

TRUE INSIGHT

True Potential Portfolios | Issue 39 | Summer 2025

DRIVING INNOVATION: OUR LATEST TECHNOLOGY BUILT FOR YOU

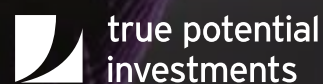
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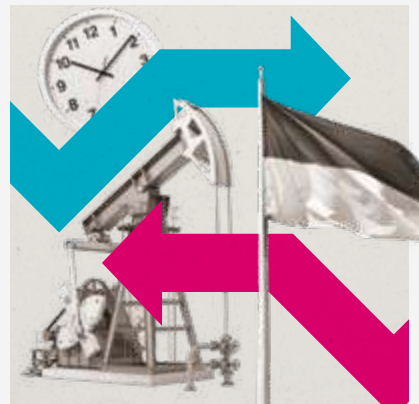
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By using Carbon Balanced Paper for True Insight Magazine, True Potential LLP has balanced through World Land Trust the equivalent of **6,826kg of carbon dioxide**. This support will enable World Land Trust to protect **1,311m² of critically threatened tropical forest**.

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

Jeff Casson
Chief Executive Officer
True Potential Investments

Welcome to the summer edition of True Insight. We're seven full months into 2025, but already it feels like we've had more than a year's worth of market-moving events. The tariff-related turbulence of the spring has continued, and on top of that, we've had worries about government spending, an economic slowdown and ongoing conflict between Israel and Iran.

But despite an extremely sharp sell-off in April, when President Trump announced his "Liberation Day" tariffs, most equity markets are now up for the year – with the FTSE 100, the S&P 500 and the MSCI World indices all hitting record highs in recent weeks. Trade deals, tariff rollbacks and developments in the Middle East have all played a part in that, as have renewed enthusiasm for artificial intelligence (AI) and a reassuring solid set of first-quarter corporate results.

All of that vindicates what we said in our last edition: that investors are best served by keeping calm and keeping their heads when markets are volatile. We revisit that theme in this edition, when we look at the similarities and differences between 2022 and 2025 on page 20.

One thing that helps investors to hold their nerve in stressful times is the knowledge that their portfolios are appropriately diversified – so that they're not at the

mercy of the movements in any one asset class. On page 10, we look at the role bonds can play in a multi-asset portfolio – and how it's possible to achieve diversification not only through a bond allocation but within it too. In this issue, we've also set out some of the ways in which we at True Potential are striving to improve our offering to you. On page 18, we explore the changes we've made to our fund proposition to ensure that it's best placed to deliver the returns that you require.

And, of course, we're always keen to embrace the latest changes in technology to ensure that our clients are getting the full benefits of recent advances. On page 16, we look at the various ways in which we've been improving our in-house technology to give you a better True Potential experience. These include improvements to the withdrawal process, using Artificial Intelligence for intent recognition and enhancing our security with biometric verification.

I hope you enjoy this edition of True Insight. If the first half of the year is anything to go by, there will be lots to talk about in our autumn issue. So I look forward to writing to you again in the autumn.

▲▲▲ 5.2%

The True Potential Aggressive Portfolio was up 5.2% in the second quarter of 2025.

▲▲▲ 10.5%

The True Potential Cautious Income Portfolio has grown by 10.5% in the last 12 months.

▲▲▲ 75.3%

The True Potential Balanced + Portfolio has grown by 75.3% 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 second quarter of 2025 brought about a recovery in global asset markets following a tumultuous end to the first quarter. This recovery resulted in all 10 of the True Potential Portfolios delivering positive returns for clients. Over the quarter, the Balanced Income Portfolio was the top performer, delivering a return of +4.9%, driven by strength in the UK equity market, with the lower capitalisation FTSE 250 index particularly strong.

Global equities rose by 11.6% in the quarter in local currency terms, following a negative first quarter of the year. Stock markets were buoyed by global trade developments in April, as US president Donald Trump reduced the size of his proposed tariffs on imports from various trading partners and also placed a 90-day pause on implementing those tax increases. However, continued weakness in the US Dollar weighed on the return available to UK investors, with global equities returning 5.1% in Sterling terms.

Regionally, the strongest equity returns came from Emerging Markets and the US, returning 12.2% and 10.9% in local currency terms respectively. Within Emerging Markets there was particular strength in Asia, with Korean, Indian and Taiwanese stock markets all delivering returns in excess of the global market. Emerging Market equities also continued to benefit from the weakness in the US Dollar. Strength in the US market came after it lagged other regions in the first quarter of the year, with returns led by technology companies. US market performance was supported by first-quarter earnings season, with companies in aggregate posting better than expected revenues and profits.

“All 10 of the True Potential Portfolios delivered positive returns for clients.”

