TRUE

INSIGHT

True Potential Portfolios | Issue 38 | Spring 2025

WHY TIMING *ISN'T* EVERYTHING

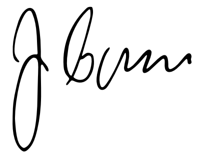
We explore why timing the market is tempting, but best avoided to maximise your assets. **pg. 16**

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.



Jeff Casson
Chief Executive Officer
True Potential Investments

Welcome to the spring edition of True Insight. This is my first *From the Riverside* – it has certainly been a period of significant political change and the associated impact on asset markets has been evident for everyone to witness. With that in mind, there is much to discuss in this edition.

There's no doubt where the focus of this issue lies: on the US administration and its stance on trade and tariffs. Investors spent most of last quarter speculating about how Donald Trump's rhetoric on trade would translate into action. Well, now we know.

This meant it was all change in the equity markets in the first quarter of 2025: the US was down and Europe came back to life. With the tech world disrupted by China's DeepSeek, the Magnificent Seven lost more than a little of their lustre. Since the end of the quarter and Trump's "Liberation Day", we've had more turmoil, with sweeping US tariffs and other countries' tit-for-tat responses causing asset markets to become increasingly volatile.

But times like these can reward a cool head. There's no doubt that the second Trump administration is proving even more unpredictable than the first. As we point out on page 16, however, investors should be mindful of the impact of making significant changes. In Trump's previous term, those who panicked and fled the US market would have missed out on very strong returns over the Presidential term. Rather than trying to time the market, we argue that it's better to focus on time in the market.

Trump's imposition of tariffs on friend and foe alike poses some tricky questions for Great Britain. On page 20, we ask which way the UK will turn: to Europe, to forge a new defensive alliance, or to the US, to try to avoid the worst of the trade war? Or is there – just possibly – a middle path to be found?

Europe itself has been the source of some striking news too. One of the biggest developments of the past quarter was the incoming German chancellor's determination to shake things up. Now that Friedrich Merz has committed Germany to massive spending on infrastructure and defence, we explore the implications of this colossal strategic shift.

We end this quarter's issue a little closer to home: with our pensions and the ways in which we can make withdrawals from them. The age at which you can enter drawdown is rising to 57 in April 2028, so we've supplied some food for thought as you review your options over the next three years.

I hope you enjoy this edition of True Insight. And as we've got some interesting times ahead, I'm sure there will be plenty to discuss in our next issue too. I look forward to writing to you again in three months' time.

2.36%

The True Potential Cautious Income Portfolio was up 2.36% in the first quarter of 2025.

6.44%

The True Potential Balanced Income Portfolio has grown by 6.44% in the last 12 months.

87.28%

The True Potential Growth + Portfolio has grown by 87.28% since launch (October 2015).

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

Performance update.

Kevin Kidney
Head of Investments
True Potential Investments

The first quarter of 2025 presented both opportunities and challenges for investors. 5 of the 10 True Potential Portfolios generated positive returns in what has been a rapidly evolving economic environment. In Q1 the Cautious Income Portfolio led the pack, returning +2.4%, driven primarily by a higher allocation to UK equities and US underweight.

Global equities fell over the quarter, returning -1.7% in local terms. With a significant shift in the global economic backdrop, a weakening dollar has resulted in global equities in GBP terms returning -4.6%.

The clear winner in Q1 was the UK and Europe with the FTSE100 returning +6.1% and Stoxx600 returning +5.9%, benefitting from strong corporate earnings and increased consumer spending. A rise in commodity prices was also supportive, given some of the large raw material producers listed in the UK. Signs of stability and growth in the UK and some European economies provided investors with some confidence coupled with attractive valuations relative to the US.

The US lagged other regions, returning -4.3% in local terms. President Trump began implementing tariffs in Canada, Mexico and China, sparking concerns around the impact this may have on global trade and the cost burden it will have on the US consumer and the US economy. The high concentration of the US towards technology also presented challenges as new players entered the AI space such as Deepseek, claiming to offer similar products to ChatGPT at a lower cost and consuming much less computing resource.

The True Potential Schroders Balanced Fund was the strongest performer, returning +5.27% over the quarter. The fund benefitted from holding a significant overweight to UK equities, underweight to US equities, and a larger allocation to gold and gold miners relative to peers. This has been achieved through excellent manager selection and decades of expertise in value investing. The fund is currently held within 3 True Potential Portfolios, at an allocation of 8.75% within Balanced, 9% of Cautious + and 4.5% of Growth +.

