

# Independent Governance Committee.

Annual Report

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# The Chair's introduction.

I am delighted to be delivering the seventh annual report for the True Potential Investments Independent Governance Committee; my first report as Chair. I have been an Independent Member of the Committee since 2018 and became Chair in April 2021. John Reynolds, the previous Chair, decided during the year that the increased demands of his business did not allow him sufficient time to properly fulfil the role of Chair and he decided to step down. John has stayed on as an Independent Member of the committee and he continues to make a very valuable contribution to the committee's deliberations. I would like to thank John for the great work that he has done steering the committee through COVID and the changing regulatory environment.

I write to you about the calendar year that has just gone past - the year of 2021. The year saw the implementation of a host of new regulations issued by the Financial Conduct Authority (FCA). You may have noticed that this report has been published later than in previous years; in recognition of the impact of the new requirements, the FCA has moved the deadline for the issuance of Committees annual reports to the end of September each year.

The remit of your Committee has been extended to review the Value for Money of the Investment Pathways that True Potential Investments provide to members and to other non-advised pension clients.

On page 25 you will find a description of Investment Pathways and how they have been implemented by True Potential Investments. Generally, within my report, all of the findings apply equally to True Potential Investments Auto Enrolment scheme and to Investment Pathways - any Investment Pathway specified conclusions can be found in that section too.

During the year, the FCA have rewritten the rules covering the assessment of Value for Money by Committees. We were pleased to find that the new rules were closely aligned to the framework that we had already implemented and that no significant changes were required to the way we carry out our assessments. We have changed the grouping of the metrics and reports that we review to make it clear how they are aligned to the FCA's new rules.

The list of criteria that we now review when considering Value for Money is as follows:

- Costs and charges
- Investment performance
- Quality of services - product governance
- Quality of services - Administration
- Quality of services - Asset and data security
- Quality of services - Online facilities
- Quality of services - communication
- Quality of services - Member feedback

For each area we consider a number of reports or and metrics on a quarterly or annual basis and for each one we conclude whether it is **GREEN**, **AMBER** or **RED**. The results of our considerations of these areas this year are shown on pages 5 to 17.



# The Chair's introduction (continued).

John mentioned last year that we wanted to introduce some kind of benchmarking of the True Potential Investments scheme against other schemes, but we were waiting for the FCA to publish their rules on how that benchmarking should be conducted. The FCA has introduced a new requirement for Committees to carry out comparisons against a sample of comparators, for both the scheme as a whole and the Investment Pathways and to highlight to members if we believe that better value for money can be obtained elsewhere. The results of the comparisons are that we did not find that the comparator schemes and investment pathway funds that we reviewed provided better value for money. Full details of our analysis can be found in the section entitled Value for Money Comparisons on page 18.

Having reviewed all of the Value for Money Criteria and the Value for Money Comparisons, the opinion of the Committee is that the overall status is **GREEN** and so the auto enrolment scheme and the Investment Pathways provide Value for Money to members.

Last year we conducted our first survey of members and we have repeated that process this year. We were pleased to find that the results of the survey continued to be good with some improvements in the areas that we had challenged True Potential Investments to improve. An analysis of the survey results and the actions we and True Potential Investments are taking to improve them can be found on page 22.

We have been working with True Potential Investments to review and provide feedback on their policies and procedures covering Environmental, Social and Governance (ESG) investing. During the year, True Potential Investments finalised their ESG policy and integrated it into their investment process. The committee was happy that our feedback was incorporated into the policy and that our requests for detailed reporting on the implementation of the policy had been met. Further details of our ESG reviews can be found on page 27.

As well as working to ensure that we meet the requirements of the new regulations, throughout the year of 2021 we have been working hard, as your independent advocates, to secure value for money for your pension investments. We have continued to work with True Potential Investments to develop their reporting to us so that we can effectively monitor the Value for Money that you receive and to challenge the operation staff, the investment managers and the business as a whole to improve Value for Money. Although we are happy with the progress that has been made this year, we recognise that there is still work that we and True Potential Investments can do to improve the value for money that members receive. Full details of the areas that we are working on in 2022 can be found in the section entitled Future Work on page 28.

This has truly been a team effort - from every member of the Committee and every member of the True Potential Investments team supporting us. Throughout the year the Committee has worked together, as a team, across every part of our remit. I would like to thank the members of the Committee for all their support throughout the whole year and, of course, to True Potential Investments who continue to provide first class support to enable us to do our jobs on your behalf - and ensure that COVID had no significant impact on their service to you.

We hope that you find this report useful. If you have any feedback for the Committee on the report or on any aspect of the service that you receive from True Potential Investments, please email the Committee at: [IGC@tpllp.com](mailto:IGC@tpllp.com)

Richard Curry  
**Independent Chair**

# Costs and charges.

The Committee believes that the most important factor when considering whether members in the scheme are receiving value for money are the cost and charges that they pay to receive the scheme services.

The following shows details of the reports and/or metrics that the Committee use to review this area. The traffic light status shows our overall assessment of the status over the reporting period:

Report/Metric	Frequency of review	Status
Costs incurred by members in the workplace scheme (including direct and indirect costs within the funds) for default services in comparison to the regulatory cap and other providers	Annual	Green
Costs incurred by members using Investment Pathways	Annual	Amber
Costs incurred by members in the scheme for optional services	Annual	Green

The total annual cost for a typical auto enrolment member invested in the main default fund (True Potential Balanced 5) is 0.71%. This is made up of a management charge in the fund of 0.30%, the costs of transactions within the fund of 0.01% and a platform charge of 0.40%. This charge is below the cap on charges for auto enrolment default funds of 0.75%, although this fact, on its own, does not necessarily mean that the scheme is offering value for money.

During 2021, True Potential Investments launched its Investment Pathways solution and the Committees remit has been extended to look at the Value for Money of this service (further details can be found in the Investment Pathways section on page 25). The FCA has said that it would not expect the total annual costs of Investment Pathway Funds to exceed 1.5%. Although the costs of True Potentials Investment Pathways Funds (~1% fund charge + 0.4% platform charge) are below this level, they are significantly higher than the costs of the auto enrolment default fund. We have challenged True Potential Investments to provide a rationale for the higher costs and have rated the metric "Costs incurred by members using Investment Pathways" as Amber until such time as we receive a satisfactory response.

Last year we introduced an illustration of the effect of charges and costs on your investment returns for True Potential Balanced 5. This year we have extended the illustration so that you can compare and review the effects of costs and charges on the True Potential Portfolios as well as the default funds.

The illustrations shown overleaf are representative examples of a £1,250 lump sum investment and £62.50/month regular payment invested over a working life of 35 years. The effect of charges on your potential returns are shown in the table. It shows you the difference between what you could get with and without charges.

All the figures we have used are assuming 2.5% inflation (both on your contributions and investment returns) to enable you to think of these numbers in today's terms (those future numbers, after the effects of inflation, can give you an idea of what they are worth in today's money). The figures, of course, are only an illustration: not guaranteed, nor minimums or maximums.