Portfolios	3 months	1 year	Since launch (1 Oct 2015)
Defensive	+1.84%	+4.51%	+28.54%
Cautious	+2.86%	+6.04%	+47.93%
Cautious +	+2.65%	+5.78%	+50.05%
Cautious Income	+4.09%	+10.51%	+64.12%
Balanced	+3.64%	+6.59%	+67.67%
Balanced +	+3.47%	+6.49%	+75.32%
Balanced Income	+4.87%	+9.77%	+71.09%
Growth	+4.41%	+6.61%	+93.18%
Growth +	+4.29%	+6.92%	+95.31%
Aggressive	+5.26%	+6.88%	+112.85%

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

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.

Outside of equities, multi-asset portfolios were supported by the returns on offer from fixed income, as both government and corporate bonds posted positive returns over the quarter. Emerging Market Debt (Local Currency) was the strongest fixed income asset class in Q2, benefitting from the depreciation in US Dollar. Elsewhere, strong momentum in the price of Gold continued against the backdrop of global economic uncertainty. The precious metal increased by 5.7% in Sterling terms over the quarter.

The True Potential Growth-Aligned funds were the largest contributors to Portfolio performance in Q2, thanks to their significant weighting across our Portfolio range. Their strong returns, ranging from +2.8% in the Growth-Aligned Defensive fund to +6.3% in the Growth-Aligned Aggressive fund, had a meaningful positive impact on overall Portfolio results for clients this quarter. Key performance drivers were a higher equity allocation and additions back to the US, enabling upside participation through May and June, a reduced exposure to the US Dollar was beneficial and strong stock selection from their underlying active managers.

Within our Income range, the True Potential Threadneedle Monthly Income fund was our strongest-performing fund in Q2, returning +7.1%. The fund's equity allocation is fully UK-based and benefitted from a strong selection of stocks within the UK market, providing strong returns over the quarter. The fund is currently held within both True Potential Income Portfolios, at an allocation of 3% within Cautious Income and 30% in Balanced Income.

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



Review of the markets: Q2 2025

Global equities (MSCI World) rose by 11.6% in the second quarter, despite a tariff-induced rocky start.

After plunging by almost 15% in the first few days of April, US equities led the recovery and gained 10.9% (S&P 500) over the quarter. The move was underpinned by expectations that Trump would at least partially back down on tariffs and that the impact on company earnings might not be as great as initially feared. Analysts' expectations for earnings have been downgraded in 2025 but a decent recovery is expected in 2026. Within the US market, tech performed especially well (Nasdaq +17.9%) as initial concerns about the impact of Chinese competition subsided and companies continued to report strong earnings growth.

After having outperformed in Q1, European equities lagged in Q2 (Eurostoxx50 +5.6%). The strength of the euro was a headwind but the prospect of a significant increase in infrastructure and defence spending remains a support. Real estate and industrials were the best-performing sectors (+12.2% and +9.7% respectively) while energy was the worst-performing (-10.1%).

The membership of the UK market is quite defensive so it's not a surprise that in a risk-on environment, UK equities recorded only a modest gain (+3.1%) compared to other regions. However, small and mid cap was a bright spot, with the FTSE 250 gaining 12.5% over the quarter.

Emerging markets performed strongly (MSCI EM +12.2%) in Q2, despite a sluggish contribution from China (CSI 300 +2.4%). Political stability and strong tech performance led the Korean index (KOSPI) to rise by 24.0%. The Japanese market gained by 7.4% over the quarter, with a particularly strong contribution from growth (MSCI Japan Growth +12.5%).

US Treasury yields were little changed over the quarter, but UK Gilts rallied (10-year yield -20bp) following evidence that the labour market is weakening and given the downward pressure on inflation from Sterling strength. German Bunds also rallied (10-year yield -13bp), partially reversing the previous quarter's sell-off, which had been driven by fiscal plans. Year-to-date US Treasuries have returned 3.7% and UK Gilts have returned +2.9%. US high yield performed well (+3.5% on the quarter) but was beaten by EM local currency debt (+8.01%).

Gold continued to benefit from the US Dollar's declining reserve status but the gain in Q2 (+5.8%) was smaller than in Q1 (+19.0%). Other commodity prices were mostly weaker, perhaps driven by expectations of softer global growth.

In currencies, the dollar continued to weaken (DXY -7.0%) despite the recovery in US equities and bonds. Sterling and the euro gained by 6.3% and 9.0% respectively against the dollar over the quarter. The yen's gain was more modest (+4.0%).

11.6% 10.9% 12.2%

Global equities (MSCI World) rose by 11.6% in the second quarter.

US equities led the recovery and gained 10.9% (S&P 500) over the quarter.

Real estate was one of the best-performing sectors in Q2, rising 12.2%.



Market outlook.

A bright outlook despite structural changes in the world economy.

The resilience of equities in the face of a trade war and escalating geopolitical uncertainty is the most notable feature of the current market landscape. However, we would argue that this should not be a surprise, given a generally sound economic underpinning.