> “The clear winner in Q1 was the UK and Europe.”

Portfolios	3 months	1 year	Since launch (1 Oct 2015)
Defensive	+0.55%	+3.00%	**+26.22%**
Cautious	+0.64%	+3.78%	**+43.82%**
Cautious +	+0.31%	+3.81%	**+46.17%**
Cautious Income	+2.36%	+8.09%	**+57.67%**
Balanced	-0.06%	+3.72%	**+61.79%**
Balanced +	-0.24%	+3.78%	**+69.44%**
Balanced Income	+1.38%	+6.44%	**+63.15%**
Growth	-1.23%	+3.10%	**+85.02%**
Growth +	-1.33%	+3.76%	**+87.28%**
Aggressive	-2.60%	+2.81%	**+102.20%**

Source: True Potential Investments, data as of 31 March 2025.

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 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: Q1 2025

Global equities (MSCI World) fell by 1.7% in the first quarter but beneath the overall outcome, there was a significant reversal in relative regional performance.

US equities faced multiple headwinds during the first quarter, including a rapid and chaotic imposition of tariffs on US trading partners, negative sentiment created by Elon Musk's Department of Government Efficiency and evidence that US technology companies face competition from Chinese rivals that threatens their lofty equity valuations. The S&P 500 fell by 4.3% over the quarter, with the tech-heavy Nasdaq and Russell 2000 small cap particularly weak (-10.3% and -9.5% respectively) but broader indices such as the S&P equal weight fairing less badly (-0.6%).

European equities were a bright spot, gaining 7.7% over the quarter. The threat of US tariffs and withdrawal of defence support appears to have galvanised European policy makers into taking matters into their own hands, particularly in Germany. Reform of Germany's 'debt brake' to allow significant spending on defence and infrastructure was a powerful tailwind for European equities over the quarter.

Emerging markets also performed well within global equities (MSCI EM +3.0 % over the quarter). News surrounding the release of the Chinese Large Language model, DeepSeek, triggered a sharp rally in Chinese technology stocks. Coupled with the expectation of further Chinese policy stimulus, this led Hong Kong (+16.1%) and offshore Chinese stocks (+17.6%) to post double-digit gains over the quarter. After a relatively strong Q4, Japanese equities struggled in Q1 (-2.5%), despite healthy upward earnings revisions.

Sovereign bonds also showed significant divergence in Q1. For example, 10-year US Treasury yields fell by just under 0.3%, the 10-year German Bund rose by the same amount. Germany's reform of the debt brake marked a fundamental shift in the fiscal stance that has suppressed German bond yields for years. By contrast, the Trump administration's determination to cap Treasury yields seems to have paid off. UK Gilt yields also rose modestly over the quarter (0.1% on the 10-year Gilt) as ongoing concerns about the sustainability of UK public finances and government bond supply offset further soft growth indications. In Japan, ongoing signs of reflation led bond yields to rise, with the 10y JGB yield gaining almost 0.4% during the quarter. Towards the end of the quarter, high yield credit spreads succumbed to equity weakness and widened but the asset class still produced a positive total return, due to its high all-in yield.

Among alternatives, Gold was the stand-out performer, reaching an all-time high. Driving the almost 20% gain over the quarter, were a rush to import gold to the US before the imposition of tariffs, ongoing scepticism about the diversification benefits of bonds and an acceleration in the decline of the dollar's reserve currency status.

The dollar depreciated by just under 4% against a basket of currencies in Q1. The main beneficiaries were the yen (+4.6%), the euro (4.5%) and Sterling (+3.2%).

7.7%

European equities gained 7.7% over the quarter.

Source: Bloomberg, March 2025

20%

Gold was the stand-out performer, reaching an all-time high with an almost 20% gain over the quarter.

Source: Bloomberg, March 2025

Market outlook.

> "Keep your face always toward the sunshine and shadows will fall behind you."
>
> **Walt Whitman**

Some reflection is needed. What is remarkable about the post-pandemic global economic cycle has been the prolonged strength in employment growth. Aggregate employment is at record levels in the UK, US, Eurozone, Japan and Canada. That is, 100% of the G7 are enjoying historic levels of people-in-work. Household demand is not a challenge for future economic growth. What has also been surprising is the sustained level of government spending, which has led to higher interest rates and bond yields. And no doubt this unusual level of public spending has contributed towards the strength in employment.