## Costs and charges (continued).

At end of year	True Potential Balanced 5		L&G Multi-Index 3		L&G Multi-Index 4		L&G Multi-Index 6		L&G Multi-Index 7	
	Before charges and costs deducted	After all charges and costs deducted	Before charges and costs deducted	After all charges and costs deducted	Before charges and costs deducted	After all charges and costs deducted	Before charges and costs deducted	After all charges and costs deducted	Before charges and costs deducted	After all charges and costs deducted
1	£2,031	£2,020	£2,022	£2,010	£2,022	£2,010	£2,022	£2,010	£2,022	£2,010
2	£2,809	£2,780	£2,810	£2,780	£2,810	£2,780	£2,810	£2,780	£2,810	£2,780
3	£3,592	£3,540	£3,594	£3,540	£3,594	£3,540	£3,594	£3,540	£3,594	£3,540
4	£4,381	£4,300	£4,374	£4,290	£4,374	£4,290	£4,375	£4,290	£4,374	£4,290
5	£5,167	£5,050	£5,170	£5,050	£5,170	£5,050	£5,161	£5,040	£5,170	£5,050
15	£13,233	£12,400	£13,255	£12,400	£13,255	£12,400	£13,263	£12,400	£13,254	£12,400
25	£22,020	£19,700	£22,080	£19,700	£22,080	£19,700	£22,100	£19,700	£22,080	£19,700
35	£32,210	£27,400	£32,130	£27,400	£32,130	£27,400	£32,170	£27,400	£32,120	£27,400

True Potential Portfolios										
At end of year	Defensive		Cautious		Balances		Growth		Aggressive	
	Before charges and costs deducted	After all charges and costs deducted	Before charges and costs deducted	After all charges and costs deducted	Before charges and costs deducted	After all charges and costs deducted	Before charges and costs deducted	After all charges and costs deducted	Before charges and costs deducted	After all charges and costs deducted
1	£2,028	£2,010	£2,030	£2,010	£2,030	£2,010	£2,029	£2,010	£2,029	£2,010
2	£2,806	£2,760	£2,810	£2,760	£2,810	£2,760	£2,809	£2,760	£2,807	£2,760
3	£3,592	£3,510	£3,590	£3,500	£3,591	£3,500	£3,588	£3,500	£3,595	£3,510
4	£4,378	£4,250	£4,379	£4,240	£4,381	£4,240	£4,377	£4,240	£4,382	£4,250
5	£5,163	£4,980	£5,169	£4,970	£5,162	£4,960	£5,165	£4,970	£5,168	£4,980
15	£13,180	£11,900	£13,190	£11,800	£13,200	£11,800	£13,260	£11,900	£13,210	£11,900
25	£22,030	£18,500	£22,100	£18,300	£22,050	£18,200	£22,040	£18,300	£22,010	£18,400
35	£32,200	£25,000	£32,130	£24,400	£32,110	£24,300	£32,200	£24,600	£32,160	£24,800

### Notes:

1. Projected pension pot values are shown in today's terms and have been adjusted for the effects of inflation.
2. The starting pot size is assumed to be £1,250.
3. Inflation is assumed to be 2.5% each year.
4. Inflation that is higher than the assumed rate of growth will reduce what you could buy in the future with the amounts shown.
5. Contributions (£62.50/month) are assumed from age 25 to 60 and increase in line with assumed earnings inflation of 2.5%.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rate for each fund is estimated in accordance with FCA guidance

In Appendix 3 on page 32, you will find details of the costs and charges of each of these investment options, and the Investment Pathway funds, along with the performance over the past five years.

## Costs and charges (continued).

The following details the challenges in this area that the Committee has raised with True Potential Investments during the period, or which have yet to be completed.

Challenge	Status
Provide roadmap for the review of scheme costs as the scheme grows	Closed
Provide rationale for the higher costs and charges of the Investment Pathway Funds	Ongoing

During the year we raised a challenge for True Potential Investments to provide a roadmap for when the assets under management would have grown sufficiently to allow them to reduce the costs to members of the scheme. True Potential Investments responded to say that they will review the costs once the auto enrolment proposition holds £750m of assets under management. As at the end of 2021, the assets in the auto enrolment proposition were £641m. The Committee was satisfied with this response and has closed the challenge pending the threshold being reached.

# Investment performance.

A principal obligation of the Committee is to review the principles underpinning True Potential Investments investment policies and practices, and to assess the performance of all funds in which scheme members have invested. The suitability of fund selections and the risk-adjusted return on their investments over time are key components in the value for money that members receive.

The following shows details of the reports and/or metrics that the Committee use to review this area. The traffic light status shows our overall assessment of the status over the reporting period:

Report/Metric	Frequency of review	Status
Performance (in absolute terms and risk adjusted) of each of the funds within the scheme, after fees, compared to cash returns and industry benchmarks	Quarterly	Green
Details of True Potentials ESG, ethical and stewardship policies (or True Potentials reasons for not having such policies)	Annual	Green
Details of True Potentials implementation of their ESG, ethical and stewardship policies	Annual	Green

The focus of attention of the Committee has been on evaluation of the performance of the fund that members are invested in by default; the True Potential Balanced 5 Fund. As-at 31st December 21 80% of all members assets were invested in True Potential Balanced 5 Fund. Assets under management in this fund at the end of the reporting period was £511m (2020 = £345.6m).

The gross return on investment in this fund for the year was 9.6% (2020 = 6.0%). After adjusting for inflation of 5.4% (CPI, 2020 = 0.6%) and the platform charge (0.4%), the net real return on the fund was 3.8% (2020 = 5.0%). Although the gross return has improved, the net return after charges and inflation has deteriorated. The Committee view is that this is reasonable, given the significant jump in inflation during the year and the performance was in line with, or exceeded, the performance of market comparators.

We have continued to work with True Potential Investments to develop the reporting available to us and, in particular, how the funds have performed on a risk-adjusted basis. We use the volatility of investment returns, as measured by the annualised standard deviation, to assess risk. The annualised standard deviation of returns in the default fund in 2021 was 5.6% (2020 = 11.9%). The Committee's view was that the performance of the default fund on a risk adjusted basis was also in line with or exceeded the risk adjusted performance of market comparators.

As well as reviewing the performance of the default fund, we also review the performance of the other funds that employers can choose to be the default for their employees and the performance of the funds available through Investment Pathways or by member selection. Details of the performance of those funds can be found in Appendix 3 on page 32.

## Investment performance (continued).

The following details the challenges in this area that the Committee has raised with True Potential Investments during the period, or which have yet to be completed.

Challenge	Status
Develop ESG policies, including categorisation of relevant risks	Closed
Develop strategy for the incorporation of ESG into the investment process and reporting on effectiveness to the Committee	Closed
Provide roadmap for launch of new default funds	Closed

During the year, True Potential Investments finalised their ESG policy and integrated that policy into their investment process. The Committee has reviewed that policy and monitored the implementation of the policy within the investment process and has concluded that both are reasonable and acceptable. A summary of the policy and the outcomes of our reviews can be found in the section entitled Environmental, Social and Governance (ESG) Policy on page 27.

Last year we considered whether True Potential Investments should be offering further default funds to members. We recognised that assets within the scheme could be too small to allow this to be achieved cost effectively at that stage, but we challenged True Potential Investments to come up with a roadmap as to when the launch of further default funds could be considered. True Potential Investments have determined that further default funds may be reviewed once the auto enrolment proposition holds £750m in assets under management. As at the end of 2021, the assets under management of the auto enrolment proposition were £641m.

