

# TRUE INSIGHT

True Potential Portfolios | Issue 40 | Autumn 2025

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## INVESTING THROUGH UNCERTAINTY: WHAT HAPPENS IN MARKETS DURING GLOBAL CONFLICTS

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With the world appearing more fractured than ever,  
what can we learn from recent market reactions to conflict?  
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**Jeff Casson**  
Chief Executive Officer  
True Potential Investments

### Welcome to the autumn edition of True Insight.

Even as the leaves change around us, markets have continued their remarkable run. We open this edition of True Insight with a review of market performance in the third quarter, including some all-time highs in the equity markets and some glittering returns for investors in gold. Renewed enthusiasm for artificial intelligence has played a major part in the stock-market surge, as have robust corporate earnings and the US Federal Reserve's first rate cut this year. Meanwhile, the bond markets have been more of a mixed picture, as investors juggle with stubborn inflation, lower interest rates and concerns about government debt.

Just as we've seen many markets hit record highs this autumn, we've recently passed a significant milestone ourselves. It's now 10 years since we launched the True Potential Portfolios. So in this edition of True Insight, we look back at the past decade, with all the twists and turns in the markets that we've experienced along the way. We take stock of the events that shaped portfolio performance and examine how our investors have fared over that period.

Some of you who have been investing with us since the start will now be approaching retirement. In this issue, we explore your options for using your pension pot to fund your lifestyle when you're thinking about putting the working world behind you. We dig into drawdown and annuities, setting out the advantages and disadvantages of each approach.

Although we've had some better news from the Middle East since the end of the third quarter, conflict has been a constant in many parts of the world this year. With war still raging in Ukraine and geopolitical tensions still high in many potential flashpoints, we take a sober look at the implications of conflicts for portfolios.

Finally, we look ahead to November's Budget. With the public finances very much in focus in recent months, we set out some of the options that the Chancellor may take and explore their implications for your investments.

I hope you enjoy this edition of True Insight. The winter months will no doubt give us plenty of talking points to consider, and I look forward to writing to you again in the new year. And, of course, all of us at True Potential are looking forward to working with you as we navigate the next 10 years in the markets for you!



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 **1,311m<sup>2</sup> 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.



# Performance update.



**Kevin Kidney**  
Head of Investments  
True Potential Investments

Through the third quarter of 2025, we maintained an active, risk-on stance, holding an overweight allocation to equities relative to an equally weighted blend of managers. This positioning reflected a constructive global outlook, supported by resilient economic data, moderating inflation pressures and a more favourable interest-rate backdrop.

Our overweight to equities was outside the United States, where relative valuations, improving earnings momentum and disinflationary trends continue to present more compelling opportunities. This positive view was broadly shared across the True Potential manager lineup, with several managers increasing exposure to both Japanese and emerging-market (EM) equities. Japanese equities benefited from corporate reforms, shareholder-friendly policies and ongoing monetary accommodation. Meanwhile, EM equities were supported by stabilising growth, attractive valuations and enthusiasm around artificial intelligence-related themes. Allianz, Growth-Aligned, Pictet and UBS all added to EM positions; Allianz, Growth-Aligned and UBS increased allocations to Japan. TrinityBridge also increased equity exposure directly, targeting cyclical companies leveraged to global growth following trade agreements and gold-mining firms.

Fixed-income positioning remained broadly neutral. Within sovereign debt, we continued to favour UK gilts over international government bonds, supported by relatively attractive yields. Within credit markets, we maintained a preference for higher-yielding segments, where all-in yields remain appealing and default rates are expected to stay low in a resilient macro environment.

Allocations to cash and alternatives were held at neutral levels. However, within alternatives, several managers – particularly UBS, Growth-Aligned, TrinityBridge and Pictet

“Our portfolios reflect our constructive outlook in a disinflationary environment.”

Portfolios	3 months	1 year	Since launch (1 Oct 2015)
Defensive	+3.38%	+5.59%	<b>+32.89%</b>
Cautious	+4.63%	+8.20%	<b>+54.78%</b>
Cautious +	+4.80%	+8.22%	<b>+57.25%</b>
Cautious Income	+3.19%	+9.44%	<b>+69.36%</b>
Balanced	+5.48%	+9.60%	<b>+76.85%</b>
Balanced +	+5.46%	+9.80%	<b>+84.89%</b>
Balanced Income	+3.00%	+9.50%	<b>+76.23%</b>
Growth	+6.54%	+11.31%	<b>+105.81%</b>
Growth +	+7.06%	+12.25%	<b>+109.10%</b>
Aggressive	+8.06%	+13.46%	<b>+130.00%</b>

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

– increased exposure to gold, recognising its diversification benefits and potential to perform well amid policy uncertainty and fiscal expansion.

During the quarter, portfolio adjustments focused on enhancing diversification and inflation resilience. The Cautious+ and Balanced+ Portfolios both increased allocations to Schroders, a manager offering lower bond exposure and greater emphasis on gold, alternatives and non-US equities with attractive valuations. In Cautious+, this was funded by a reduction in Goldman Sachs Balanced, while in Balanced+, UBS Aggressive was trimmed. No changes were made within Growth+, with the team comfortable with the current positioning and changes enacted by active managers.