We remain unconvinced that the global economy is on the brink of recession, chiefly due to the lack of significant financial risks that have typically preceded such an outcome. Admittedly there are significant imbalances in global trade, an obsession of Trump and his advisors, but past crises were characterised by an asset price bubble, fuelled by a rapid rise in private sector debt. This is not evident today, albeit there is an argument that US corporate profits have been sustained by persistent fiscal deficits.

Meanwhile, the US tech sector is evolving. It is likely that the period characterised by just a handful of companies experiencing explosive growth has passed, but the sector as a whole is still growing rapidly and generating cash, an important distinction with the 2000 tech bubble. Even if the Nasdaq's PE ratio fails to reach its high of 2023, the index itself can still reach new highs if earnings remain robust.

Inflation fears have subsided in recent months, partly because the tariff impact is now estimated to be less than initially feared and partly because China is proving to be a source of disinflation for the global economy. A few years ago, the received wisdom was that China would become an inflationary global force. The argument was that a rapidly aging Chinese population and a shrinking working-age population would increase labour costs, and the rest of the world would no longer benefit from China's supply of cheap goods.



The US tech sector, as a whole, is still growing rapidly and generating cash.

“The tectonic plates of the global economy are shifting but the outlook remains bright.”



China is proving to be a source of disinflation for the global economy.



Germany's recent commitment to increase infrastructure spending is a radical shift in policy.

These powerful demographic trends may still be in play, but other forces acting in the opposite direction have come to dominate. A collapse in the property sector and enormous investment in industrial capacity has led to China slipping back into deflation. Producer prices are now falling at an annual rate of more than 3%. Moreover, although the Chinese currency has appreciated modestly against the dollar in recent weeks, it remains close to its weakest level in recent years and against the euro, the renminbi is at a record low.

The dollar's reserve status has been at the core of the global financial system for most of the last century. That reserve status is now being challenged; partly because the Americans view it as a burden and partly because other countries are questioning the value of US Treasuries as a reserve asset, preferring alternatives such as gold. To weaken the dollar while at the same time ensuring sufficient demand for (the rapidly expanding supply of) Treasuries, the Trump administration is considering measures that would effectively make Treasuries less attractive to foreign holders and incentivise domestic ownership. These include looser bank leverage regulations and promoting dollar-denominated stablecoins.

At the same time, Europe's model of export-driven growth, with chronically weak consumer spending and underinvestment in defence and infrastructure is shifting. Germany's recent commitment to increase infrastructure spending is a radical shift in policy, even if there is understandable scepticism among some investors.

The tectonic plates of the global economy are shifting but the outlook remains bright.

How diverse bond holdings can add value for investors.

So far, 2025 has been a wild ride for investors. President Trump's on-again, off-again tariffs have led to huge volatility in financial markets. After Trump's "Liberation Day" in early April, over \$5 trillion was wiped off the value of the world's stock markets.¹ The recovery has been rapid too, but with markets so volatile, investors can be forgiven for being nervous.

It's in times like these that diversification comes into its own. A portfolio that holds a broad range of assets should be able to escape the worst effects of a downturn in any particular asset class.

Typically, we think of a diversified portfolio as holding stocks, bonds and alternative assets like infrastructure investments and commodities. But there's plenty of scope for diversification *within* asset classes too. Bonds are a case in point.

The big bond family

Whether they're issued by governments, companies or other institutions, all bonds share similar characteristics. A key feature of most bonds is that the income they pay (the *coupon*) is fixed – hence 'fixed income'. The coupon is the basis of a bond's *yield*, along with the return of the originally invested amount (the *principal*) when the bond matures.

Because bonds can be bought and sold on the secondary market, their yields rise and fall depending on what investors are prepared to pay for them. A bond bought at less than its original price will offer a proportionally higher yield, and vice versa. And when investors will only buy bonds with higher yields, governments and companies have to issue bonds with higher coupons to ensure they can sell them.

Currently, bond yields are very high compared to the last 20 years.² As a result of increased government

spending, stubborn inflation and high interest rates, investors are now demanding greater compensation for the risks involved.

Higher yields mean that investors who buy bonds will receive more income from coupon payments. But it also means that bonds they bought earlier will be worth less should they want to sell them.

Coupons provide a predictable stream of income that can be reinvested to generate compounding benefits. The regular income generated by fixed income is one reason why bonds are generally seen as safer investments than shares.



Maturity and duration

One way to diversify is to hold bonds of different maturities. Long-term bonds have higher *duration* – greater sensitivity to changes in interest rates. Bond yields usually rise and fall as central banks' benchmark interest rates do. When interest rates rise, the prices of bonds with longer maturities will generally fall more heavily than those with shorter maturities – because investors require higher yields over those bonds' longer lifetimes.

But when interest rates fall, longer-dated bonds become more appealing because their higher yields become more attractive. So investors who already own those bonds can sell them at a profit.