Where to from here? Unusually for us as global investors we look towards Germany. The outgoing coalition has just committed future government(s) to a radical new fiscal policy. If true to their word, then annual outlays from the Bundestag over the next 10 years could exceed that of both the post-war Marshall Plan and reunification. Future Chancellor Merz's "whatever it takes" commitment is an extraordinary moment, even more so given a 'lame duck' parliament voted the initiative through in its last week of business. The world's third largest economy has just committed to expanding its fiscal deficit and with no other major economy credibly demonstrating a commitment to 'belt tightening', then the global nominal growth cycle should remain healthy.

However, where there is government spending and full employment then there is inflation, or at least flickers of it. Core inflation remains above 2% across the G7 and is unlikely to fall meaningfully this year in either the US or the Eurozone. Here in the UK, services inflation remains around 5%. For inflation to fall sustainably towards 2%, then services inflation needs to cool materially.

The good news is that the Bank of England (BOE) are prepared to tolerate elevated levels of inflation for now and the monetary policy committee continue to communicate that further reductions in Base Rate are likely. However, this is dependent on price pressures not surprising further to the upside – the Bank of England expect CPI to rise towards 3.5% this quarter but go no higher. Should CPI flirt with 4% over the Autumn then the BOE would have a communication challenge, at least.

Additional support for easier for monetary policy is likely to come from fiscal policy – the BOE simply 'got it wrong' in November 2024 when it seemingly characterised the recent Budget as expansionary, subsequently revising up their growth forecasts for 2025 and beyond. Tax rises are contractionary. Spending cuts are contractionary. Pure and simple. We have tax rises beginning this month and spending cuts being teased out over the remainder of this parliament. Given the precariousness of the UK budget balance, and the rather perilous nature of the current growth and inflation outlook, then it is almost inconceivable that further contractionary measures will not follow in the October budget. To a certain degree, this is what the monetary policy committee are counting on.

And the US Federal Reserve are in a similar 'easing' stance. Real interest rates across the Atlantic remain high and the impact of tariffs are almost certain to have a detrimental effect on real GDP growth towards the end of the year. With wage growth already consistent with underlying inflation around 2% then it will take only modest weakness in jobs growth for the Federal Reserve to lower interest rates further.

So, we are likely to see a transition of power, to some extent. Nominal GDP is set to remain firm across continental Europe and the US, but the real vs inflation balance within is set to change. Higher real GDP is likely across continental Europe, as lower real interest rates provide relief and higher spending from Germany acts as a tailwind. But tariffs confusion will crimp US real GDP and add to goods prices there. However, global equities could have a tailwind from continued fiscal deficit-financed spending, and full employment. Turn towards the sun.

Source: Bank of England Monetary Policy Report, February 2025

What Europe's strategic shift means for investors.

On 21 March, Friedrich Merz – who has become Germany's Chancellor – pulled off a massive strategic shift. His €1 trillion defence and infrastructure package was approved by the Bundesrat, the upper chamber of the German parliament, and passed into law. This is a very big deal.

Passing Merz's spending plan involved changing Germany's constitution – no small undertaking – to remove Germany's 'debt brake'. This fiscal rule had kept German national and state borrowing under severe constraints: the government couldn't spend more than 0.35% above its annual revenue. Merz's initiative releases the brake on all defence spending over 1% of Germany's GDP and on a €500 billion package of infrastructure investment.

This sets the scene for rearmament and infrastructure projects on a staggering scale. It should provide a huge boost to the German economy – potentially shaking it out of the stagnation that has set in over recent years.[1]

Whatever it takes.

Introduced in the wake of the 2008 global financial crisis, the debt brake required Germany's central government and its 16 states (the Länder) to broadly balance their books – putting them under much stricter spending limits than the governments of other developed countries.

In breaking with the brake, Merz has had to perform an abrupt about-turn. As recently as February's federal election, he pledged to keep the spending constraints in place. But in early March, he changed his stance. "In view of the threats to our freedom and peace on our continent," he said, "the rule for our defence now has to be 'whatever it takes'".[2]

Why now?