Similar reallocations occurred within the Cautious Income and Balanced Income Portfolios, where Schroders’ exposure was increased and funded through reductions in TrinityBridge. These adjustments aimed to broaden sources of return, maintain consistent risk profiles and support sustainable income generation.

Additions to Schroders across the Core Portfolios in the first half of 2025, combined with ongoing repositioning by our active managers, led to stable manager allocations through the third quarter, with all portfolios optimised on cost and risk-adjusted return and well aligned to our asset-class preferences.

In summary, our portfolios reflect our constructive outlook in a disinflationary environment. We sustained an equity overweight, particularly in non-US markets where fundamentals and valuations appear more supportive. Fixed income remained close to neutral, with a bias toward UK gilts and high-yield credit. Key developments included increased allocations to Schroders for diversification, enhanced exposure to Japan and EMs and selective positioning in cyclical and gold-related equities.

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



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.

# Review of the markets: Q3 2025

The third quarter of 2025 was characterised by a robust risk-on sentiment across global markets. Investor optimism was driven by a combination of resilient corporate earnings (especially in technology), the Federal Reserve's first interest-rate cut of the year and an ongoing easing of trade tensions between the US and various countries around the world. Equities delivered strong gains, fixed income offered nuanced positive returns and gold delivered a historic, record-setting surge.

## Global equity markets: the momentum continues.

Global equities advanced significantly in Q3, fuelled by the persistent influence of artificial intelligence (AI) investment and generally upbeat corporate reporting.

- **United States:** The S&P 500 Index returned a remarkable 8.1%, given the quarter began with the index already at all-time highs, while the Nasdaq led the charge, gaining 11.4%. Growth stocks (+8.6%) continued to outperform value stocks (+5.4%) within world equities. A surprising theme was the comeback of small-cap stocks (Russell 2000 Index); the asset class rose sharply over the quarter following the Fed's dovish shift, reflecting optimism about lower borrowing costs.
- **International markets:** Emerging market (EM) stocks generally outperformed developed markets (DM) stocks, delivering roughly 13.0% and 7.4% respectively.
  - China was the standout performer, with the Hang Seng Tech Index soaring 22% and the broader Chinese market climbing over 12.5% amid policy support for domestic tech and easing geopolitical rhetoric.
  - Japan's TOPIX Index delivered a strong gain of 11.0%, supported by a weaker yen and ongoing corporate governance reforms.
  - Europe was the regional laggard, with the MSCI Europe ex-UK Index returning just 2.8%. Political instability, particularly in France, weighed on sentiment, although the FTSE 100 posted a strong 7.5% gain, benefiting from strong performance from financial institutions.

The primary catalyst for the equity rally was the Federal Reserve's 25-basis-point rate cut in September, which boosted expectations for a sustained policy easing cycle, despite US headline inflation ticking up to 2.9% in August.

## Fixed income: rally on the short end.

The fixed-income landscape delivered positive but complex returns, marked by falling yields in the US but heightened fiscal anxiety in Europe and the UK.

- **Global Treasuries:** Government bonds returned less than 1.0% as we witnessed further steepening of yield curves. This shift was triggered by the September Fed cut and revisions to earlier job figures that signalled a cooler US jobs market than previously thought. Rising inflation across both the UK and US led to rising yields on longer-dated bonds, such as 30-year maturities.
- **Credit:** Credit spreads tightened across the board, reflecting the "risk-on" sentiment from equity markets and resilient economic data. US high-yield bonds (+2.5%) and investment-grade corporate bonds (+2.6%) performed well.
- **Global instability:** Political and fiscal uncertainty led to volatility outside the US. Long-dated UK gilt yields rose to levels not seen in decades due to fiscal concerns, while the spread between French and German bond yields widened significantly amid political turmoil in Paris. This highlighted the growing divergence in fixed income driven by sovereign fiscal health.

## Gold market: the safe haven surge.

Gold was the most remarkable performer of the quarter, posting double-digit gains of approximately 16.8%, cementing its bull-market run.

- **Record highs:** Gold prices surpassed the \$3,800/ounce threshold by quarter-end, driven by multiple reinforcing factors:
  1. **Geopolitical uncertainty:** Persistent global tensions and trade unpredictability reinforced gold's traditional safe-haven status.
  2. **Central bank and retail demand:** Strong, sustained buying from global central banks and heavy inflows into gold exchange-traded products (ETPs) provided a crucial demand floor.
  3. **Inflation and fiscal fears:** Gold continued to serve as an inflation hedge, especially amid tariff-related inflation concerns and widespread unease over government debt levels and fiscal sustainability across developed economies.
  4. **Weaker US dollar:** The Fed's rate cut in September weakened the US dollar, typically providing a tailwind for the dollar-denominated metal.

# 22.0%

Over the quarter, the Hang Seng Tech Index soared 22%.

Source: <https://www.bloomberg.com>

# 16.8%

Gold posted double-digit gains of approximately 16.8% over the quarter.

