank of England and US Federal Reserve began their interest rate cutting cycles whilst the European Central Bank, who began cutting interest rates in the second quarter, continued to lower the policy rate. US economic growth remains robust and the labour market, although cooling, continues to add jobs. This labour market normalisation combined with lower inflation allowed the Federal Reserve to lower interest rates as they acknowledged that upside risks to inflation have diminished whilst downside risks to employment have increased.

A key development towards the end of the quarter was the announcement of China's stimulus package which was put in place to boost growth. These stimulus measures, combined with central bank monetary policy easing, provide a supportive backdrop for global economic growth. Given this, we remain overweight equity, primarily via the US, and are constructive on equity market breadth. Within fixed income, we have a preference for UK gilts over US treasuries on valuation grounds. Portfolio asset allocation changes made over the quarter by both the portfolio management team and our underlying fund managers reflect these preferences.

In the Balanced portfolio, we increased allocation to Close Brothers funded from Goldman Sachs Income Builder. The Close Brothers addition is based on the fund manager's strong long-term track record of stock selection, successfully identifying stocks that can outperform the market. Goldman Sachs Income Builder was used as the funding source to moderate our high yield bond exposure. Although we remain positive on the asset class, our preference for high yield has moderated slightly.

Underlying managers have also been active over the quarter. Within fixed income, managers have been rotating from US treasuries into UK gilts given more attractive valuations with the UK pricing fewer interest rate cuts versus the US earlier in the quarter. Managers who took the opportunity to add to gilts include Growth Aligned, Allianz and Pictet.

More recently, managers including Pictet and Schroders added to emerging market equities following China stimulus announcements. Pictet moved overweight China quickly after the announcement through China futures whilst Schroders increased their allocation to active emerging market equity managers with exposure to China. These developments increased the True Potential Portfolio allocation to Emerging Market equities.

Finally, within alternatives, Schroders introduced a new alternative product which has the ability to take both long and short positions within global equity markets.

Measuring up: True Potential and the ARC indices.

+ When you trust True Potential to look after your savings or your pension, you need to know how well we're doing. After all, you've put your financial future in our hands. So it's important that you have a clear means of assessing the performance of the investments we have made on your behalf.

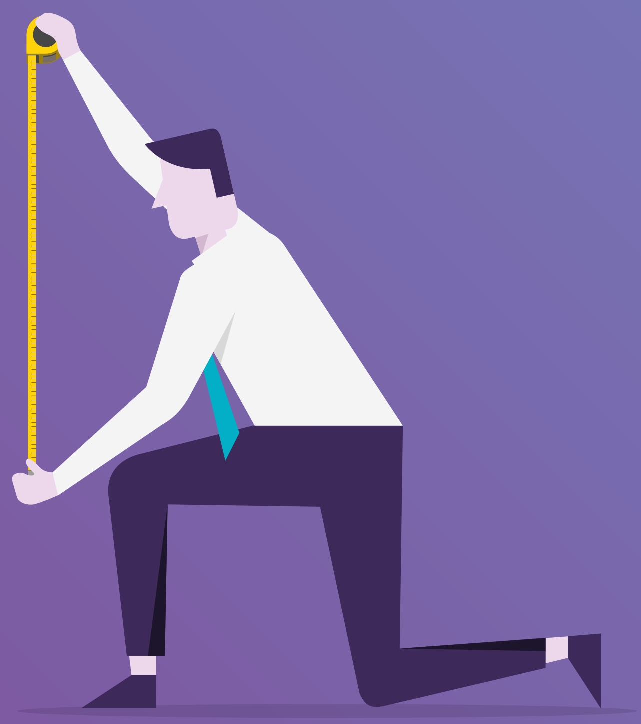
That clarity is important to us too. We've designed our solutions to meet the real needs of our clients, so they are heavily diversified across asset classes so standard equity or bond indices are of little use to us here.

On top of that, we want to assess our performance against that of our peers. Rather than establishing a notional benchmark, we want to see how we compare with people who are trying to do the same things we are.