# Quality of services – Product governance.

Where funds within the scheme are managed by True Potential Investments, they must operate an investment process whereby they review the way that the scheme is invested and make changes as required. Each fund that True Potential Investments manages has an investment objective and some restrictions on the type and proportion of assets in which it can invest, and the management of the fund is governed by the FCA Collective Investment Scheme rules.

The Committee checks that the Relevant Products are designed, managed and executed in the interests of Investors and that the process of investment is properly governed. True Potential Investments has formed a Product Governance Committee that reviews the design, characteristics and implementation of all its products and the Committee reviews all of the reports and provides challenges where appropriate.

The Committee also reviews any breaches of the FCA Collective Investment Scheme rules to see if Members have been affected.

The following shows details of the reports and/or metrics that the Committee use to review this area. The traffic light status shows our overall assessment of the status over the reporting period:

Report/metric	Frequency of review	Status
True Potential Investments Product Governance Reports on design and characteristics of Relevant Products and the operation and governance of investment processes, including confirmation that default strategies and investment pathways are designed and executed in the interests of Investors and confirmation that default strategies investment pathways have clear statements of aims and objectives.	Annual	Green
Details of any breaches of FCA Collective Investment Scheme rules in relation to the scheme	Annual	Green

During the year, the Committee reviewed reports from the Product Governance Committee on all of the default funds and the Investment Pathways. The Committee has been impressed with the quality and comprehensive nature of these reports and has been able to close the challenges outstanding at the start of 2021 as a result of their review of those reports.

A challenge that we raised during the year was for True Potential Investments to confirm that the funds which are selected by employers as defaults for their employees are in fact default funds and how suitability was assured. True Potential Investments have confirmed that, in their opinion and based on DWP guidance, these funds are default funds and suitability responsibilities rest with employers.

We then reviewed the process by which employers select a default fund for their employees and felt that more could be done to ensure that employers have sufficient information and are given sufficient warning when selecting a default fund; we have raised a challenge to True Potential Investments to review this area.

# Quality of services – Product governance (continued).

The following details the challenges in this area that the Committee has raised with True Potential Investments during the period, or which have yet to be completed.

Challenge	Status
Provide details on investment strategy suitability assessments	Closed
Provide rationale behind the selection of investment pathway funds	Closed
Confirm whether L&G funds are default funds and confirm how suitability is determined for those funds	Closed
Review the employer onboarding process and ensure that sufficient information and, if necessary, warnings are given to employers to ensure that they do not select an inappropriate default fund	Ongoing

# Quality of services - Administration.

In order that the pension contributions of its members can be invested and ultimately provide a retirement income, True Potential Investments must provide a range of effective administrative services. This is a critical part of our criteria in assessing value for money; low costs do not necessarily mean good overall service. Delivering a high quality of service at a reasonably low cost is the challenge True Potential Investments must meet and the duty of the Committee to appraise.

Each quarter we review a number of reports covering various aspects of True Potential Investments administration. Using the dashboard developed for us by True Potential Investments, we are able to see, by individual administration team, the number of times that internal performance targets were not met and the number of incidents. We are able to drill down into any area to understand the nature of issues and the steps taken to resolve if required.

The following shows details of the reports and/or metrics that the Committee use to review this area. The traffic light status shows our overall assessment of the status over the reporting period:

Report/metric	Frequency of review	Status
Initial response rate to calls, emails or secure messages	Quarterly	Green
Timeliness and accuracy of investment of member contributions	Quarterly	Green
Timeliness and accuracy of fund transactions	Quarterly	Green
Timeliness and accuracy of changes to member requirements or personal data	Quarterly	Green
The timeliness and accuracy of investment withdrawals and pension payments	Quarterly	Green
Range of choices available at retirement	Quarterly	Green
Experience and expertise of administration staff	Annual	Green
Any breaches in the regulations of the FCA, HMRC, DWP or TPR in relation to the administration of the scheme.	Annual	Green

During the year we received a presentation covering the current structure of the department, the latest working practices in light of the evolution of COVID and the training plans in place for staff; the Committee was pleased with the developments.

There were no challenges outstanding or raised in this area during the period.

# Quality of services – Asset and data security.

To provide the pension services of the scheme to members, True Potential Investments must securely hold the data, assets and money belonging to the scheme members and ensure that client data is only used for the purposes agreed with clients and that it is not accessed by unauthorised persons.

The following shows details of the reports and/or metrics that the Committee use to review this area. The traffic light status shows our overall assessment of the status over the reporting period:

Report/metric	Frequency of review	Status
Report on client asset security arrangements	Quarterly	Green
Report on data security arrangements	Quarterly	Green
Details of any Data Security breaches in relation to the scheme	Annual	Green
Details of any FCA breaches in relation to the scheme	Annual	Green

The Committee review on a quarterly basis every potential breach of client asset or data security rules, regardless of whether it directly impacts auto enrolment members. In each case, we review to see if we believe that further action should be taken to ensure the security of auto enrolment members assets and data. The Committee is happy that none of the breaches identified were cause for concern.

During the year we received a presentation from the head of the True Potential Investment’s CASS oversight team, on the systems and controls in place to ensure the security of client assets and an analysis of all the breaches identified during the year. The Committee was pleased with the work that had been completed to improve breach and incident identification and reporting and the work to embed a compliance culture and awareness throughout the organisation.

During the year we also had a presentation from True Potential Investment’s head of data security on changes within IT security over the past year. The Committees view was that True Potential have introduced some good developments extending on their already good foundations. The Committee feels that this is an area that requires constant attention to ensure the security of members data and is pleased with the progress that has been made.

Last year we challenged True Potential Investments to commission an annual third-party review of the controls that they operate, in order that further comfort can be given to the Committee that True Potential’s processes are well designed and have operated as required. True Potential Investments have considered this challenge and determined that, at this point, they are not looking to commission such a report. Their view is that current CASS external and internal audits along with formal compliance monitoring meets True Potential Investment’s current requirements and the costs of an additional review would not be commensurate with the scheme’s current size. True Potential Investments have undertaken to revisit this decision once the AUM of the auto enrolment scheme reaches £1bn. The Committee has considered this response and feels that it is reasonable. It has agreed to close the challenge (as shown below) and revisit it when the threshold has been reached.

Challenge	Status
Commission independent report on controls in respect of the Scheme and Investment Pathways	Closed

# Quality of services – Online facilities.

The Committee believes that it is essential that scheme members are easily able to access information about their pension and to make changes to it at a time of their choosing: this is a key service deliverable. The Committee periodically reviews the range of facilities made available to members and monitors how the service offering compares to that offered by other product providers.

The following shows details of the reports and/or metrics that the Committee use to review this area. The traffic light status shows our overall assessment of the status over the reporting period:

Report/metric	Frequency of review	Status
Range of online facilities made available to members	Annual	Green
Quality of design and ease of use of online facilities	Annual	Green
Details of system availability	Quarterly	Green
Trend of number of unique member logins	Quarterly	Green

During the year, True Potential Investments has undertaken a complete re-development on the online service, partly in response to feedback received from the member survey and requests to improve engagement from the Committee. The Committee has seen a demonstration of the latest version and was impressed by the clean design of the facilities, which appeared to provide a lot of useful functionality while continuing to be intuitive and simple to use.