By holding an appropriate mix of bond maturities and duration, a portfolio can become more resilient to different market conditions. And the same is true of the different asset classes within fixed income – government bonds, inflation-linked bonds, corporate bonds and emerging-market bonds.

Government bonds

Bonds issued by governments are considered less risky than bonds issued by companies, as governments are less likely to default on their coupon payments. So while their yields are usually lower, government bonds bring stability to portfolios. They also tend to be less correlated to equities than corporate bonds, so downturns in equity markets often leave government bonds less affected.

Inflation-linked bonds

Another useful diversification option comes from inflation-linked bonds, such as US Treasury Inflation-Protected Securities, or TIPS. The coupon payments and principal repayment on these securities rise and fall in line with inflation, which means that they offer greater protection from movements in interest rates (which central banks tend to raise to combat inflation).

On the other hand, inflation-linked bonds will typically perform less well than other government bonds when inflation is low – precisely because their income is *not* fixed like that of other bonds.

“

It's in times like these that diversification comes into its own.”

Corporate bonds

Corporate bonds generally offer higher yields to compensate for *credit risk* – the risk that the issuing company will be unable to make its coupon payments (*default*).

There are two broad classes of corporate bonds: *investment-grade bonds*, which are issued by companies judged to be less likely to default; and *high-yield bonds*, whose issuers are seen as more likely to default and offer higher coupons to compensate for this risk.

Typically, corporate bonds have lower duration than government bonds. This is because their yields tend to be higher, and so any change in interest rates is proportionately less significant.

Emerging markets

Emerging-market bonds offer another means of diversifying a bond portfolio. These are bonds issued by governments or companies in developing countries, which tend to have higher growth rates and different interest-rate cycles compared with the developed world. Importantly, emerging-market bonds can be denominated in either hard currency (usually the US Dollar) or the local currency of the country concerned. This allows investors to either avoid or accept the risks entailed by fluctuating exchange rates.

Finding the balance

Volatility in markets is part and parcel of investing. What really matters is how you structure your portfolio to deal with it. By spreading your portfolio's fixed-income exposure across a broad range of bond types, you can achieve a significant degree of diversification even within a single asset class.

Sources:

¹ Reuters, 12 April 2025

² Financial Times, 10 June 2025

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

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% as standard assumption 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 medium 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: Q2 2025

Over the quarter, our equity exposure has increased from where they were at the end of Q1 as tariff pressures and uncertainties eased which presented opportunities to ourselves in head office but also the underlying managers. Generally, managers have moved from underweight equities to neutral or overweight equities vs their strategic levels given the improved outlook as trade deals were made or tariff deadlines pushed out.

In April, we made no changes to manager allocations - volatility was elevated following aggressive developments in tariff threats from the Trump administration. For context, this was the highest level of equity volatility experienced since the 2020 COVID-19 pandemic. This was an active decision to make no change and was made because the team believed allocations were optimal and in line with our key themes and asset class views. The decision to hold our risk posture was beneficial as equity markets rebounded since the lows on April 8th.

As the picture became clearer, we agreed changes to continue enhancing our diversification within the portfolios by allocating more to Schroders given their differentiated asset allocation but also differentiated approach. The changes took place in Cautious, Balanced & all + Portfolios. This was funded by Allianz and has been a continuation of trades we made in the last quarter. This was the right thing to do with Schroders providing the best returns so far this year in the Balanced Portfolio, where they were helped by their allocations to UK & Emerging Market Equities, as well as Gold and Gold Mining Equities.

Another change occurred over the quarter with 7IM being fully removed from the Portfolios in May and the proceeds moving into the Growth-Aligned funds. The removal of 7IM was following the conclusion of the True Potential Assessment of Value report within which it was concluded that the True Potential 7IM funds were not delivering sufficient value. The merge aims to offer better value for our clients.

As mentioned, our underlying managers were active and took the opportunity to add back to risk as their outlooks became more favourable. TrinityBridge (formerly Close Brothers) have been adding back to cyclical equities which are more linked to the economic cycle, given their higher conviction in a 'soft landing' i.e. inflation successfully brought back down to target without inducing a recession. After being underweight equities through April, UBS added back to equities and are now favouring US, Emerging Market and Japanese Equities as well as US large companies and European Banks.

Generally, these moves have been funded via US treasuries and UK Gilts as managers have got more positive in their outlook but are also concerned around bond market volatility and fiscal deficits. For example True Potential Growth-Aligned reduced US Treasuries and added to UK credit.

In alternatives, managers have been prudent with risk management and decided to take profits in Gold. The key example being Schroders who also reduced some of their Gold Miners position to lock in profits.

To summarise, now the tariff picture has become slightly clearer, we have been carefully adding to equities in areas that could benefit from a clearer tariff backdrop and are trading on more favourable valuations while reducing bonds given headwinds faced by fiscal deficits.



Driving innovation: Our latest technology built for you.

