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DIVERSIFICATION IN ACTION

Managed Portfolio Series

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Special Feature:
Focus on oil

An in-depth feature about why oil prices have fallen sharply and the implications caused.

true potential investments

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For more information on our Managed Portfolio Series and its benefits for clients, contact us at **investmentmanagement@tpllp.com.**

A WORD FROM OUR CHIEF INVESTMENT OFFICER

Welcome to our inaugural 'Diversification in Action' magazine. Each quarter we will highlight specific investment trends and demonstrate how we will evolve our Managed Portfolio Series (MPS).

MPS was first introduced in October 2015 and the response has been incredibly positive. Feedback from the many early adopters indicates that our ability to manage the Portfolios with discretion after a client signs up is a very practical investment proposition. Financial advisers who were running portfolios for clients on a non-discretionary basis say that our speed of implementation makes a real difference.

Our systematic approach means changes are applied consistently for all clients, backed by a clear rationale with all data-intensive work undertaken without charge. From a client perspective, the added diversification through combining manager styles is now being implemented against a backdrop of uncertainty across markets.

For those of you not yet aware of our proposition, we hope that 'Diversification in Action' will whet your appetite for MPS. All ten Portfolios were implemented at the beginning of October and they are now fully up and running.

In terms of performance, it is early days but we have some encouraging numbers to share with you.

We anticipated a lot of activity especially from advisers switching clients to our Portfolios and moving clients from single-fund to multi-fund solutions to capture that added layer of diversification.

However, what is increasingly evident from our platform data is that advisers are also using our Portfolios to drive new business.

Before I comment on the markets, I just want to add that the investment team at True Potential Investments will continue to work hard to provide the best possible investment outcome for your clients.

Let's see what surprises 2016 has in store and remember there is no additional cost for MPS.

Colin Beveridge
Chief Investment Officer
True Potential Investments

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A REVIEW OF THE MARKETS Q4 2015

It's hard to know where to begin, as so much has happened in the last three months.

On the 16th December 2015 the US Federal Reserve bank announced that after a decade of flat interest rates they are adapting to mild monetary-tightening policy. The Fed fund's target rate was subsequently raised by 0.25%.

The increase was a small and largely symbolic act, but it carries a strong message. It signals that the US central bank is sufficiently confident about the economy to allow it to be self-sustaining rather than being continually supported by cheap and unconventional monetary policy measures. Of course, the decision to change rates was just one of many other factors that investors have been contemplating, including slowing economic growth, the role played by a strengthening US Dollar, and extremely weak commodity prices hitting mining and energy sectors and commodity exporting countries in the emerging and developing world.

Within this heady mix, China has played a large part. Economists are now forensically focused on the pace of its slowing economic growth and rebalancing away from being the world's supplier of cheap goods to becoming a more service-based economy.

Opposite, we show how markets behaved over the three months to the end of December 2015.

As you can see, equity markets posted some excellent returns over the period, with, in general, the developed markets outperforming the more developing areas.

Japan was the standout performer during the period, returning around 10% with economic reform in Japan and the improving domestic environment driving returns. Looking at currencies, over the quarter there has been a notable decrease in the strength of Sterling.

As you can see from the difference in local currency returns against Sterling returns, this has been of benefit to UK-based investors, in general, increasing the returns to these areas.

INVESTMENT OUTLOOK

In our last round of discussions with our investment manager partners there were some interesting shifts in opinion about the markets, including:

- Emerging market price falls have encouraged some buying but levels of conviction are low. They are not yet ready to believe that the potential pressure from rising interest rates has been fully discounted. Selectivity has increased whereas previously emerging markets were seen as one single asset.

- The US is now viewed as more attractive with some managers increasing exposure having previously been wary of valuations. This is possibly the most interesting shift taking place when the US Federal Reserve is tightening not loosening policy.

- Manager conviction toward Europe and Japan is still strong but it has declined from previous very high levels. Quantitative easing (QE) remains the main driver for them but some feel that QE effects have faded in Europe after comments from Mario Draghi disappointed investors. They fear that he is not in the driving seat when it comes to more proactive action. In Japan there is less confidence around the economy but at the micro level the companies themselves are becoming more shareholder friendly.

- Nervousness around bonds with lower credit ratings has increased. Managers have shortened durations and increased overall credit quality. However, they continue to see bonds as useful diversifiers.

- The oil price collapse has shocked managers and they sense that some of the benefits of what is a windfall tax for consumers is being saved and used to pay down debt. They are all very reluctant to call an end to price falls but they point out that costs of production for at least 80% of current production is above the oil price.

After pulling all of the information gleaned from manager interviews, we begin to assess what this means for our Portfolios. Ideally, we reflect as many of these ideas as possible through the portfolio allocations, albeit we are extremely mindful of our optimisation factors.