The Committee monitors the number of times that members access the system on a quarterly basis, both in terms of the absolute number of logins but also the number of unique member logins. The Committee was pleased that the number of logins has been consistently higher since the launch of the new version of the online system.

There are no challenges raised, outstanding or closed in this area during the period.

# Quality of services – Communication.

The Committee takes a keen interest in the nature and form of communications that True Potential Investments sends to scheme members and makes available to the wider public. The quality, range and appeal of its communications are important components in its endeavour to serve the needs of its members and to generally promote the value of saving into a pension scheme to enable savers to fulfil their financial and lifestyle goals in retirement.

The following shows details of the reports and/or metrics that the Committee uses to review this area. The traffic light status shows our overall assessment of the status over the reporting period:

Report/metric	Frequency of review	Status
Details of all communications to members by True Potential	Quarterly	Green
Assessment of effectiveness of engagement campaigns	Quarterly	Green
Clarity and content of annual benefit statements	Annual	Green
Number of members without current contact details and steps taken to trace them	Annual	Amber
Trend of contributions including transfers in and impulse saves	Quarterly	Green

## Communications strategy

The Committee monitors all communications sent to auto enrolment members and reviews other communications that are made available. These include:

- **True Insight** – A quarterly magazine which includes expert investment advice and an overview of portfolio allocations and performance. On average this is sent to 1,900 auto enrolment members each quarter.
- **Morning Markets Videos** – 260 videos with 50,621 views on YouTube in 2021. The content includes daily investment updates and analysis of major world events.
- **The Do More With Your Money Podcast** – 14 podcasts with 7,443 views on YouTube in 2021. The content includes hour long episodes providing money advice and information, conversational discussions and opportunities for clients to engage in Q&A sessions.

The Committee is working on podcasts that introduce the work of the Committee and give some tips to members on what they can do to maximise their Value for Money. Those podcasts will be available on the website and when all new members login sometime during 2022.

## True Potential Rewards Scheme

In 2020, True Potential Investments launched an innovative and creative rewards and savings scheme to its auto-enrolment clients. Partnering with hundreds of top brands, such as eBay, Just Eat, Tui, Sky, Asos, BT and Sainsburys, it offers clients the opportunity to earn money back rewards on their everyday online purchases, which can then be added to their investments. The scheme appears to be popular with members – there have been over 3,700 transactions with a purchase value of £180k earning over £9k in cashback for members.

## Quality of services – Communication (continued).

During the year True Potential Investments worked to redevelop its annual benefits statements. The Committee reviewed the design of the statements and the assumptions underlying the calculations shown. The Committee understands that the FCA's rules covering the content of annual benefit statements are very prescriptive and leave little scope to make the statements as accessible to members as possible. The Committee were happy with True Potential Investments development of the annual statements, which should be released in 2022.

The issue of clients where the firm does not hold current, up to date contact information is one of concern to all providers of pension schemes in the UK and in particular auto enrolment schemes. When individuals change employers, they often leave their pension benefits in their previous employer's scheme and do not always inform their pension provider of their new details if they then change their address. This issue is likely to worsen over time unless steps are taken to address it.

This is recognised as an industry-wide issue, and the FCA is launching "Pension Dashboards" which should allow members to trace all of their pension pots. However, there are concerns that Pension Dashboards rely on each pension provider having up to date information to allow the member to be identified.

As well as feeding into the new Pension Dashboard system, and potentially providing their own Pension Dashboard, True Potential Investments has made good progress in addressing the issue as well as developing a strategy for auto enrolment specific member engagement. Their proposal is to write annually to each member, with the content addressing auto enrolment specific matters, in particular the need to keep personal information up to date. For any members where the email is not delivered, they will follow up with letters, phone calls and engagement with employers in an effort to ensure that they have up to date email and physical addresses for all members. True Potential Investments is also developing their portal to allow targeted communication when members log in and are redeveloping most of the documents sent to auto enrolment members.

The Committee is pleased with the strategies that True Potential Investments have developed and with the fact that True Potential Investments are happy for the Committee to provide input into the annual communication. However, the process has not yet been implemented so we have shown the metric as Amber above and the corresponding challenges as ongoing, as shown below:

Challenge	Status
Develop strategy for determining clients no longer contactable and taking steps to trace them	Ongoing
Articulate the strategy for engagement with auto enrolment members for the next 12 months	Ongoing

# Quality of services – Member feedback.

The Committee will continue to make an independent assessment of the quality of service delivered to members and consider the extent to which it may be regarded as good value for money. However, a comprehensive assessment cannot be completed without feedback from members. The more we can understand your motivations to engage with the auto enrolment scheme and any barriers to engagement, the more we can do to serve your interests and evaluate outcomes of any activity we initiate. That is why it is important that we seek, and you provide, feedback on the services that True Potential Investments provides.

The Committee reviews details of any complaints raised by members to True Potential Investments, to determine if these could be representative of an issue which is affecting the value for money that members receive. In the event that you would like to make a complaint, or provide any other feedback, directly to the Committee, you can do so by sending an email to us through the Committees mailbox: [IGC@tpllp.com](mailto:IGC@tpllp.com)

When a member transfers out, we look at any reasons given to see if this is an indication of a lack of value for money and we review the trend of the number of members that opt out of the scheme or transfer elsewhere, to see if this is an indication of dissatisfaction with the service.

The following shows details of the reports and/or metrics that the Committee uses to review this area. The traffic light status shows our overall assessment of the status over the reporting period:

Report/metric	Frequency of review	Status
Results of member surveys	Ad-hoc	Green
Details of member complaints	Quarterly	Green
Review of direct feedback to the Committee from members	Quarterly	Green
Feedback from clients transferring out	Quarterly	Green
Trend of opt-outs and transfers out	Quarterly	Green

In 2020, we undertook a survey of members and we challenged True Potential Investments to review all of the feedback, including individual responses and comments, to determine what actions they needed to take to improve member satisfaction. True Potential Investments have redeveloped the majority of reports that are provided to members and have undertaken a redevelopment of the online service and have taken members comments into account when doing so.

The Committee was happy with True Potential Investments response to the challenge and has closed it (as shown below). The Committee found that the survey of members was very useful, and we decided to repeat the process in 2021 and in all subsequent years if feasible. Details of the results of the survey and the steps that are being taken to respond to your feedback can be found in the Member Survey section on page 22. We have requested that True Potential Investments continue to review the individual responses provided and take action where required.

Challenge	Status
Review 2020 member survey results and determine the steps to be taken to enhance service quality	Closed

# Value for Money comparisons.

In October 2021, the FCA issued new rules covering Investment Government Committees assessment of Value for Money. These introduced a new requirement for the Committee to compare the Value for Money of a small number of reasonably comparable third-party schemes and investment pathway funds (including those which could potentially offer better Value for Money).

To do so, we must use reasonable endeavours to obtain and compare the relevant data that we need to carry out useful Value for Money assessments in a manner which is proportionate to the likely member benefits that will result from us assessing the data.

We then need to assess the Value for Money of the True Potential Investments scheme by reference to the Scheme Comparators (to the extent that there is publicly, or readily, available information about the Scheme Comparators) and consider whether any of the Scheme Comparators offer better Value for Money.