Hi Nathan, how can I help you today?

I would like help to track my investments.



Today, the scope of technology used in business is increasingly diverse.

At True Potential, we're continually investing in innovation to ensure you benefit from a faster, smarter and more seamless experience.

As part of our ongoing commitment to improving service and accessibility, we're introducing a range of technology enhancements and service improvements to reflect our mission to deliver personal finance with clarity, speed, and ease.

In this article, we'll explore the key developments and what they mean for you.

AI Intent Recognition

AI Intents are a way of taking a message and using artificial intelligence to identify the intention behind the message.

Intent Recognition is important because primarily it allows us to streamline the process when you request support from us or redirect you for appropriate help when using a support channel in the first instance. In instances where we can determine your intention using artificial intelligence, we bring a faster solution and try to deliver an outcome immediately.

What examples are there of this in place?

With live chat and secure messaging, we use your text input with artificial intelligence to determine whether you're trying to achieve something that would not need input from a support agent.

Should you wish to begin a pension drawdown we can detect the intention of the message, and rather than direct your query to an agent or the support team, we use Intent Recognition to request the activation of the drawdown automatically - bypassing the need for an agent to process the request.

Intent Recognition will also help you to quickly and securely regain access to your account (you can still be forwarded to an agent should there be any continued issues) as well as make a withdrawal on an account where you would use secure message or live chat to request information or help in the first place.

This technology update is just one example of how we are improving your experience - but still allowing for personal contact with our support team if preferred.

Intent Recognition is now live with scope to add more logic in the future where we identify common client requests that we can assist with using artificial intelligence.

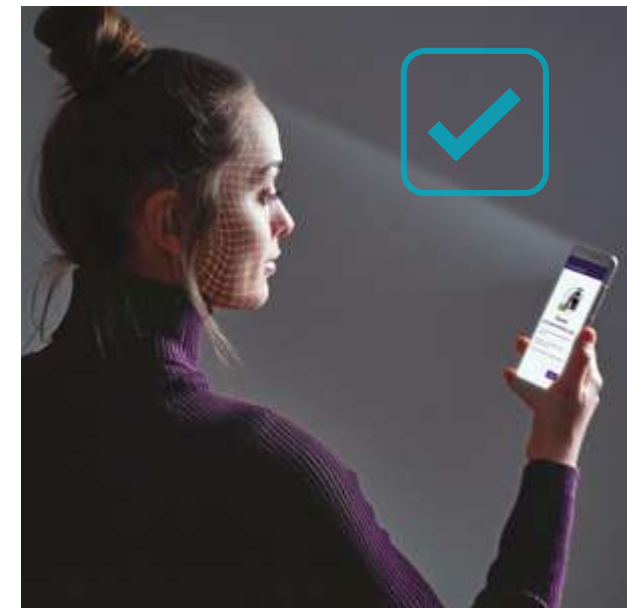
Biometric ID Verification

We are enhancing our onboarding processes to increase efficiency and effectiveness from a client perspective. The in-app biometric ID technology provides a smooth process and also allows the firm to get comfort that it is you opening an account through taking a selfie and validating an ID document.

You'll receive a link which moves you into the onboarding journey, with clear prompts throughout which provide clarity as to what is required.

We are utilising this new and approved technology to the market to significantly reduce the risk of ID theft and accounts being opened fraudulently.

Improvements like this allow us to make our systems more streamlined and robust but importantly, utilise improved security measures that limit the opportunity for financial crime and ID theft - helping to keep you and your money safe.



“Significantly reduce the risk of ID theft and accounts being opened fraudulently.”

ISA/GIA withdrawals

We are empowering you to be able to utilise the excellent security measures we have in your account to directly request withdrawals from your ISA or GIA account. This allows us to introduce automation, improve the background efficiencies and accuracy of the task whilst also reducing the effort required from yourself to access the money in your investments.

How will this work?

Once logged onto your account, on your policy you'll see a button to request a withdrawal. It will ask for details of the payment as well as to confirm the bank details that the payment should be made to. This is a simple, 1-page solution to making a request rather than the back and forth of a live chat or phone call.

In addition to the increased ease of use and additional empowerment to accessing your money, it brings about improvements to the protections against financial crime. Your account is protected not only by a password and a unique reference, but it also utilises 2-factor authentication and a trusted device process.

This is an essential step to protect you by leveraging the excellent protections we already have with your account and providing greater integration with the day-to-day operations of the business.

This development is still in progress and we'll be sure to keep you updated with any further news. At True Potential, our responsibility demands a proactive mindset, a commitment to ethical conduct, and a deep understanding of our duty to protect your interests above all else. Improvements like this are great to make this process more streamlined and robust by utilising improved security measures that limit the opportunity for financial crime.

While we continue to enhance our services with technologies like ISA withdrawals, AI-driven intent recognition and secure biometric ID verification, these tools are designed to empower the human element.