The immediate catalyst for Germany's shift on spending is the uncertainty entailed by Donald Trump's new administration – in particular, the changing US attitude towards its allies. Three years into Russia's invasion of Ukraine, the US is threatening to remove its security guarantees. Trump has said the US won't defend allies that fail to meet Nato's 2% defence-spending commitment[3] – a category into which Germany falls.[4] As the Russian economy is on a war footing that Putin might find awkward to unwind, Europe needs to look to its own defences.

Essentially, Germany and the European Union have been shaken out of complacency over the 'peace dividend' they have enjoyed since the fall of the Berlin Wall in 1989. The European Commission set out its €800 billion ReArm Europe proposal on the same day as Merz's "whatever it takes" speech; the passage of Merz's spending plan puts some real fiscal muscle behind the Commission's strategic shift.[5]

Germany also faces economic challenges from China and Trump's trade policy. Having failed to keep up with the development of electric vehicles, Germany now trails the US and China in areas where it once excelled through its traditional engineering strengths.

That has contributed to the stagnation of the German economy – and thus, when combined with the debt brake, to the crumbling infrastructure that Merz's package aims to upgrade. The Trump administration's chaotic imposition of tariffs adds a further degree of difficulty – underscoring the need for decisive economic stimulus.

How markets have reacted.

In the stock market, Merz's about-turn has had a very warm welcome. The DAX, which represents the lion's share of Germany's market capitalisation, is up by around 10% for the year to date and hit a record high as the Bundesrat passed the spending plan.[6] The industrial sector – the key beneficiary of higher defence spending – has done especially well. More broadly, European shares in general have been led up by Germany – even as the US market has been hit by new uncertainties over trade and technology.

But stock prices aren't the whole story. The prices of bunds (German government bonds) have fallen sharply – which means that their yields are sharply up. In March, bund yields had their biggest jump since Germany's reunification in 1990, taking them to their highest levels since 1997.[7,8] So bond investors want higher compensation for the risks involved in ramped-up spending – and are well aware that many more bunds will have to be issued to fund Germany's rearmament.

Yields on other European government bonds have risen too. This means that borrowing has become more expensive for all of these countries. So a key question is whether the boost to growth from defence spending will prove sufficiently strong to offset higher borrowing costs.

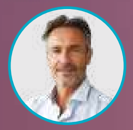
Given this, investors should be cautious about going all in on Europe. At True Potential, we'll be watching to see how the money materialises and where exactly it's spent. In any large-scale spending programme, it's all too easy to waste money – and military procurement is no exception. But given the significance of this strategic shift, there will undoubtedly be some excellent investment opportunities too.

Sources:
[1] Trading Economics, March 2025
[2] WBBC News, March 2025
[3] Reuters, March 2025
[4] World Bank, March 2025
[5] European Commission, March 2025
[6] MSN, March 2025
[7] CNBC, March 2025
[8] Financial Times, March 2025

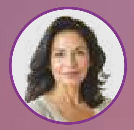
Power your investments with a Direct Debit.

Contributing to your investments regularly through a Direct Debit is one of the easiest steps you can take to help reach your financial goals. Think of it as investing on autopilot, paying yourself first and putting money towards your future that could compound and grow over time.

The example below outlines the power a regular contribution could have on your investment growth in 2%, 5% and 8% growth rates across 20 years. Both John and Jane set their policies in the same Portfolio with an initial investment of £100,000.



John has no regular contribution



Jane set up a monthly Direct Debit of £200

Growth rate	John's investment value after 20 years	Jane's investment value after 20 years	Total difference from regular contributions
2%	£148,595	£206,908	**+ £58,313**
5%	£265,330	£344,688	**+ £79,358**
8%	£466,096	£575,924	**+ £109,828**

Over 20 years, Jane contributed £48,000 to her investments on autopilot through monthly instalments of £200. Using an assumed growth rate of 5% as an example, Jane's investment increased by an extra **£79,358** when compared to John's investment.

Could you reach your financial goals sooner with a Direct Debit? Follow the simple steps on the following page to unlock the power of regular contributions for your investments today.

With investing, your capital is at risk. Investments can fluctuate in value and you may get back less than you invest. It's important to remember that forecasts are not a reliable indicator of future results, and the forecast is gross of charges, meaning figures would be impacted by the effect of fees & charges that apply. Direct Debit contributions do not guarantee growth. All data sourced from www.unbiased.co.uk/discover/personal-finance/savings-investing/compound-interest-calculator.