If we find that a Scheme Comparator offers better Value for Money we must inform True Potential Investments and, if we are not happy with their response, consider informing Employers of our finding (if we believe that to do so would give material utility to Employers or Members).

The Committee developed a policy for the implementation of the new requirements. It decided that a reasonable number of third-party schemes was five, and that these should be the schemes which are listed by The Pensions Regulation as being closest in size to the True Potential Investments scheme, when considered the following:

- Scheme total size
- Number of employers
- Average member pot

The Committee determined that the Investment Pathways should be compared to the Investment Pathways offered by the scheme closest in size to True Potential Investments.

Having assessed the information publicly available, we determined that we would need to request a set of data from each of the schemes covering risk-adjusted Investment Performance, Costs and Quality of Service. We tried to strike a reasonable balance in respect of the detail requested so that we would have sufficient information to make a reasonable assessment while not making it so onerous that schemes would be unwilling to provide the data.

Of the five schemes that we wrote about, two provided full responses. One replied to say that they deemed the information commercially sensitive, and the two others did not reply. For the non-responders, we were able to find cost information for all three of them on their websites and risk adjusted performance for one of them via a market data provider.

In respect of Investment Pathways, the scheme that we chose to compare against did not respond. The second closest scheme, which did respond, does not provide Investment Pathways. The scheme, like many others, is a Master Trust and is not regulated by the FCA; as such, they are not required to provide Investment Pathways. The scheme does offer "lifestyling" funds with similar investment objectives to the Retirement Objectives of Investment Pathways. Having considered the FCA's requirement that we carry out useful Value for Money assessments in a manner which is proportionate to the likely member benefits that will result from us assessing the data, and the fact that during 2021 there have only been four investments in True Potential Investment Pathways, we decided to compare the scheme's lifestyling funds to True Potential Investments Investment Pathway funds rather than continuing to make data requests to other providers.

## Value for Money comparisons (continued).

We determined that we should review risk adjusted performance over 1, 3 and 5 years. The current default fund provided by True Potential Investments was launched 3 years ago, but we determined that it was reasonable to combine the performance of the current default fund and the previous default fund to obtain 5-year numbers for the default fund of the scheme. The funds selected as comparison for the Investment Pathways Funds do not have a 5-year record, so in that comparison we have reviewed only 1 and 3-year returns.

In order to compare the costs of different schemes, we looked at the total monetary costs to employees and employers for a pot which is the same size as the average with the True Potential Investments scheme (£3k).

The Committee reviewed all of the data received and colour coded them as follows:

No response received	Grey
True Potential Investments is better than the comparator	Green
True Potential Investments is same as the comparator	Orange
True Potential Investments is worse than the comparator	Red

To assess a comparator as offering better Value for Money than True Potential Investments, we would be looking for an assessment that was mostly green. The results of our Scheme Comparator assessments were as follows:

A. Investment Performance	Scheme 1	Scheme 2	Scheme 3	Scheme 4	Scheme 5
Risk adjusted return 1 year	Red	Red	Red	Grey	Grey
Risk adjusted return 3 year	Orange	Green	Red	Grey	Grey
Risk adjusted return 5 year	Red	Orange	Red	Grey	Grey

B. Charges	Scheme 1	Scheme 2	Scheme 3	Scheme 4	Scheme 5
Annual Employee Cost	Red	Green	Green	Green	Green
Annual Employer Cost	Green	Green	Orange	Green	Green

## Value for Money comparisons (continued).

C. Quality of service	Scheme 1	Scheme 2	Scheme 3	Scheme 4	Scheme 5
Number of fund options available					
Tax relief at source?					
Flexi Access Drawdown available?					
Salary sacrifice available?					
Other investment options available?					
Minimum investment other options					
Telephone service hours					
Online portal capabilities					
Rewards program					
Frequency of engagement					
Trustpilot rating					
Member Net Promoter Score					
Number of reportable events					
Value of detriment					
Regulator enforcement					

Although we found that some schemes were better than True Potential in a few respects and could potentially provide better value for money for those members for whom only those aspects were important, **there was no scheme that appeared to provide better value for money overall.**

# Value for Money comparisons (continued).

The results of our Investment Pathways comparisons (using the Lifestyling funds of scheme 2) are as follows:

A. Investment Performance	Retirement outcome 1	Retirement outcome 2	Retirement outcome 3	Retirement outcome 4	Retirement outcome 5
Risk adjusted return 1 year	Red	Green	Green	Red	Green
Risk adjusted return 3 year	Green	Green	Green	Red	Green

B. Charges	Retirement outcome 1	Retirement outcome 2	Retirement outcome 3	Retirement outcome 4	Retirement outcome 5
Annual Employee Cost	Red	Red	Red	Red	Red
Annual Employer Cost	Green	Green	Green	Green	Green

C. Quality of service	Retirement outcome 1	Retirement outcome 2	Retirement outcome 3	Retirement outcome 4	Retirement outcome 5
No. of fund options available	Red	Red	Red	Red	Red
Tax relief at source?	Green	Green	Green	Green	Green
Flexi Access Drawdown available?	Green	Green	Green	Green	Green
Salary sacrifice available?	Orange	Orange	Orange	Orange	Orange
Other investment options available?	Green	Green	Green	Green	Green
Minimum investment other options	Grey	Grey	Grey	Grey	Grey
Telephone service hours	Green	Green	Green	Green	Green
Online portal capabilities	Green	Green	Green	Green	Green
Rewards program	Green	Green	Green	Green	Green
Frequency of engagement	Green	Green	Green	Green	Green
Trustpilot rating	Green	Green	Green	Green	Green
Member Net Promoter Score	Grey	Grey	Grey	Grey	Grey
No. of reportable events	Orange	Orange	Orange	Orange	Orange
Value of detriment	Orange	Orange	Orange	Orange	Orange
Regulator enforcement	Orange	Orange	Orange	Orange	Orange

Again, although we found that some funds were better than True Potential Investments in a few respects and could potentially provide better value for money for those members for whom only those aspects were important, **the alternative funds did not appear to provide better value for money overall.**

# Member survey.

The Committee found that the survey of members that we undertook in 2020 was very useful and we decided to repeat the process in 2021 and in all subsequent years if feasible.