Source: <https://www.bloomberg.com>

# 11.4%

During the quarter, the Nasdaq gained 11.4%.

Source: <https://www.bloomberg.com>

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. This article is not personal financial advice.



# Market outlook.

So far, 2025 has presented a highly unpredictable environment for investors. Rapid shifts in trade policy under Trump have created volatility across sectors, while evolving monetary and fiscal policy in major economies has further complicated the macro picture. Equity returns have been led in large part by enthusiasm for artificial intelligence (AI), but the scale of the investment in the technology has led to concerns about a bubble. Geopolitical tensions persist, with little progress on a Russia-Ukraine ceasefire despite US and European pushes for peace talks. Here, we'll explore some of the key factors driving markets and share our outlook for the fourth quarter and beyond.

The market shock of Liberation Day is now a distant memory. In the US, equities have reached new highs, and rest-of-world equities are still comfortably outperforming the US for the year to date, as regions make a rotating contribution to driving non-US equities higher.

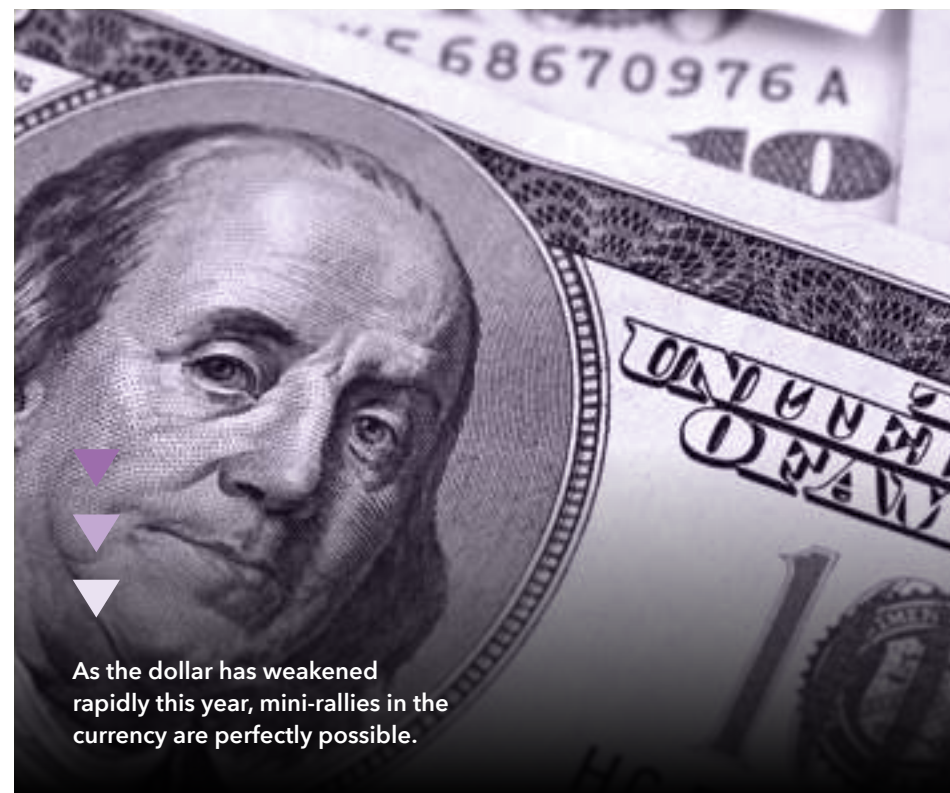
Headline numbers suggest that the US economy remains robust. But the growth is increasingly driven by AI investment, which may be difficult to sustain. Fortunately, policy is likely to remain supportive. Gradual deterioration in the labour market and little evidence of a significant inflationary impact from tariffs have given a green light for the Fed to proceed with interest-rate cuts.

Supportive policy, resilient profits and a once-in-a-generation technological breakthrough suggest that the scene is set for a melt-up in the equity market.

However, there are number of reasons not to throw all caution to the wind. Equities in the US have already performed incredibly well in recent years, gaining at an annualised rate of almost 15% since bottoming in March 2020. As a result, the asset class offers very poor value on most measures. Strong returns are possible in the next six months, but over longer periods the odds are stacked against the kind of returns that US equities have recorded in recent years, particularly relative to bonds.



US economic growth is increasingly driven by AI investment, which may be difficult to sustain.



As the dollar has weakened rapidly this year, mini-rallies in the currency are perfectly possible.

“US equities have reached new highs and rest-of-world equities are still comfortably outperforming the US for the year to date.”

Scepticism about the productivity-enhancing benefits of AI is also warranted. At the moment, growth is supported by AI investment, but the jury is out on whether this massive capex will pay off. And even if AI ultimately does result in a lasting increase in productivity, there does seem to be evidence that a bubble is forming in the sector, which could result in significant losses for shareholders.

For years, proponents of US market exceptionalism have pointed to a superior institutional structure and competitive environment in the country. However, the Trump administration is rapidly dismantling some of those features of the US economy that led US equities to outperform.