By streamlining routine processes and improving efficiency, our experts are freed up to focus on what they do best: delivering tailored advice, support, and expertise when it matters most. Technology is here to enhance the experience - not fully remove the personal touch we know you value.

At True Potential, we’re here to put you first.

Our goal is to deliver you an investment service that’s easy to understand, great value for money and focused on helping you reach your financial goals.

In a highly competitive industry, we know we must work hard to meet your needs – and go beyond your expectations. We repeatedly look to improve what we offer, so you can enjoy even better service, value and results from your investments.

A positive change to your investment options

As part of our ongoing commitment to deliver better outcomes for clients, we made a key change in May to our range of True Potential funds. We removed the True Potential 7IM funds from the line-up, reducing the total number of managers from 11 to 10. This is only the second occasion where we’ve looked to part business with an investment manager.

Clients invested in the True Potential 7IM fund range were switched into the True Potential Growth-Aligned funds – a manager with **lower fees** and a **better performance track record**.

“We repeatedly look to improve what we offer, so you can enjoy even better service, value, and results.”

How we determined 7IM was no longer suitable

Each year, we carry out a formal review of all the True Potential Investment Managers we work with to ensure they continue to meet the high standards we expect on behalf of our clients. Following a detailed assessment, we found that 7IM’s performance over a sustained period and overall value did not compare favourably when measured against their peers.

We know that even the best investment managers can have periods when performance is strong – and times when it lags behind. That’s why it is essential to look at results over several different timeframes – one, three and five years – to get a fuller picture.

There are many ways to assess an investment managers performance, so we believe it’s important to take an objective approach. To support this, we work with an independent third party, the Fitz Partners, who help us identify a group of comparable investment managers – those with similar fees and investment styles – to make our assessment of 7IM and all other True Potential funds. This ensures we are benchmarking performance in a fair and meaningful way and allows us to hold our managers to a consistent and high standard. Looking at comparable investment managers is important, but we also believe comparing managers to a simple split between equity and bond market indices is equally insightful.

Disappointingly, 7IM’s performance had not met our high expectations. Despite our increased engagement with the team during our review process, we ultimately concluded that it was in our clients’ best interests to move to a manager with a stronger performance track record, a clear and well-structured investment approach – and one that also offered a lower cost in our strive to delivering clients great value for money.

Cost Savings

The table on page 19 shows the annual charge, known as the Ongoing Charge Fee. This is the fee for investing in each fund. For the Defensive profile, a 0.27% cost reduction on £100,000 invested would be a £270 saving per year.

True Potential 7IM funds	Ongoing Charge Fee	True Potential Growth-Aligned funds	Ongoing Charge Fee	Cost Reduction
Defensive	0.70%	Defensive	0.43%	▼ 0.27%
Cautious	0.72%	Cautious	0.54%	▼ 0.18%
Balanced	0.66%	Balanced	0.54%	▼ 0.12%
Growth	0.68%	Growth	0.54%	▼ 0.14%
Aggressive	0.63%	Aggressive	0.54%	▼ 0.09%

Who is Growth-Aligned and what has it delivered?

The Growth-Aligned fund range is our in-house multi-asset manager that now has an extensive seven-year track record. Growth-Aligned was specifically designed to lower the cost of ownership for investors. Our range of five risk-mapped funds combine the strengths of passive fund providers with our in-house expertise, and adds an extra layer of value through allocations to specialist investment boutiques within specific asset classes. Leading boutiques include Artemis, Man Group, AQR, and SEI. Our in-house experts take a pragmatic, forward-

looking approach to actively managing the Growth-Aligned funds, aiming to deliver better outcomes for investors through higher returns and minimising volatility.

Our priority is to enhance the outcomes we deliver for you. That means providing an investment solution that keeps you on track to achieve your financial goals – while keeping costs low. With Growth-Aligned’s proven track record, the expertise of our investment specialists, and our commitment to delivering sustainably low costs, we are well positioned to meet the long-term aspirations of our investors.

	30 Apr 2020 to 30 Apr 2021	30 Apr 2021 to 30 Apr 2022	30 Apr 2022 to 30 Apr 2023	30 Apr 2023 to 30 Apr 2024	30 Apr 2024 to 30 Apr 2025
True Potential Growth-Aligned	+19.3%	-1.0%	-1.1%	+7.6%	+4.6%
True Potential 7IM Balanced	+15.4%	-1.7%	-1.8%	+5.0%	+2.3%

Source: Bloomberg, as of 30 April 2025

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

Why it's not 2022 all over again.

In 2022, Russia's invasion of Ukraine turned the world upside down. Financial markets plunged. The oil price soared. And investors were left nursing painful losses. This year, we've had uncomfortable echoes: unprecedented trade tariffs, sharp sell-offs in markets and escalating conflict in the Middle East. So is it 2022 all over again?