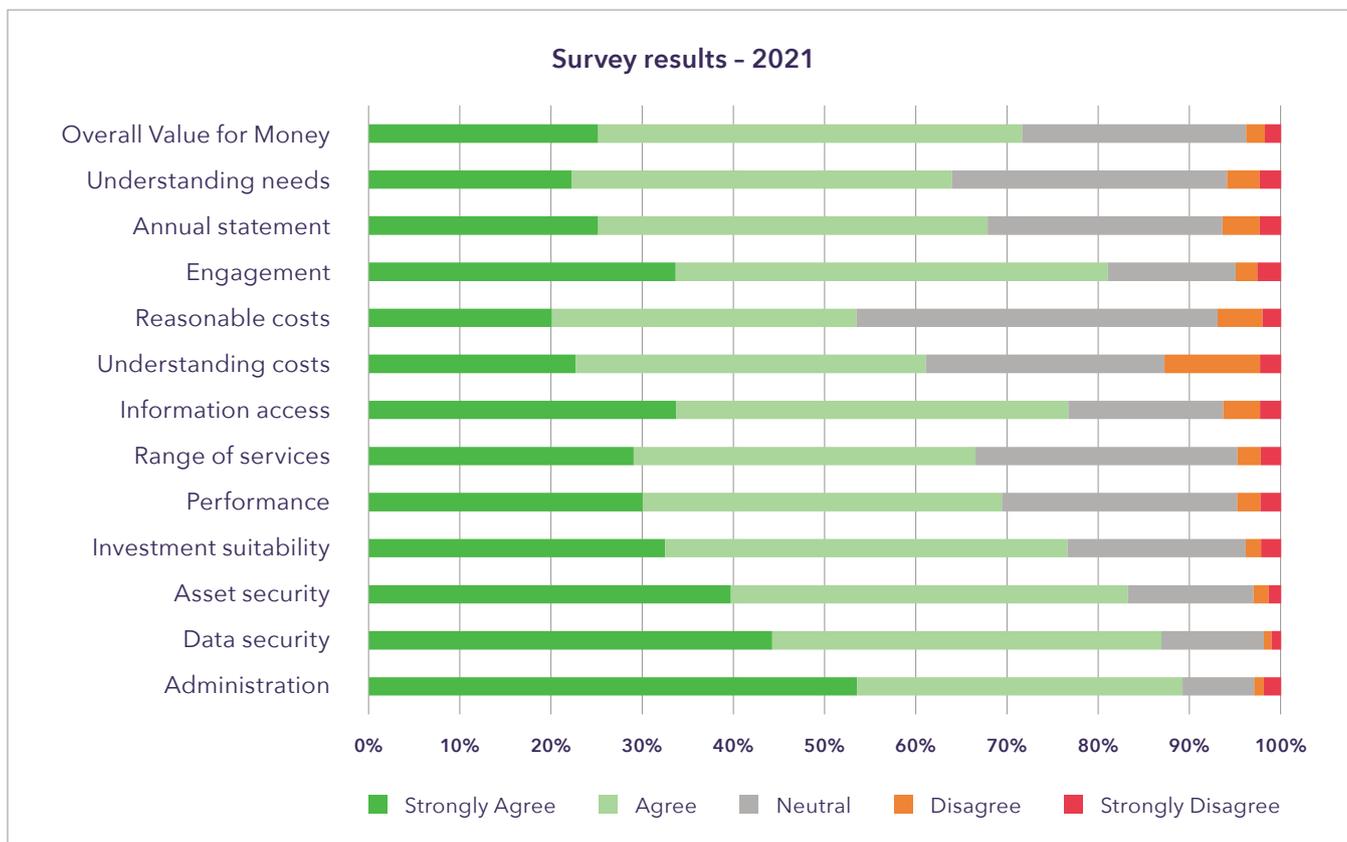
The survey was emailed to all clients and a total of 334 complete responses were received, which is significantly lower than last year (834). The Committee were disappointed with the fall in the response rate and have asked True Potential Investments to review and develop recommendations for improving that rate.

The most important metric that the Committee reviews is the Net Promoter Score - this is calculated from the responses to the question "How likely is it that you would recommend True Potential to a friend or colleague on a scale of 0 to 10". The score is calculated by deducting the number of people who answered 0 to 6 from the number that answered 9 or 10. This year the Net Promoter Score has increased to 15% (vs 8% last year) and the Committee is pleased by this outcome.

The second most important metric is the response to the question "Taking everything into consideration, I am very happy with the value for money I receive on my pension account". The number of people who agree or strongly agree with this statement was 72%, which is up slightly on last year (68%). This result is encouraging to the Committee as it confirms that the view of members on the main area that the Committee is required to assess is aligned to the views of the Committee.

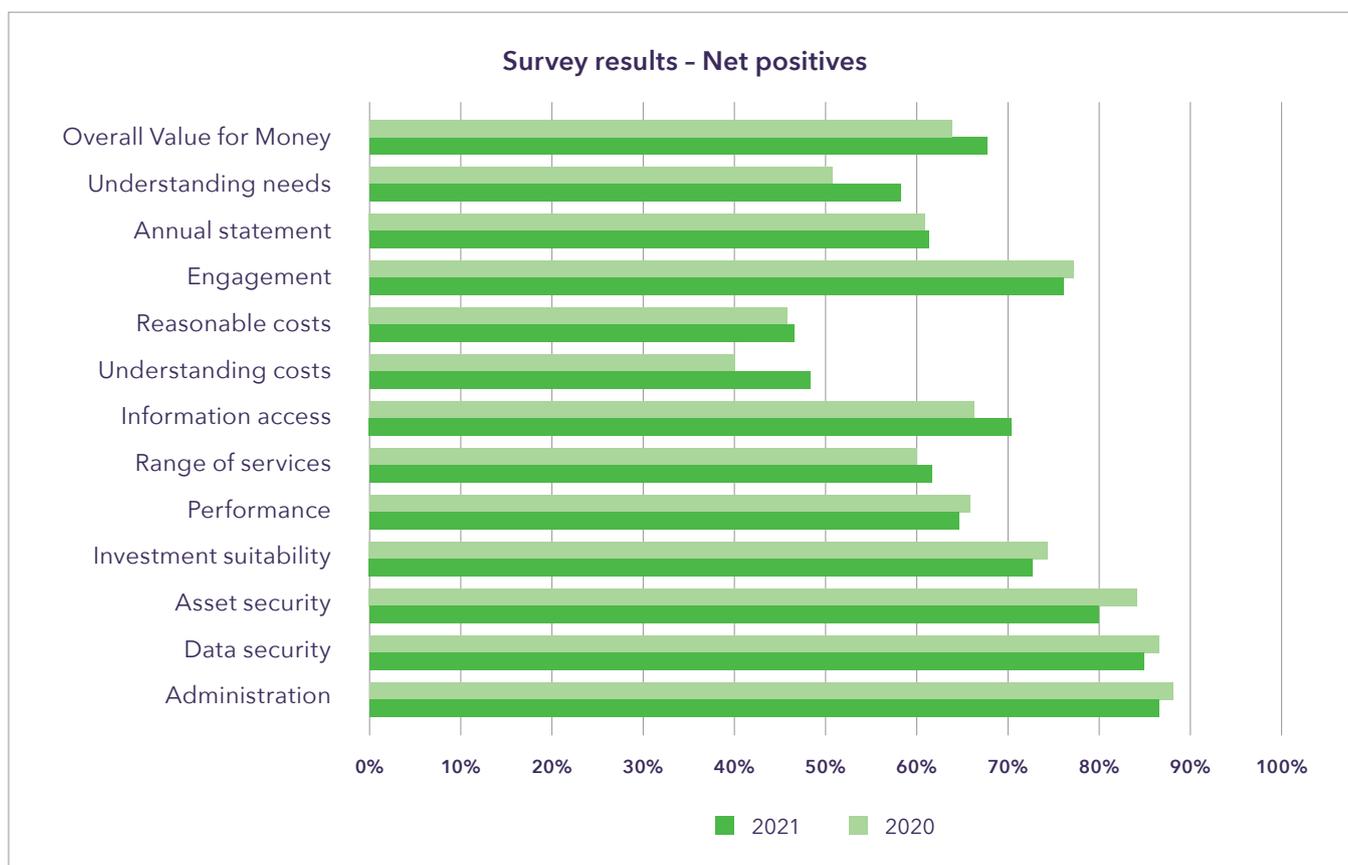
We added two additional questions this year to try to gauge member's views on ESG and ethical matters. Disappointingly, there was a system issue with these questions and the Committee determined that it was not possible to draw any conclusions from the responses. Rather than re-issue the survey, the Committee has decided to repeat the process in the 2022 survey.