Step 1

Log into your account and click on the **'Investments'** page

Step 2

Scroll down to the **'Regular Contributions'** section

Step 3

Select the **'Set up a Direct Debit'** button on your chosen policy and enter your details

Portfolio changes: Q1 2025

Tariff uncertainty was the driving force behind global asset markets this quarter as investors grappled with rapidly evolving policy developments and possible implications for global economies. Whilst US equities fell over the quarter, other markets such as UK and European equities, as well as bonds and alternatives provided a source of diversification. The True Potential Portfolios benefitted from trimming our equity overweight into bonds and alternatives and rotating from US into rest of world equities.

True Potential Portfolio equity allocations moved lower over the quarter with the key change being a rotation from US into European equity. Since December, we have been taking profits on our US equity overweight, recognising the phenomenal performance of US equities over 2024 and risks to further gains posed by policy uncertainty. This move has been beneficial with European equities returning +7.3% over the quarter versus -7.2% for US equities, in sterling terms.

In January, we trimmed UBS and TrinityBridge, formerly Close Brothers Asset Management, in the + Portfolios, taking profits on two of our outperforming managers with higher US equity allocations. Proceeds were allocated into Schroders, a manager we view as a useful diversifier due to their differentiated asset allocation and investment approach. This change has benefitted performance, with Schroder our best performing manager over the quarter, delivering an impressive return of +5.3%. Later in the quarter, we further increased the allocation to Schroders in the core and + Porfolios, funded from Allianz. This follows a series of additions to Schroders in 2024.

Our underlying managers have also been active over the quarter, reducing their equity exposure into bonds and alternatives as well as trimming US equities in favour of global ex-US equities. After benefitting from a significant equity overweight through the fourth quarter of 2024, Close Brothers moved underweight in quarter one, selling US stocks on strength and rotating cyclical equities into defensives. This move was well timed with global cyclical equities down -4.2% over the quarter compared to global defensive equities which were up +6.4%. Growth Aligned, Allianz, UBS and Pictet have also reduced their US equity exposure, favouring other regions such as Europe. Allianz, for example, moved underweight US equities on inflation and policy uncertainty, favouring overweights to UK, Europe and Chinese equities.

Within fixed income, underlying managers have lengthened bond duration given concerns around economic growth, typically favouring US treasuries over UK gilts. Growth Aligned, for example, added to US 20 year treasuries and treasury inflation protected securities. Pictet and UBS have also been adding to US treasuries.

Within alternatives, managers such as TrinityBridge, formerly Close Brothers Asset Management, and Growth Aligned have added to gold for its diversification properties, a move which has been additive to returns with gold up +19% over the quarter, outperforming equities and bonds.

In summary, we have trimmed our equity overweight into bonds and alternatives and moderated US equity exposure in favour of global-ex US equities, where valuations are more supportive. These changes have been beneficial to performance over the quarter.

12%

In March 2020, after the Covid pandemic had struck, the S&P 500 lost 12% in a single day.

Source: Bloomberg, March 2020

63%

Over Trump's first term, the S&P 500 was up around 63%.

Source: Bloomberg, January 2021

> "It's not timing the market that counts but time in the market."

Why timing *isn't* everything.

If you're a stand-up comic, timing is everything. If you're an investor, timing the market can be a serious temptation – but it's one that's best avoided if you want to make the most of your assets.

There's no shortage of uncertainty in the world today. Most recently, the Trump administration's chaotic approach to tariffs and trade has unnerved investors, with the US stock market lurching downwards in response.

And tariffs are hardly the only source of uncertainty. From Gaza to Sudan to Ukraine, conflict is raging around the world.[1] Inflation is still far from subdued. And the new 'certainties' about artificial intelligence have been shattered by the emergence of low-cost Chinese competitors like DeepSeek and Manus. So it's no surprise that financial markets have been volatile of late.[2]

You might feel like making some radical changes to your investment portfolio – perhaps abandoning US equities or ditching your bond holdings after the recent spike in yields. But you'd almost certainly be wrong.

Is it really different this time?