This year, rest-of-world equities have outperformed the US, particularly after accounting for the dollar's depreciation. The question is whether this is a temporary phenomenon or a break in the structural trend of US outperformance that has been in place for almost 20 years. There are several drivers supporting equities in each of the main non-US regions:

- Emerging-market equities continue to benefit from the weaker dollar, which reduces their dollar liabilities and allows their central banks to cut interest rates.
- In Europe, the fiscal landscape has radically changed in the last year, with Germany removing its debt brake and a new-found urgency to significantly increase defence and infrastructure spending.
- Japanese companies are starting to return cash to shareholders, buoyed by the Tokyo Stock Exchange's pressure on firms to increase their price-to-book ratios and ultimately improve their return on equity.

Through a conventional lens, the bond maths is concerning. Government debt is above 100% of GDP in most developed economies, which, combined with the reset higher in bond yields in 2022, has resulted in government interest payments soaring.

However, we no longer live in conventional times, and governments, led by the US, recognise that interest payments are within their control to some extent. One solution is simply to issue fewer long-dated bonds. The US Treasury is projected to significantly increase T-bills as a proportion of total debt issuance over the next few years; in the UK, the Debt Management Office is responding to lower demand from pension funds by reducing the maturity of its gilt stock.

A more controversial solution to the deficit issue is to 'encourage' the central bank to cut interest rates. Bond investors are comfortable that the fight against inflation has been largely won and that there is scope for rate cuts. As a result, the bond-market response to Trump's bullying of Fed Chair Powell to cut rates has not been to price a policy mistake, though the gold price soaring to record highs does suggest investors are seeking alternative assets as fiscal dominance takes hold.

The broad dollar index has fallen by 10% over the year to date, but this fall is small in comparison to the currency's gain of more than 40% between 2010 and 2024. As a result, the dollar remains expensive on most valuation measures, and the Trump administration continues to argue that the currency is disadvantaging US producers in global markets.

As the dollar has weakened rapidly this year, mini-rallies in the currency are perfectly possible. But among the shifting tectonic plates of the global economy, the line of least resistance is still a weaker dollar over the medium term.

Source: <https://www.bloomberg.com>



# Investing through uncertainty: What happens in markets during global conflicts.

**Many of us will be familiar with the investment adage that markets are driven by fear and greed. When wars break out, fear often outweighs greed. But should we follow another market adage and “buy on the cannons, sell on the trumpets”?**

We've had no shortage of grim tidings in 2025. Trade disputes, geopolitical escalations and full-blown war have all featured heavily in the headlines. And financial markets have been volatile, particularly in April, when global equities sold off sharply. So, with the world appearing more fractured than ever, what can we learn from recent market reactions to conflict?

## Flight to safety?

The market response to conflict typically depends on the threats to trade, commodity prices and economic activity. The heavier the potential impacts, the more the conflict is likely to weigh on share prices.

Stock markets were already trending down in early 2022, but the Russian invasion of Ukraine in February compounded the downturn. The consequent spikes in energy prices and shortages in key commodities exacerbated inflation, making an already difficult global macroeconomic situation worse. Investors fled to safety, with global equity markets declining until September that year.<sup>1</sup>

When a conflict appears contained, investors can appear more impassive. The brief 12-day war between Israel and Iran in June had only a limited impact on global markets. Iran's oil-exporting ability was not affected, nor were supply chains. The MSCI World Index rose 2.7% in sterling terms during the month.

One factor in this was the apparently decisive intervention of the US. Markets hate uncertainty, so a prolonged lack of clarity can dampen stock-market returns more than conflicts themselves. By contrast, the outbreak of conflict can often have an almost cathartic effect on markets – especially if a swift resolution appears likely or if the conflict does not threaten to spread.

## Sticking to your guns.

Once the economic impact becomes clearer, markets often recover swiftly. So selling your investments or reducing risk too soon can lock in losses and leave you liable to miss out on the recovery.

After Russia's invasion of Ukraine, uncertainty was elevated for some time, with the downturn in global markets

lasting for more than seven months. However, investors who stayed the course would have benefited from the compounding effect of the income produced by their portfolios and would have been able to benefit from the recovery as soon as it began. Timing when to exit and enter the market is notoriously difficult; a better strategy is to continue investing during downturns, when asset prices can be excessively depressed.

More recently, April's seven-day market sell-off, arising from the US tariff announcements, left the S&P 500 down by more than 12% at its lowest. Worst-case fears of a trade war and global recession seemed plausible, and many were tempted to join the rush for the exit. But the recovery was swift, and the subsequent rally took global markets to fresh record highs. Those who stayed calm reaped the benefits – and incurred no transaction costs along the way.

## Opportunity in conflict.

When major conflicts cause turmoil in the markets, they can also present new opportunities for investors. After the outbreak of the Russia-Ukraine war, Europe's push to ensure energy independence from Russia resulted in significant opportunities in renewables and infrastructure. And the European defence sector has strongly outperformed in 2025, following commitments from NATO member states to increase their defence spending.

Conflict can also prove positive for commodity prices, which often rise in times of war or geopolitical uncertainty as countries amass key resources.