Quartile Rankings to 30/09/24.

Portfolio	Q3 2024	12 Months*	3 Years*	5 Years*
Cautious	1st	1st	2nd	1st
Cautious +	1st	1st	2nd	1st
Balanced	1st	1st	2nd	2nd
Balanced +	1st	1st	1st	2nd
Growth	1st	1st	1st	2nd
Growth +	1st	1st	1st	1st
Aggressive	1st	1st	1st	2nd

Source: ARC Research Limited 30/09/2024.
* Figures are a rolling period to the end of Q3 2024.



So, when it comes to our investment solutions, we have three key requirements in establishing a benchmark. It has to be *fair*, it has to be *meaningful*, and it has to be *independent*.

Let's look at each of those requirements in turn.

Fair.

When we talk about *fairness* in this context, we mean that we need to be measuring each of our solutions against a comparator that's based on a similar level of risk.

There's no point, for example, in comparing an all-equity portfolio with a benchmark composed of defensive strategies. And comparing a defensive strategy with a high-growth benchmark would be equally futile. We have to compare like with like.

Meaningful.

In the past, we have looked at constructing complex benchmarks from traditional indices. But it wasn't an easy task. The deep diversification of our strategies meant that we'd be having to use many different indices in shifting combinations to get anywhere near a representative yardstick for our performance. And even that wouldn't take our investment aims into account.

If we're offering an aggressive, growth-driven solution, for example, we need to see how it shapes up against similarly growth-oriented strategies. It's that kind of comparison that tells us and our clients whether we're delivering on their investment aims.

Independent.

Trust is essential to what we do. So any evidence of our performance needs to be independently verified. We're not in the business of marking our own homework. If we were to put performance comparisons together ourselves, conscious or unconscious bias could creep in. So we need an independent and industry-trusted organisation to show you exactly how well we're doing on your behalf.

Enter ARC...

That's why we use the indices provided by Asset Risk Consultants (ARC) – a specialist index provider that's been in business for over a quarter of a century. These indices are an excellent fit for all three of our criteria.

First, ARC uses risk as the basis for classifying and comparing portfolios. The ARC indices are 'style agnostic', so they don't consider the means by which a given portfolio seeks to achieve its intended risk profile. Instead, they take into account the target risk level and compare it with other portfolios with the same risk target. That allows for a fair and transparent comparison.

Second, the ARC indices are made up of real portfolios run by real discretionary fund managers – in other words, people like us who are trying to achieve similar objectives. The indices take in around 150 discretionary fund managers – True Potential included – and approximately 350,000 individual portfolios. That depth of coverage allows us to make meaningful, like-for-like comparisons with our peers – comparisons that are much more representative than any made with broad security-market indices.

Third, ARC's indices are both independent and industry-leading. The firm is long established and well trusted, and so we trust its data as a valuable assessment of our decision-making. For example, we've learned from ARC that our focus on international equities has been a positive in its own right when compared with our peers who adopt a domestic focus. And we feature our ARC ratings prominently in our quarterly reports so that you can judge our performance for yourself.

How does True Potential shape up?

What do the ARC indices tell us about our performance? Well, all of our funds are in the first or second quartile of the relevant ARC indices over the past three years. And the bulk of them are in the first quartile – that is, the top 25% of their peer groups.

In sum, the ARC indices allow us to say with confidence that we're delivering on our stated aim: maximising returns for the chosen level of risk.

Autumn Budget reaction.

> The Budget revealed significant changes to Capital Gains Tax, Inheritance Tax and employers' National Insurance Contributions.

In Labour's first Budget for more than 14 years, Chancellor Rachel Reeves set out an economic plan intended to increase investment and rebuild public services.

The Budget revealed significant changes to Capital Gains Tax, Inheritance Tax and employers' National Insurance Contributions, as Reeves announced the Government's decisions on tax, welfare and spending.

The key tax announcements, set to raise £40 billion, are summarised below.