We're only slightly more than halfway through the year, but 2025 has been moving so fast that it's been hard to keep up. Since Donald Trump assumed office in January, we've had a bewildering array of policy announcements, with tariffs being imposed, withdrawn or postponed at breakneck speed. On top of that, we've seen a startling spike in geopolitical tensions, including open war between Israel and Iran, and US bomber strikes on Iranian nuclear facilities.

This combination of geopolitical stress and policy uncertainty has some alarming echoes of 2022, when Russia's assault on Ukraine meshed with the aftermath of the Covid-19 crisis and shifting central-bank policy to deliver a grim year for markets. It wasn't until the autumn of 2022 that a tentative recovery set in, and it was mid-2023 before most markets were back to where they had been before.

Lessons learned?

Given these parallels, are there lessons to be learned from 2022? Well, with 20/20 hindsight, investors would – in theory – have been better selling their investments and sitting on the sidelines until the autumn before buying in again at the bottom. But as we've said before, market timing is a fool's errand. In 2022, no one could have known that the autumn recovery would last. Investors who had managed to sell out early in the year would have been unlikely to have called the bottom correctly.

And it's important to remember that the past can't predict the future. Although this year is seven months through, we can already see that 2022 makes a very poor guide to the twists and turns of markets in 2025. The surface-level similarities haven't led to similar outcomes for investors.

Notably, this year's stock-market performance is already much better than in 2022. Then, markets began to sell off at the start of the year and finished it decidedly down. This year, most markets have already recovered the steep losses they made after April's "Liberation Day" tariff announcements. By the end of June, the S&P 500 had hit an all-time high.¹

What's different this time?

One reason for this resilience is that 2025's underlying conditions are very different from those of 2022. With its nuclear stakes and the involvement of a major power, the Israel-Iran war certainly had echoes of Russia's invasion of Ukraine. Yet a ceasefire was reached in under two weeks. By contrast, the Russia-Ukraine war has now been raging for three and a half years. Sadly, air strikes and rocket exchanges are nothing new in the Middle East. The launch of Europe's biggest land war since 1945 was something entirely different in scale and scope.

And Russian aggression wasn't the only extreme feature of 2022. Three years ago, the Covid-19 pandemic was still raging. While vaccinations had put an end to lockdown in the UK and most other Western countries, China spent most of 2022 under a severe "zero Covid" lockdown – hugely constraining its consumers' spending and confidence.

And then there are interest rates. In 2022, the US Federal Reserve and other major central banks began to raise interest rates to tackle the inflationary effects of Covid-related stimulus packages. This weighed heavily on the bond market, which meant that multi-asset portfolios were hit hard.

In 2025, by contrast, interest rates are on their way down. Yes, the US Federal Reserve has paused the rate-cutting cycle that began in the autumn of 2024, as it waits to assess the impact of the Trump tariffs on prices. But the European Central Bank and the Bank of England have both continued to cut rates this year, and expectations are growing for further US cuts too. That should support the world's stock markets.

Meanwhile, corporate earnings have been remarkably robust. For example, the first-quarter earnings of the major US companies listed in the S&P 500 beat expectations in aggregate.² So although US tariffs have clouded the outlook, corporate fundamentals are still in good shape.

The real lesson

The real lesson of 2022 is that investors who held their nerve were eventually rewarded for their patience. Those who sat tight through the turbulence and added to their investments on weakness would have incurred no real losses and made further gains along the way. That lesson would have stood investors in good stead this year too.

So what happens next? Well, there are certainly grounds for optimism. For all the uncertainty over tariffs, the US is now striking deals with its trading partners. The Israel-Iran ceasefire is still holding at the time of writing, and Europe's new commitment to infrastructure and defence spending introduces powerful new drivers for investment. And the Trump administration's much-heralded programme of tax cuts – the One Big Beautiful Bill Act – could put a spring in Wall Street's step. So, rather than being a re-run of 2022, 2025 could yet reward investors who keep calm, weather the volatility and look to the longer term.

“It's important to remember that the past can't predict the future.”

Sources:

¹ Financial Times, S&P 500 hits record high as markets recover from Trump tariff shock, 27 June 2025

² Coutts.com, Earnings season – strong start to a volatile year, 23 May 2025

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Five year performance.