Of course, not all areas of the market will react to conflict in the same way. That's why it's important that your portfolio includes different asset classes, regions and sectors

– all of which could react differently to conflict. A good degree of diversification will allow your portfolio to benefit from higher returns from outperforming assets, softening the impact from areas that are adversely affected.

The human cost of war is always terrible. We shouldn't forget that, and nor should we disregard the potential impact of geopolitical tensions and conflicts on our portfolios. But we should remember that fear and uncertainty are often short-lived, and that companies are often adept at adapting to new circumstances.

We might not go as far as always being greedy when others are fearful or buying on the sound of cannons. But we believe that appropriately diversified portfolios should give investors comfort that they can cope with the short-term impact of regional conflicts. That in turn will allow them to take stock of their positioning, adjust their exposures and address any opportunities with cool heads rather than hot ones.

Sources:

<sup>1</sup> Global Markets One Year After Russia's Invasion of Ukraine | MSCI

<sup>2</sup> <https://www.theguardian.com/environment/2023/may/25/invasion-of-ukraine-has-fuelled-funding-boom-for-clean-energy>, May 2024



# 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](http://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



# Starter for 10

## A decade in the markets

**It's now 10 years since we launched the True Potential Portfolios. With debt crises, political turbulence, geopolitical turmoil and a global pandemic, the past decade has hardly lacked for events. In this article, we explore the ups and downs of the markets – and look at what they meant for those who've been with us all the way.**

Over the decade, we've come through cycles in most of the main market themes. Concerns about government debt are one obvious example. When we started out in 2015, Europe was still in the throes of the debt crisis that began in 2009. That crisis culminated in Greece's default on its payments to the International Monetary Fund – the first sovereign default by a developed nation in recent times.

After that, we had a period of relative calm from 2019 to 2023, as the eurozone engaged in structural reforms. More recently, however, concerns about government finances have come to the fore again. With government borrowing shooting up in France, the UK and the US, bond yields have been forced to rise to the occasion.

### Rates and their repercussions.

At the same time, we've had no shortage of twists and turns in monetary policy. When we launched the True Potential Portfolios, central banks were still dealing with the aftermath of the 2008 global financial crisis. Inflation and interest rates were extremely low, and quantitative easing was still underway.

At the end of 2015, however, a strengthening economy and rising inflation prompted the US Federal Reserve (Fed) to end the era of zero interest rates in the US. Other central banks around the world followed differing paths in the ensuing years, adjusting monetary policy to address specific growth and inflation pressures.

This divergent period came to an abrupt halt with the coming of Covid. From 2020, the coronavirus pandemic led to lockdowns, economic torpor and massive government stimulus to get economies up and running. In the US and elsewhere, interest rates were slashed once more – resulting in very strong performance for both shares and bonds.

Inevitably, perhaps, inflation rocketed. Then, in 2022, the Covid crisis was exacerbated by Russia's invasion of Ukraine. Supply chains were flung into further disorder, many commodities were in short supply and oil prices spiked. The Fed began to raise interest rates again, with the federal funds rate reaching 5.5% by 2023. Other major central banks followed suit. This year and last, however, we've seen rates begin to come down – although uncertainties about the Trump administration's trade tariffs have slowed the pace of cutting in the US.

### Tech takes charge.

Another defining theme of the last 10 years is the rapid advance in technology. Since 2015, we've seen the rise of online investment platforms and rapid growth in tech-enabled alternative investments such as cryptocurrencies and non-fungible tokens.

Meanwhile, technology has been one of the main factors behind the spectacular performance of the US stock market since 2015. Over the decade, investors' focus has shifted from the FANG stocks (Facebook, Amazon, Netflix and Google) to the FAANGs (including Apple). And since 2023, all eyes were on the Magnificent Seven: Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, Nvidia and Tesla – all companies with connections to artificial intelligence (AI). The launches of ChatGPT in 2022 and DeepSeek in early 2025 have been the key milestones on this journey so far.

With hundreds of billions being invested in AI, talk of a bubble has been growing in recent months. Some disappointment is inevitable, given the scale of the investment, the ferocity of the competition and the uncertainty of the outcomes. But the robust earnings that have enabled the tech giants to invest so heavily in AI are a feature of many other US companies too. Over the last decade, investors have been repeatedly surprised by just how resilient US companies have proven in this regard. So, while we may well see an AI bubble burst, the past decade has taught us that any sharp downturn will be an opportunity to buy into good companies at attractive valuations.

### History lessons.

Despite the overall rise in markets, we haven't lacked for sharp sell-offs. We've had the cryptocurrency crash of 2018, the Covid crash of 2020, the long slump of 2022 and the 2025 sell-off sparked by Donald Trump's tariff announcements in April. Each of these felt alarming at the time. But the long view gives a clear picture of a sustained rise in value for investors across the major markets. In that context, even the biggest sell-offs appear as mere blips.

“Focus on the big picture, not the short-term snapshots.”