The following chart shows the response in respect of each of the questions.



# Member survey (continued).

The following chart shows how the responses have changed compared to 2020:



The three areas in which most positive feedback (% of agree and strongly agree') was received were:

- **Administration (89%)** - "My workplace Pension is handled in a smooth, efficient and professional manner"
- **Data security (87%)** - "I am confident that True Potential take all reasonable steps to protect the security of my personal data"
- **Asset security (83%)** - "I have no reason to doubt that my investments are managed effectively and securely"

These three areas were the same ones that we received the most positive feedback last year, with the percentages in line with the previous year.

The three areas in which most negative feedback (% of clients who disagreed or strongly disagreed') was received were:

- **Understanding costs (13%)** - "I understand the costs and charges I pay for my workplace Pension"
- **Reasonable costs (7%)** - "I believe that the costs and charges I pay are reasonable in relation to the services provided."
- **Annual statement (6%)** - "I find it easy to understand the information True Potential provides on my annual benefit statement."

## Member survey (continued).

The understanding costs question once again received the most negative feedback, although the percentage decreased significantly from last year (20%). We hope that this reflects the extra information that was provided in last year's annual report and that this figure will reduce further as we have improved the reporting on costs in this year's report. In the Costs and Charges section on page 5 you will find more information on the costs and charges of the default fund and an illustration of their effect on your investments. There are also details of the charges of other funds available to you in Appendix 3; we hope that this will help you to better understand your costs.

Information Access was in the bottom three last year and has improved slightly, but we hope that further progress will be made as a result of the work that True Potential Investments has undertaken to redesign the online portal.

We have been working with True Potential Investments to improve the clarity of the Annual Statement, although we recognise that most of the content is prescribed by the FCA's regulations. A new version of the statement will be released in 2022.

Once again, we have asked True Potential Investments to review all of the individual responses to determine if any other improvements should be made to their service and to provide a roadmap for the implementation of those changes.

The Committee recognises the fallibility of conclusions drawn from analysis of these results, especially given the lower response rate this year. Overall, the feedback from this survey is considered satisfactory and does not indicate any serious misgivings about the quality of service delivered by True Potential Investments and the value for money received.

# Investment Pathways.

Investment Pathways are a new default investment options that must be offered to all FCA regulated pension scheme members who start to draw down on their pension and who are not advised. Investment Pathways are made available to all auto enrolment members as well as any other True Potential Investments client that goes into drawdown on their pension and does not have their own adviser.

The Investment Pathways service takes a member entering drawdown through a series of guided questions to determine what they want to do with their remaining investments. The outline of the process and the text of the questions must follow rules laid out by the FCA. Initially, members have three options to choose from:

1. Remain invested in their existing investments
2. Self-select their own investments
3. Follow Investment Pathways

Those members that chose Investment Pathways then choose which Retirement Objective best aligns to their needs:

1. I have no plans to touch my money in the next five years
2. I plan to use my money to set up a guaranteed income within the next five years
3. I plan to start taking my money as a long-term income within the next five years
4. I plan to take out all my money within the next five years

The provider of the Investment Pathways solution then invests their pension into one of 4 Investment Pathway Funds, depending on the Retirement Objective chosen.

In 2019, the FCA extended the remit of all Committees to review the Value for Money provided by Investment Pathways as well as auto enrolment schemes. True Potential Investments launched their Investment Pathways solution in 2021 and we have reviewed the initial design documents, received a presentation on the design and operation of the online Investment Pathways solution, reviewed the True Potential Investments Product Governance Committee analysis of the True Potential Investments Investment Pathways solution and monitored take-up of the Investment Pathways solution on a quarterly basis.

In 2021, True Potential Investments received 3,288 client direct drawdown requests. Of these a total of 200 were not advised and therefore eligible for the Investment Pathways process. Of these 4 elected to follow the Investment Pathways route. The following table shows, for each of the Retirement Objectives, which fund True Potential Investments has selected to map to that objective, the annual charge of the fund (in addition to the platform charge).

Retirement objective	Investment Pathways Fund	Annual charge
1	True Potential Growth-Aligned Balanced	1.01%
2	True Potential Growth-Aligned Cautious	1.01%
3	True Potential Growth-Aligned Balanced	1.01%
4	True Potential Growth-Aligned Defensive	1.03%

## Investment Pathways (continued).

The take-up of Investment Pathways by members has been surprisingly low, but this is not particular to True Potential Investments solution; the take-up of Investment Pathways across the industry has been much lower than expected. In 2022 we will be exploring the reasons why take-up has been so low and seeking further assurance on the design of these arrangements.

Overall, the Committee were satisfied with the design and operation of True Potential Investments Investment Pathways solution and found that they provided Value for Money. However, the Committee has challenged True Potential Investments to justify why the costs of the Investment Pathways Funds are higher than the costs of the default funds within the auto enrolment scheme and have rated the costs and charges of the solution as Amber pending their response (see page 5).

# Environmental, Social and Governance (ESG) policy.

The FCA require the Committee to assess and report on the quality and adequacy of True Potential Investments policies (or lack thereof) which affect their workplace pension and pathways solutions in respect of the following matters:

- Financially material environmental social and governance (ESG) issues
- Non-financial matters (any concerns that the members may have about the impact of their investments that might not be financially material, for example ethical concerns)
- Stewardship (the exercise of rights or engagement activities in relation to the investments attributable to relevant policyholders or pathway investors)
- Other financial matters (anything else that is financially material and would pose a particular and significant risk of financial harm to members)

The FCA have determined that, when assessing policies, the Committee need to consider whether:

- The policy sufficiently characterises the relevant risks or opportunities;
- The policy seeks to appropriately mitigate those risks and take advantage of those opportunities;
- The firm's processes have been designed to properly take into account those risks or opportunities;
- The policy is appropriate in the context of the expected duration of the investment; and
- The policy is appropriate in the context of the main characteristics of the actual or expected relevant policyholders or pathway investors.

The Committee reviewed the final version of True Potential Investments Sustainability Policy (which covers ESG investing). In summary, True Potential Investments policy is to use an assessment framework to rate the level of ESG compliance of each of the fund managers and their individual funds. When making an investment decision, the ESG ranking will be considered only if funds meet all of True Potential Investments investment selection criteria and are otherwise equal to other available funds. True Potential Investments will only seek to mitigate ESG risks and take ESG opportunities if it is confident that by doing so it will improve investment returns to members.

The Committee noted that True Potential Investments generally use index tracking investments to reduce the costs to members and the FCA have acknowledged that the scope to deploy ESG investment strategies is much more limited than when directly investing in companies. The FCA has indicated that in such cases, the fund manager may still choose to engage in stewardship activities e.g., through exercise of voting rights or engaging directly with companies that make up the index. The Committee noted that the True Potential Investments policy was strong in respect of the use of stewardship and voting rights through its fund managers.