Perhaps the most dangerous words in the investment world are "It's different this time". They're usually applied to speculative bubbles. But they apply equally to the opposite: the periods of panic that set in and prompt irrational selling sprees. Just as bubbles generally burst, so panics tend to subside.

Trying to predict the precise twists and turns of the stock market is a fool's game. If you sell out when stocks start to fall, you might miss some of the drop, but you might also miss the recovery. As the renowned value investor Peter Lynch said, "The only problem with market timing is getting the timing right".[3]

Zooming out on Trump's first term.

When you're worried about a drop in the price of your investments, it can help to 'zoom out' and look at the long term. If you take an interactive chart of the S&P 500's performance in the first quarter of this year, for example, it paints a dismal picture. But if you zoom out to one, three or five years, you get an altogether different impression. And if you take in the whole of this century, you'll again see a very different picture.

We should try to take a similarly long view of the source of so much of today's volatility: Donald Trump's second term. We can't claim any real insights into what happens next, but we can look at how his first term played out.

The start of the first Trump administration was a far happier time for stock investors. Buoyed by the prospect of tax cuts, US equities made solid gains in the first few months of 2017 – in stark contrast to the sell-off in 2025's first quarter. And over the whole four-year term, the S&P 500 was up around 63%.[4]

But that impressive gain came despite some sizeable slumps along the way. In December 2018, the S&P 500 lost more than 9% – more than it lost in the first quarter of 2025.[5] And the causes are all too familiar: trade tensions and tariffs, in this case concerning China.

Worse was to come: in the first quarter of 2020, the Covid pandemic struck. On 16 March 2020, the S&P 500 lost 12% in a single day – and by 23 March, the market had fallen 34% from its February peak.[6]

But anyone who exited the market would have been making a grave mistake; in the 12 months that followed, the S&P gained over 76% in one of its strongest runs ever. Much of that gain was concentrated in individual days – on 24 March 2020, for example, when the index rose by 9.4%. Imagine if you'd sold your US stock holdings at the 23 March bottom and missed out on the following day!

So the lesson of Trump's first term – and a pointer for his second – is the old investment adage: "it's not timing the market that counts but time in the market". That's not to say that asset allocation isn't important, it is.

But you should change your allocations gradually, in the context of the total portfolio as valuations dictate. In the short term, prices tend to overshoot or undershoot; in the long term, valuations are the surest guide. Investing's about taking some of the rough to get plenty of the smooth. So when panic spreads, it's best to keep calm and stay appropriately invested.

Sources:

[1] Geneva Academy of International Humanitarian Law and Human Rights, Today's Armed Conflicts, March 2025
[2] Google, VIX chart, May 2025
[3] Novel Investor, Quotes on Market Timing
[4] Visual Capitalist, Trading Under Trump, March 2025
[5] Government Actuary's Department, December 2018
[6] CBS News, March 2021

Pension withdrawals: exploring your options.

Using pension withdrawals as income is known as drawdown. This is available from age 55 onwards, however it is due to increase for most people on 6th April 2028 to age 57.[1] In this article, we'll explore the drawdown options available, how to use this as an income in retirement and the tax implications for making withdrawals.

How you withdraw from your pension is an important decision. To help make your pension last throughout your retirement, you'll have to consider whether you'd like to make regular or one off withdrawals, how this will impact your remaining pension and if your withdrawals could take too much out of your pension pot.

With those key considerations in mind, here are the five most common pension withdrawal options:

> "There are both benefits and disadvantages when it comes to withdrawing from your pension."

Flexi-access drawdown.

This is a way of withdrawing from your pension that enables you to take some money whilst leaving the rest invested. You can normally take up to 25% of the value of your pension as tax-free cash in one lump sum or in portions over time, leaving the rest invested in a drawdown plan. However, you do not need to take the full 25% tax-free cash as you can leave the remaining invested for future use.

Uncrystallised fund pension lump sum (UFPLS).

An UFPLS is a flexible way to take money from your pension. Rather than splitting your pension pot, an uncrystallised fund pension lump sum allows you to make withdrawals that are 25% tax-free and the rest taxed as income at your marginal rate. Your marginal tax rate is based on your tax bracket. Most people in the UK receive a Personal Allowance of £12,570, which means they can earn up to this amount tax-free. Following that, there is a basic rate of 20% tax on income up to £50,270, a higher rate of 40% up to £125,140 and an additional rate of 45% on income over £125,140.[2]

Anything you don't withdraw stays invested as you choose.