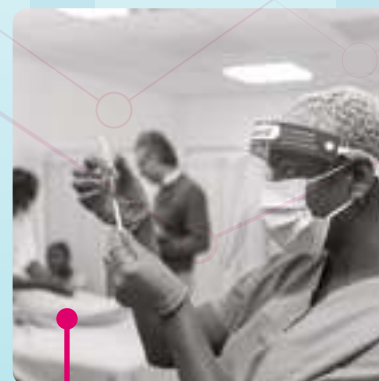
For us, that's the main lesson of the past decade: focus on the big picture, not the short-term snapshots. If you're prepared to weather short-term squalls and hold steady as the cycle turns, the long-term rewards can be considerable. So, as we look ahead to our second decade, our portfolios will aim to reflect that philosophy – not through short-term gains, but through consistently aligning with our clients' long-term goals.

**2015**  
PORTFOLIO  
LAUNCH

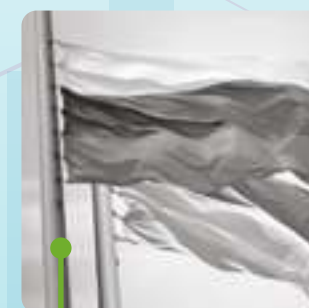
**2018**  
CRYPTOCURRENCY  
CRASH



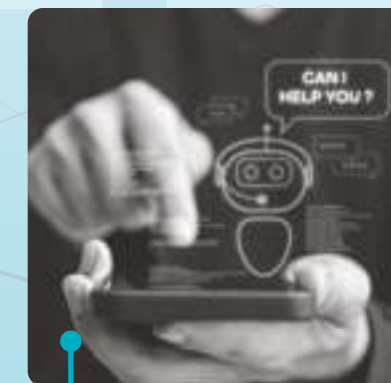
**2020**  
COVID LOCKDOWN



**2022**  
RUSSIA INVADES  
UKRAINE



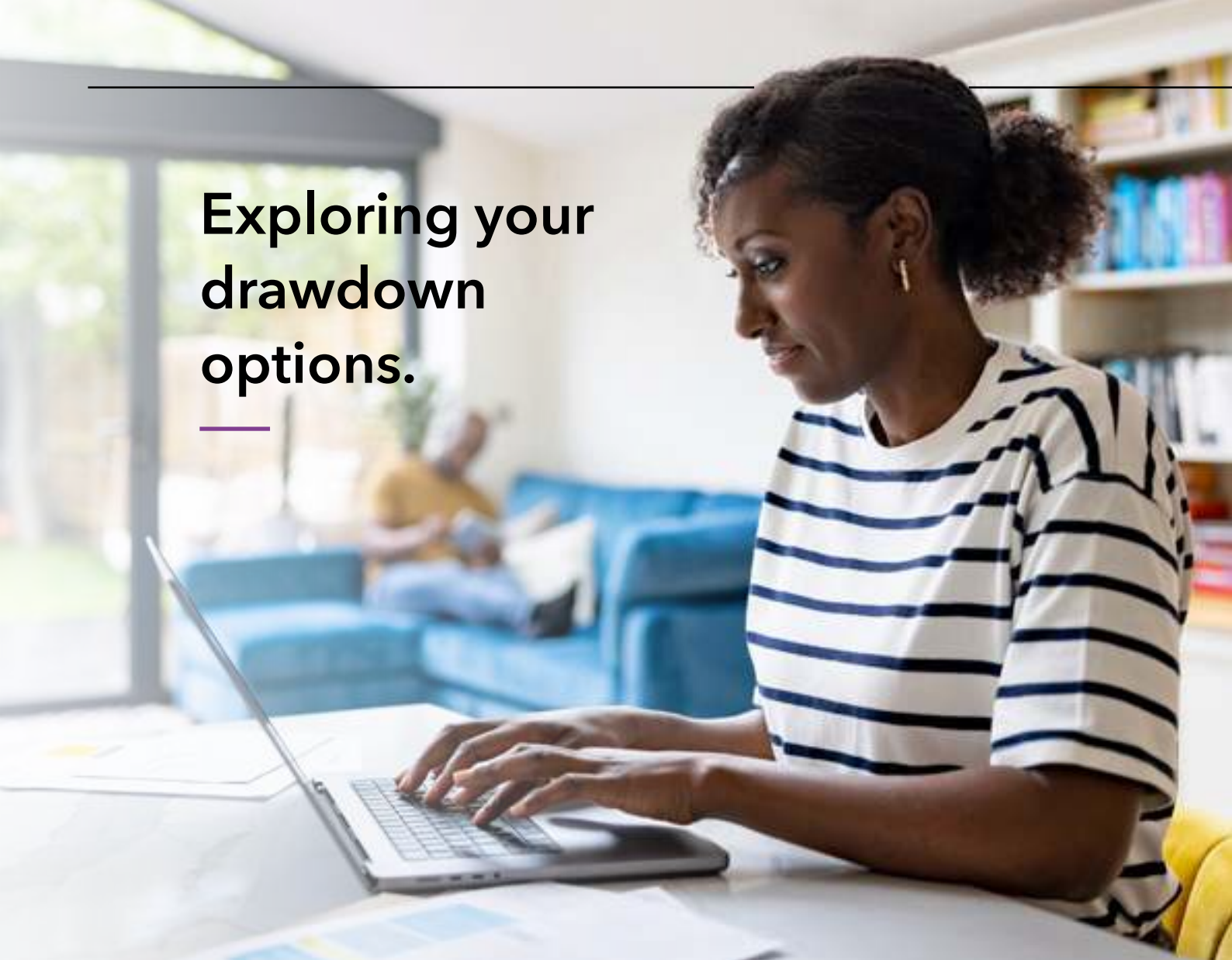
**2023**  
ALL EYES ON AI



**2025**  
AND BEYOND



# Exploring your drawdown options.



**When you reach retirement, you have a big decision to make regarding how you turn your pension savings into regular income. We look at the pros and cons of the two main options: drawdown and annuities.**