Capital Gains Tax.[1]

The basic rate of Capital Gains Tax has increased from 10% to 18%, and the higher rate has increased from 20% to 24%. This will align the rates of Capital Gains Tax with the existing rates that are charged on residential property sales. This change took place with immediate effect on 30th October 2024.

The Capital Gains tax-free allowances of £3,000 for individuals and £1,500 for trusts has remained the same.

18%

The basic rate of Capital Gains Tax has increased from 10% to 18%.

15%

National Insurance will increase from 13.8% to 15% from 6th April 2025.

4.1%

The State Pension Triple Lock increase has been confirmed at 4.1%.

Inheritance Tax changes.[1]

Currently, in most cases, pensions are not included in an estate for the purposes of an Inheritance Tax calculation. From April 2027, unspent pension pots will be included in the Inheritance Tax calculation.

Furthermore, the Inheritance Tax nil-rate band and residence nil-rate band threshold freezes will be extended by two years to 5th April 2030.

Income Tax and National Insurance thresholds.[1]

During the election campaign earlier this year, Labour pledged not to raise the rate of Income Tax. The previous government froze the tax-free personal allowance at £12,570 and also froze the wider Income Tax and National Insurance thresholds, until 2028.

Higher-rate tax will continue to kick in for earnings above £50,270.

Income Tax and National Insurance thresholds will rise with inflation from 2028-29.

Employer National Insurance contributions.[1]

The rates of Class 1, Class 1A and Class 1B employer National Insurance will increase from 13.8% to 15% from 6th April 2025.

The National Insurance secondary threshold will reduce from £9,100 to £5,000 from 6th April 2025 until 5th April 2028.

The National Insurance employment allowance will increase from £5,000 to £10,500 from 6th April 2025, which is a discount that smaller businesses can receive on their National Insurance bill.

The Government has also removed the eligibility threshold of £100,000, meaning any eligible employer, no matter their National Insurance bill, can claim this discount.

Source: [1] Gov.uk, 2024

State Pension increase.[1]

The State Pension Triple Lock increase has been confirmed at 4.1%, giving pensioners up to £470 more per year in 2025/26.

This will increase the full new State Pension to £12,014.12 per year, whilst the full basic State Pension will go up to £9,206.91 per year.

We'll help you do more with your money.

If you have any questions about the Budget, it's tax implications or your investments, please contact your financial adviser. You can also watch our in-depth Autumn Budget podcast on our YouTube channel.

Scan to watch our *2024 Budget Reaction* episode on YouTube.

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

Data, decisions and income-focused investing.

+ After two years of tight monetary policy, interest rates are on their way down across the developed world. But what are the factors that central banks consider when they decide how fast and far to cut rates? And what are the implications for income-focused investors?

In September, the US Federal Reserve finally moved to cut interest rates for the first time since 2020. The European Central Bank and the Bank of England had already started to cut in the summer. Further cuts are expected in the coming months. These decisions are, however, always 'data dependent'. So what data will central bankers be considering in the months ahead?

We might start with why they put up rates in the first place. In the wake of the Covid pandemic and Russia's invasion of Ukraine, inflation was rising rapidly around the world. Economies were overheating and prices risked getting out of control.

So, to deal with inflation, central banks raised interest rates. This makes it more attractive to save money and less attractive to borrow and spend – which should have a cooling effect on the economy. But the risk is always that the higher cost of money will cause the economy to crash.

A contraction caused by the economy slowing too suddenly is known as a 'hard landing'. Central banks aim to achieve a 'soft landing' – where inflation falls back and the economy slows without sliding into recession.

Data under the microscope.

To do this, they need to monitor economic data carefully. That data includes economic growth rates, retail sales, industrial production and investment by businesses. These measures allow policymakers to gauge how well the economy is doing.

They also look at bank lending, credit growth (which includes lending by institutions other than banks) and money supply (i.e. how much money is circulating in the economy).