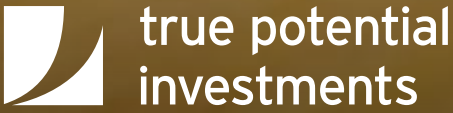
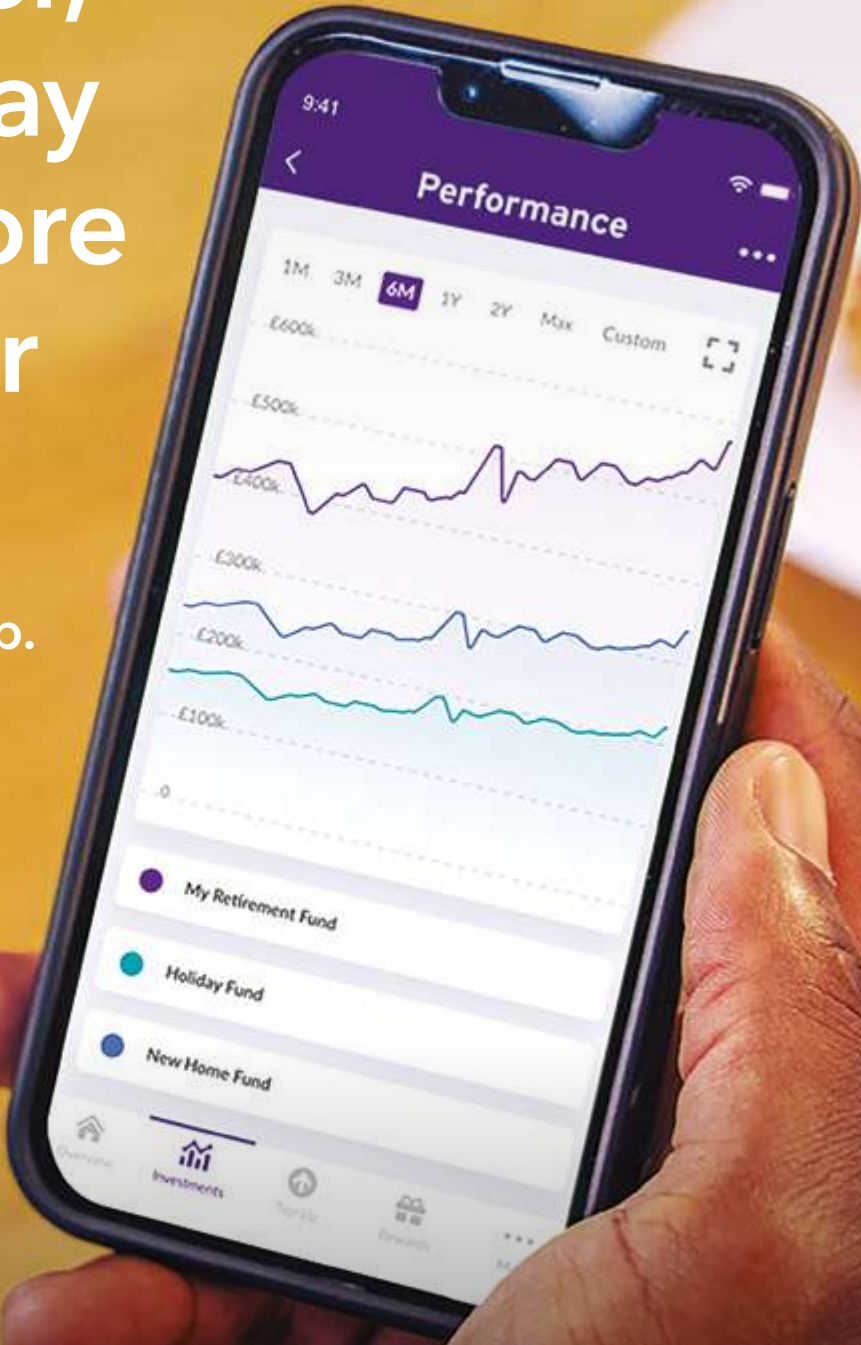
Portfolios	30 Jun 2020 to 30 Jun 2021	30 Jun 2021 to 30 Jun 2022	30 Jun 2022 to 30 Jun 2023	30 Jun 2023 to 30 Jun 2024	30 Jun 2024 to 30 Jun 2025	Since launch annualised* (1 Oct 2015)
Defensive	+5.32%	-5.32%	-0.70%	+6.52%	+4.51%	+2.61%
Cautious	+10.77%	-6.61%	+0.87%	+8.69%	+6.04%	+4.10%
Cautious +	+11.91%	-6.98%	+1.59%	+9.36%	+5.78%	+4.25%
Cautious Income	+14.60%	-4.05%	+0.47%	+10.20%	+10.51%	+5.21%
Balanced	+15.68%	-7.70%	+2.79%	+10.64%	+6.59%	+5.44%
Balanced +	+15.51%	-7.08%	+3.00%	+11.24%	+6.49%	+5.92%
Balanced Income	+16.47%	-5.22%	+1.97%	+11.56%	+9.77%	+5.66%
Growth	+19.23%	-7.10%	+4.46%	+12.52%	+6.61%	+6.98%
Growth +	+20.59%	-7.39%	+4.63%	+14.01%	+6.92%	+7.10%
Aggressive	+23.58%	-6.34%	+5.33%	+15.01%	+6.88%	+8.05%

Source: True Potential Investments, data as of 30 June 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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Return Address: Gateway West, Newburn Riverside, Newcastle upon Tyne, NE15 8NX