If you have a personal or private pension, you'll have to decide at some point about how you use your pension savings to generate income in retirement. True Potential provides a range of pension services, including drawdown, flexi-access and UFPLS. To learn more about taking your pension, use the UK Government's free Pension Wise service.<sup>1</sup>

(Note that, if you're part of a company final-salary pension scheme – one that pays a guaranteed pension income based on your earnings in employment – you won't have to make this decision about how you get your income.)

Source:

<sup>1</sup> <https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise>

## What is drawdown?

Drawdown is a way of leaving your pension pot invested in company shares and other assets while making regular withdrawals from it to cover your ongoing living expenses. When you decide to put some or all of your pension in drawdown, you can take as much as 25% of that money as a tax-free lump sum. This 25% doesn't need to be withdrawn all at once, and can be phased according to your needs. Further withdrawals after the 25% are then subject to income tax.

## Drawdown: advantages and disadvantages.

Perhaps the most significant advantage of drawdown is that your pension savings continue to benefit from rises in the values of your underlying investments after you've retired. Increasing life expectancies mean that many people will spend several decades in retirement: with drawdown, your pension can potentially keep growing even as you make withdrawals from it.

“You'll have to decide at some point about how you use your pension savings to generate income in retirement.”



Typically, when you reach retirement, you can take as much as 25% of your pension as a tax-free lump sum.

However, there is no guarantee that your investments will rise in value, and any serious market corrections could leave you with less to live on. At the same time, if you take too much out of your pension in the early years of retirement, you could run out of money at some point.

## What is an annuity?

Until rule changes introduced in 2015 made drawdown a realistic option, annuities were the main way people turned their pensions into retirement income. An annuity is a financial contract that typically converts some or all of a pension pot into a guaranteed regular income for the rest of your life. As with drawdown, you can take 25% of your pension tax-free before buying an annuity.

The amount of income an annuity generates depends on a number of factors, ranging from the size of your pension and current interest rates, to your age when you buy it and your life expectancy. People who have shorter life expectancy, perhaps as a result of a serious medical condition, are typically entitled to higher annuity rates.

There are several different types of annuities, and the amount of income varies depending on which you choose. For example, with an inflation-linked annuity, payments will rise annually in line with inflation, but the initial income you get will be lower than that from a level (non-inflation-linked) annuity. You could also choose an annuity that will continue to make payments to your spouse after you die (a joint-life annuity), but again, this will result in a lower initial rate.

## Annuities: advantages and disadvantages.

With an annuity, your income is typically guaranteed for life – so there is no danger of you running out of money as there is with drawdown. However, the real value of your annuity income could fall over time due to inflation, unless you opt for an inflation-linked annuity.

The certainty of annuity income can offer peace of mind and help with budgeting. But converting most or all of your pension into an annuity when you retire means you could potentially miss out on the chance to benefit from further investment growth; and once you have bought an annuity, you cannot change your mind. Equally, if interest rates are low or you take out an annuity at a relatively young age, your annuity income may not be enough to live on.

## A combined approach.

It is possible to take a mixed approach, leaving some of your pension in drawdown while using part of your pot to buy an annuity. This can help address concerns about running out of money. Alternatively, you could decide to use drawdown in the early years of retirement before buying an annuity at a later date – and benefiting from the higher rates available for older people.

Speaking to a specialist adviser can help you make an informed decision – one that takes into account your wider financial goals and includes any other assets you might own, as well as factors such as your potential State Pension entitlement.

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



# Budgeting for change



The government is under pressure to address the UK's struggling public finances in November's Budget. Potential changes to widely used tax allowances could be bad news for savers and investors.

Sluggish economic growth combined with high levels of public spending and borrowing are creating a challenging backdrop for Rachel Reeves' Budget on 26 November.<sup>1</sup> While Reeves may decide to increase direct taxes such as income tax or National Insurance (NI) to plug the gap, there has been considerable speculation that the Chancellor could instead look to increase revenues by restricting existing tax-free allowances on savings, investments and pensions.<sup>2</sup>

At the time of writing, the government has done little to confirm or deny these rumours. Below, we look at some of the key allowances and set out how you might be affected by any changes.

## Individual savings accounts (ISAs).

Under current rules, savers can put up to £20,000 into an ISA each financial year. This £20,000 can be made up of cash, investments, or a mixture of the two. With ISAs, you don't pay income tax on any dividends or interest your investments generate, and you don't pay capital gains tax when you sell your investments.