For example, if you would like to withdraw a £5,000 lump sum from your pension pot, £1,250 would be tax-free and the other £3,750 would be taxed at your marginal rate. This option differs from a flexi access drawdown, as rather than regular scheduled withdrawals, an uncrystallised fund pension lump sum is made of one-off payments as and when you choose.

Small pots.

There are rules that allow you to cash in a small pension pot of £10,000 or less, if you've reached age 55 and the payment covers all your rights in the scheme.

You must take the whole pension pot at one time and this will close the pension following the withdrawal.

Approximately 25% of the withdrawal will be tax-free and the other 75% of the withdrawal will be taxed at your marginal income tax rate. You can receive up to three small pots payments but these must be from three different pension pots. For example, if your pension pot is £10,000 you must take this as a one off lump sum. £2,500 will be tax-free and the other £7,500 will be taxed at your income tax rate.

Existing capped drawdown.

Existing capped drawdown is only available to those that chose this option before 2015 or are currently in capped drawdown. This is similar to flexi access drawdown as you can take up to 25% of your pension pot as tax-free cash and use the rest as regular withdrawals to use as income. This income is taxable and can rise or fall depending on the fund's performance.

However, to keep your capped drawdown status, you can only withdraw to a maximum limit set by the government. This is reviewed every three years if you're under age 75 and annually after this and can fall, stay the same or increase with each review.

Annuities.

You can use some or all of your income drawdown fund to purchase an annuity at any time. Annuities will convert your pension pot into a guaranteed regular income for the rest of your life, no matter how long that is.

You have the option of monthly or yearly payments and you can choose to protect between 25% and 100% of the original pension pot. This will be paid as a lump sum when you pass away. Although you would receive a guaranteed income, annuities can lack flexibility if your circumstances change in the future. It's important to note that True Potential does not offer annuities.

There are both benefits and disadvantages when it comes to withdrawing from your pension and some options may be more suited to your personal circumstances than others. It's important to consider the potential tax implications of drawdown, as well as all of the drawdown options available to you. Seeking regulated financial advice will not only provide you with the guidance and clarity you need to navigate drawdown but will give you peace of mind that you're choosing the best option for you and your retirement goals.

Sources:
[1] Moneyhelper, March 2025
[2] Gov.uk, March 2025

The EU or US: which way will the UK turn?

As the UK government struggles with a stagnant economy and stubborn inflation at home, it also faces considerable challenges abroad: securing a defence partnership in Europe on the one hand and negotiating a US trade deal on the other. This will be a difficult balance to strike – but success could offer considerable rewards.

With a quarter of 2025 already behind us, the geopolitical situation is as uncertain as ever. Conflict continues in Ukraine and the Middle East, and the new US administration appears intent on ripping up the rulebook in relations with its erstwhile allies. This puts Keir Starmer's government in an unenviable position as it negotiates the UK's European defence commitments and attempts to salvage its 'special relationship' with America.

2.5%

British prime minister announced plans to increase the UK's defence budget to 2.5% of GDP by 2027

Source: Gov.uk, February 2025

€150 billion

UK defence companies could benefit from the EU's €150 billion loan package for rearmament

Source: European Commission,, March 2025

Closer relations with the EU: a defensive partnership.

On the defence side, ties between the UK and EU have strengthened recently. In late February, the British prime minister announced plans to increase the UK's defence budget to 2.5% of GDP by 2027. Other European countries are making similar commitments – with Germany's new defence package widely viewed as a game-changer. And with many seeing the UK and France as the military leaders of Europe,[1] Starmer has taken up that leadership role with some aplomb – forming the "coalition of the willing", a group of 31 counties that have promised to support peacekeeping in Ukraine if a ceasefire is agreed, and pledging British military support.

However, the UK government must also secure a defence and security pact with the EU in the coming months.[2] If a deal can be agreed, it will allow UK defence companies to benefit from the EU's €150 billion loan package for rearmament, announced in March. This is for EU countries to use for defence investment as the bloc ramps up its spending towards the European Commission's €150 billion target.[3] A deal here could be a promising step towards closer trading ties between the UK and the EU.

> Can the UK agree both a defence pact with the EU and a trade deal with the US.

Closer relations with the US: a special (trade) relationship.