The Committee noted that True Potential Investments only intended to take into account non-financial concerns (e.g., ethical) matters if to do so would not have a significant detrimental financial impact and those concerns were shared generally by the members. The Committee is working to assess the extent to which ethical concerns are shared generally by members through the use of the annual member survey.

The Committee's conclusion was that the challenges that it has raised in respect of the draft policies reviewed had been satisfactorily addressed and, having considered all of the aspects required by the FCA and considering the guidance issued by the FCA, True Potential Investments Sustainability Policy was reasonable and adequate.

The Committee has reviewed True Potential Investments implementation of its sustainability policy. It has reviewed the ESG assessment framework and has reviewed detailed reporting on the implementation of policy in respect of an investment decision. The Committee's conclusion is that, in 2021, True Potential Investments decisions appeared to have been implemented in line with its Sustainability Policy.

# Future work.

Over the coming year the Committee expects to undertake the following work, in addition to the routine assessments of Value for Money and monitoring True Potential Investments responses to the challenges we have raised:

- Continue to monitor True Potential Investments implementation of their Sustainability Policy covering ESG matters
- Conduct more reviews on Investment Pathways as volumes grow
- Investigate the reasons for low take-up of Investment Pathways
- Work with True Potential Investments to improve response rates to Member Surveys
- Record and release podcasts to explain the work of the Committee with advice for members
- Review impact of True Potential Investments changes to the portal on member's views expressed in the member survey
- Review True Potential Investments implementation of Pension Dashboard
- Review other providers approach to Value for Money comparators and adapt our approach if required
- Review and implement any further changes to FCA's regulations and guidance

# Appendix 1 – Background to the Committee.

The role of the Independent Governance Committee is to oversee the operation of the workplace pension scheme and the investment pathway solutions for all pension schemes operated by True Potential and, acting as an independent advocate of the members, ensure that the workplace pension policyholders and the pathway investors (the “members”) are receiving value for money, challenging True Potential Investments appropriately where required. The Committee must also assess and report on the policies that True Potential Investments in respect of environmental, social and governance (ESG) issues, members’ ethical concerns and their stewardship.

The Committee consists of 5 members and meets at least quarterly to review operation of the scheme and the investment pathways. Having considered the FCA’s guidance on the assessment of independence, three of the members of the Committee are considered to be Independent of True Potential; John Reynolds, Richard Curry (Chair) and Trevor Williamson.



## John Reynolds (Independent Member)

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John Reynolds has over 25 years’ experience as a pension practitioner, providing expert pension advice, consultancy, and training into specialist advisory businesses across the UK.

He currently holds fellowship with the PFS, is a Chartered Financial Planner and is a Chartered Fellow of the institute of Securities and Investments. In 2017 he completed his MSc in Financial Planning and Business Management at Manchester Metropolitan University (MMU).



## Richard Curry (Independent Chairman)

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Richard has over 30 years of experience in the investment management industry in a variety of senior management roles at large UK financial firms. Initially Richard worked as a computer programmer in the nuclear power industry before transferring those skills to the financial sector.

During his career he has held the positions of Head of Development, Head of IT, Director of Operations and finally Chief Operating Officer; a role that he performed for 15 years before entering semi-retirement in 2018. As part of his last role Richard was responsible for the implementation, operation and governance of a pension scheme with over £300m of client assets. Richard now works part-time as a consultant and independent governance committee member.

# Appendix 1 – Background to the Committee (continued).



## Trevor Williamson (Independent Member)

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Trevor comes with a strong academic background, whose global experience in the design and delivery of business case workshops and working with thought leaders and diverse stakeholders in a variety of strategic, business and financial management situations has developed a keen eye for asking the right questions to help facilitate key decision-making.

He is an experienced academic versed in the use and application of critical thinking skills, with a natural inclination to challenge assumptions and behaviours underpinning organisational strategy and financial performance.



## Brian Shearing (True Potential Investments Nominated Member)

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Brian Shearing has devoted his entire career to financial services. For almost 30 years Brian has worked as a management consultant providing his expertise to pensions, investment and platforms.

In addition to a degree in mathematics and statistics he holds fellowships with the Chartered Insurance Institute (he is a chartered insurance practitioner), the Pensions Management Institute and the Institute of Directors. Brian is a member of the Pensions Policy Institute and the Association of Professional Compliance Consultants.



## Sean Montgomery (True Potential Investments Nominated Member)

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Sean has worked at True Potential since 2011 and became Operations Manager in 2017. In 2020 Sean moved to the Wealth Platform Compliance Team and took on the role of Head of Compliance and Risk. Sean has been a key influence on various projects and brings with him a wealth of knowledge of the internal workings of the True Potential Investments organisation.

## Appendix 2 - Glossary.

Term	Meaning
CASS	FCA Client Assets Rulebook
COBS	FCA Conduct of Business Rulebook
ESG	Environmental, Social and Governance
DWP	Department for Work & Pensions
FCA	Financial Conduct Authority
HMRC	HM Revenue & Customs
TPR	The Pensions Regulator

## Appendix 3 – Costs and performance – all funds.

The following table shows the annual charges, the annual transaction costs and the performance each year of all of the investment options available to members, including the Investment Pathway Funds available to those members in drawdown who elect to follow the Investment Pathway process. These figures exclude the platform charge of 0.4%.

Fund/Portfolio name	Ongoing charges figure	Transaction costs	Performance				
			2021	2020	2019	2018	2017
SVS True Potential Balanced 5 A Gbp Acc	0.30%	0.000%	9.6%	6.0%	14.1%	N/A	N/A
Legal & General Mult-Idx 3 'I' (Gbp) Acc	0.33%	0.009%	3.2%	6.1%	9.8%	-1.9%	4.4%
Legal & General Mult-Idx 4 'I' (Gbp) Acc	0.32%	0.020%	6.2%	6.2%	12.8%	-3.6%	6.6%
Legal & General Mult-Idx 6 'I' (Gbp) Acc	0.32%	0.050%	12.4%	6.4%	17.0%	-4.8%	10.8%
Legal & General Mult-Idx 7 'I' (Gbp) Acc	0.32%	0.061%	14.5%	7.7%	19.2%	-6.1%	12.6%
True Potential Defensive Portfolio	0.71%	0.000%	2.8%	3.0%	6.2%	-2.4%	4.0%
True Potential Cautious Portfolio	0.80%	0.003%	6.3%	3.7%	9.9%	-3.9%	5.3%
True Potential Balanced Portfolio	0.80%	0.008%	9.8%	3.5%	13.7%	-5.9%	8.3%
True Potential Growth Portfolio	0.78%	0.008%	13.1%	4.1%	16.6%	-6.4%	10.9%
True Potential Agressive Portfolio	0.72%	0.000%	15.6%	3.8%	17.6%	-7.5%	13.5%
True Potential Growth-Aligned Balanced (Objective 1 & 3)	0.59%	0.000%	7.6%	6.5%	10.3%	-4.9%	N/A
True Potential Growth-Aligned Cautious (Objective 2)	0.60%	0.000%	4.7%	5.1%	7.8%	-3.6%	N/A
True Potential Growth-Aligned Defensive (Objective 4)	0.62%	0.000%	2.1%	4.4%	5.3%	-2.3%	N/A

**\*With investing, your capital is at risk. Investments can fluctuate in value, and you may not get back the amount you invest. Past performance is not a guide to future performance.**



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September 2022