Earlier this year, it was reported that the government was considering reducing the ISA limit for cash holdings, but ministers decided to consult with the finance industry before finalising any plans.<sup>3</sup> If the cash ISA limit were to be reduced in the Budget, the change would be unlikely to take effect until the start of the next tax year, on 6 April 2026, at the earliest.

## Capital gains tax (CGT).

Although the lower and higher rates of CGT were increased in Reeves' 2024 Budget, that does not mean they will not be raised again this year. There has also

# £20,000

Under current rules, savers can put up to £20,000 into an ISA each financial year.

been speculation that the government may decide to end the current CGT exemption for people's primary residences on sales of homes above a certain value – for example, £1.5 million.

Alternatively, Reeves could increase the rate of CGT on sales of second homes or buy-to-let property.

## Pensions rules.

Most people who put money into a pension benefit from significant tax breaks: pension contributions get income-tax relief, and a number of companies give their staff the option of paying into their pension through a 'salary sacrifice' scheme. This means that, as well as being exempt from income tax, contributions are also free of NI. The government could decide to make this system less generous, for example, by limiting the amount that can be saved into a pension through salary sacrifice.

The amount of tax-free cash that can be taken from a pension might also be in the firing line. At present, 25% of your pension pot can be taken tax free, either as a lump sum or as 25% of any withdrawals you make. However, there is an upper limit of £268,275 on any tax-free lump sum – and this could be reduced in the Budget.

Sources:

<https://www.gov.uk/browse/tax>

<sup>1</sup> <https://www.theguardian.com/business/2025/sep/12/stagnant-gdp-shows-scale-of-challenge-for-rachel-reeves-at-autumn-budget>

<sup>2</sup> <https://www.pensions-expert.com/law-and-regulation/in-depth-rachel-reeves-faces-difficult-budget-balancing-act/69639.article>

<sup>3</sup> <https://www.moneysavingexpert.com/news/2025/07/cash-isa-limit-cut-martin-lewis/>

Tax is subject to an individual's personal circumstances, and tax rules can change at any time.

# £325,000

At the moment, the first £325,000 of an individual's estate is free of IHT.

## Inheritance tax (IHT).

At the moment, the first £325,000 of an individual's estate is free of IHT – this is known as the nil-rate band. The threshold has not changed since 2009 and is frozen until at least 2030. Extending this freeze further still could result in higher IHT receipts for the government if property and asset prices rise. Alternatively, ministers could decide to limit individuals' ability to make IHT-free gifts to family members. Under current rules, for example, you can give away up to £3,000 a year with no IHT implications.

## Wealth tax.

A number of Labour MPs and campaign groups have called for some sort of wealth tax to be introduced in the UK, although it is far from clear what form this might take – or whether the idea is supported by senior members of the government. For example, a wealth tax might be applied as an annual charge on personal assets or property valued above a certain level.





# Share your thoughts on True Insight.

True Insight is our quarterly magazine designed to keep you informed with timely, relevant and high-quality information about investment performance, current markets, emerging investment opportunities and global events.

As True Insight continues to evolve, we'd like to hear your thoughts on the topics that matter most to you and any changes you'd like to see within future editions.

To gather your feedback, we've created a short survey.

The survey will take just a few minutes to complete and your input will help us ensure that True Insight continues to be a valuable magazine tailored to your needs and your long-term financial goals.

Please scan the QR code with your phone's camera to access the survey and share your feedback.



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# Five-year performance.

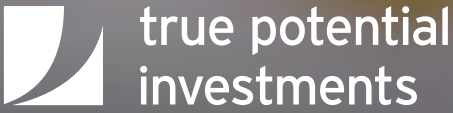
Portfolios	30 Sep 2020 to 30 Sep 2021	30 Sep 2021 to 30 Sep 2022	30 Sep 2022 to 30 Sep 2023	30 Sep 2023 to 30 Sep 2024	30 Sep 2024 to 30 Sep 2025	Since launch annualised* (1 Oct 2015)
Defensive	+4.76%	-8.12%	+1.75%	+9.50%	+5.59%	+2.88%
Cautious	+9.74%	-9.64%	+3.50%	+12.08%	+8.20%	+4.46%
Cautious +	+10.92%	-10.18%	+4.03%	+12.78%	+8.22%	+4.63%
Cautious Income	+13.63%	-9.33%	+5.24%	+14.90%	+9.44%	+5.41%
Balanced	+14.20%	-10.95%	+5.15%	+14.41%	+9.60%	+5.86%
Balanced +	+14.20%	-10.53%	+5.54%	+14.48%	+9.80%	+6.33%
Balanced Income	+15.82%	-11.09%	+7.75%	+14.98%	+9.50%	+5.83%
Growth	+17.66%	-10.05%	+6.35%	+15.45%	+11.31%	+7.48%
Growth +	+19.23%	-11.00%	+7.54%	+16.69%	+12.25%	+7.65%
Aggressive	+22.30%	-9.53%	+7.71%	+17.26%	+13.46%	+8.68%

Source: True Potential Investments, data as of 30 September 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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