In early May, Keir Starmer and Donald Trump announced the "Economic Prosperity Deal", a trade deal that goes some way to redress the tariffs imposed on the UK since March. Crucially, the 25% tariff on all carmakers importing vehicles into the US has been reduced to 10%. Cars are one of the UK's biggest exports – in the year to February 2025, the UK exported £31.7 billion worth of cars, £9 billion of which were bought in the US.[5]

However, the 10% tariff only applies to the first 100,000 UK cars; car exports above that limit will face a 27.5% tax. The British steel industry can also breathe a small sigh of relief, as the 25% tariff on steel and aluminium imports has been abandoned. That said, the 10% baseline tariff on nearly all countries – announced on "Liberation Day" in early April – still applies.

While some questions have been resolved, others remain unanswered, particularly around potential tariffs on UK-made pharmaceuticals. Moreover, this deal is not the comprehensive, post-Brexit UK-US free trade agreement that has been explored in the past. Negotiations on that front are still ongoing.

Given the ever-changing rhetoric and announcements from the US administration around its tariff policy, we acknowledge that circumstances may change between the time of writing and the publication of this issue.

The best of both worlds?

A key question, then, is whether the UK can agree both a defence pact with the EU and a trade deal with the US. This could be one area where Brexit might offer some benefit. Britain's semi-detached status in Europe could help it avoid US antagonism when the tariff flak is flying. At the same time, Starmer's stepping up on defence could be seen on the Continent as a conciliatory post-Brexit move. But given the prospect of a full-blown trade war between the EU and the US, success here will require exceptional delicacy on the UK's part.

Should that success materialise, the UK stock market would stand to benefit. So far this year, investors have rotated into European equities, with the region's more accommodative monetary policy, promises of higher fiscal spending and attractive valuations drawing investment flows from US equities.[7] Meanwhile, US stocks have been hurt by the uncertainty over tariffs and doubts about the earnings potential of generative artificial intelligence and the US's leadership in this technology.

The UK stock market has benefited from this rotation too. More defensive sectors and large-cap stocks have outperformed. Valuations in the UK are still attractive, though, so there's scope for further outperformance as the year progresses. This could be sparked by either an EU defence pact or a US trade deal. But should the British government achieve a 'best of both worlds' outcome, investors would be likely to assess those attractive valuations with renewed enthusiasm.
Nothing is certain, of course, and much could go wrong. As ever, the opportunities that attractive valuations provide need to be balanced with appropriate diversification across markets and asset classes.
But compared with the UK government's daunting tightrope act, at least that's an easier balance to strike!

Sources:
[1] Financial Times, March 2025
[2] Politico, March 2025
[3] European Commission, March 2025
[4] BBC News, March 2025
[5] Gov.uk, May 2025
[6] Morningstar, March 2025
[7] Edison Group, March 2025

Five year performance.

Portfolios	31 Mar 2020 to 31 Mar 2021	31 Mar 2021 to 31 Mar 2022	31 Mar 2022 to 31 Mar 2023	31 Mar 2023 to 31 Mar 2024	31 Mar 2024 to 31 Mar 2025	Since launch annualised* (1 Oct 2015)
Defensive	+8.37%	+0.80%	-4.28%	+5.53%	+3.00%	**+2.48%**
Cautious	+16.44%	+1.95%	-4.47%	+7.65%	+3.78%	**+3.90%**
Cautious +	+16.89%	+2.91%	-4.98%	+8.75%	+3.81%	**+4.07%**
Cautious Income	+20.58%	+5.48%	-5.29%	+8.30%	+8.09%	**+4.91%**
Balanced	+22.59%	+3.89%	-5.15%	+10.21%	+3.72%	**+5.19%**
Balanced +	+22.30%	+4.62%	-4.96%	+10.96%	+3.78%	**+5.70%**
Balanced Income	+22.77%	+5.11%	-4.70%	+10.03%	+6.44%	**+5.28%**
Growth	+27.41%	+5.94%	-4.65%	+12.57%	+3.10%	**+6.69%**
Growth +	+28.40%	+6.28%	-5.16%	+14.06%	+3.76%	**+6.82%**
Aggressive	+32.79%	+7.72%	-4.57%	+14.93%	+2.81%	**+7.69%**

Source: True Potential Investments, data as of 31 March 2025.
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.

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