Optimism about the economy is an important signal too: measures such as consumer confidence surveys and purchasing managers' indices give an idea of how the public and businesses view the economic outlook – and how their behaviour is likely to shape it.

Policymakers also pore over inflation data in all its various forms. They consider various broad measures of inflation along with 'core' readings that exclude food and fuel prices, which tend to be more volatile. Together, these help to create an accurate assessment of what's actually going on with prices.

What does this mean for income investors?

Bond yields react to shifts in interest rates – both when they happen and beforehand, as professional investors like us anticipate the adjustments made by central banks.

The great thing about fixed income is that it's fixed. So once we've invested in bonds with attractive yields for our clients, we've locked in that income for the lifetime of those bonds. But as bonds mature and as we invest fresh capital on our clients' behalf, we may need to consider alternative sources of income.

Take government bonds. Today, they offer yields of around 4%. But as interest rates come down, that's unlikely to last. In the decade before Covid, government bonds offered yields of less than 2%. We could be heading back there.

That's why we think it's important to be multi-asset investors. Although the levels of income provided by the bond market may change, our clients' needs will not. So we need to be nimble to keep up the income they expect.

Equally, it's important to be selective. We treat asset classes as pools in which we can fish for income opportunities, not as solutions in themselves.

4%

Today, government bonds offer yields of around 4%. In the decade before Covid, government bonds offered yields of less than 2%.

200%

The total return of the FTSE 100 over the last 24 years has been 200%.

Staying alert for opportunities.

Where, then, are we looking? Well, we're always alert to income opportunities in equities. For example, the total return (including reinvested dividends) from the FTSE 100 index over the last 24 years has been 200%. And the bulk of that income has come from dividends – around three-quarters of the total.

We look much further afield than the FTSE, of course. Our funds hold domestic dividend payers such as Royal Dutch Shell and HSBC, we also have companies such as Microsoft and Taiwan Semiconductor (a key facilitator of artificial intelligence through its high-end microchips).

And as multi-asset investors, we look beyond bonds and equities entirely. Current sources of income in our portfolios include real estate investment trusts providing student accommodation in London, Manchester and Edinburgh; warehousing for the likes of Sainsbury's, Morrisons and Tesco; and infrastructure, including windfarms, digital businesses and freight and rail lines.

By being nimble in both our asset allocation and our security selection, we've managed to sustain steady and growing incomes for our investors over the period since our launch. That's a period that includes Brexit, the Covid pandemic and runaway inflation – but you wouldn't know it from our income levels, which we've kept our average yields rock-steady. And that's why we continue to watch the economic data just as closely as the decision-makers at the world's central banks.

Five year performance.

Portfolios	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	30 Sep 2023 to 30 Sep 2024	Since launch annualised* (1 Oct 2015)
Defensive	-0.01%	+4.76%	-8.12%	+1.75%	+9.50%	**+2.59%**
Cautious	-0.48%	+9.74%	-9.64%	+3.50%	+12.08%	**+4.05%**
Cautious +	-1.41%	+10.92%	-10.18%	+4.03%	+12.78%	**+4.23%**
Cautious Income	-2.66%	+13.63%	-9.33%	+5.24%	+14.90%	**+4.97%**
Balanced	-1.52%	+14.20%	-10.95%	+5.15%	+14.41%	**+5.46%**
Balanced +	-1.28%	+14.20%	-10.53%	+5.54%	+14.48%	**+5.96%**
Balanced Income	-4.54%	+15.82%	-11.09%	+7.75%	+14.98%	**+5.42%**
Growth	-1.39%	+17.66%	-10.05%	+6.35%	+15.45%	**+7.06%**
Growth +	-3.28%	+19.23%	-11.00%	+7.54%	+16.69%	**+7.15%**
Aggressive	-2.91%	+22.30%	-9.53%	+7.71%	+17.26%	**+8.16%**

Source: True Potential Investments, data as of 30 September 2024.
Figures shown after Ongoing Charges Figure (OCF) has been deducted.
*An annualised return is a measure of how much an investment has increased on average each year during a specific period.

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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