To help illustrate the allocations, we provide a monthly factsheet for each Portfolio where we document changes to the Portfolio's composition. On the next few pages, we have set out the results of a survey that we sent to our seven partner managers. We asked them to forecast the outlook in a number of key areas for 2016. We trust you will find the results interesting. For our part, we know the difficulties of forecasting. Forecasting is about perceiving the facts objectively and seeking to give a truthful account. The really hard part is that we do not all perceive the world around us in the same way.

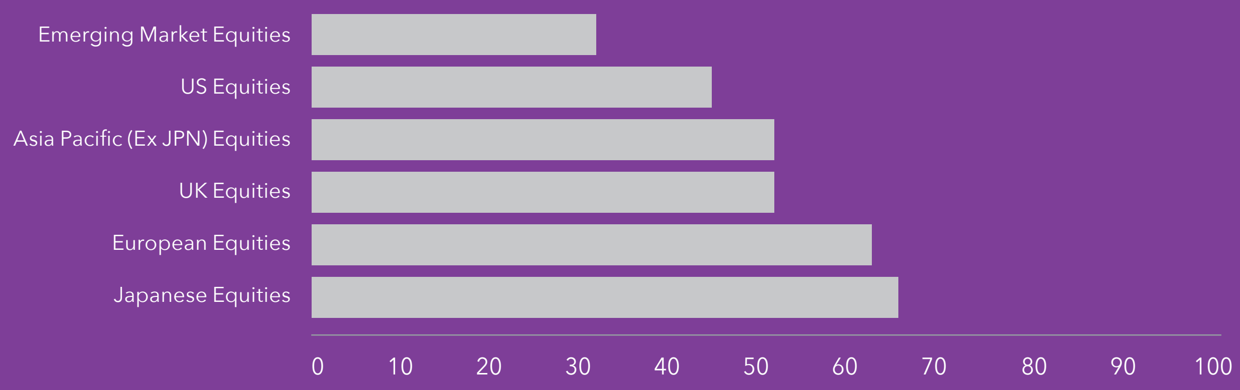
Category	Local Currency % change (3M)	GBP % change (3M)
UK Equities	3.0%	3.0%
US Equities	6.5%	9.3%
European Equities	6.0%	5.8%
Japanese Equities	9.6%	11.0%
Asia Pacific Ex Japan	4.7%	7.5%
Emerging Markets	0.3%	3.0%
UK Bond Index (10 years)	-1.7%	-1.7%
Oil Price	-26.0%	-24.0%
CRB Commodities	-9.1%	-6.6%

Source: Bloomberg, as of 31st December 2015

VIEWS FROM OUR INVESTMENT PARTNERS

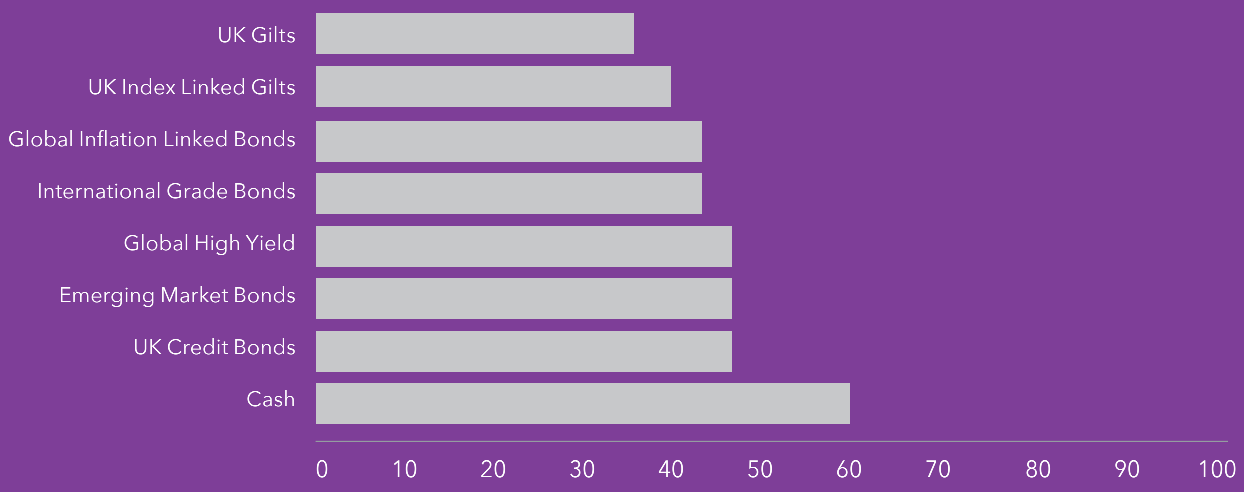
We have recently surveyed our seven investment manager partners on their predictions for what the stock markets have in store in 2016 and we wanted to share this information with you.

How much conviction do you have for equity markets?



As you can see, the highest conviction from our investment manager partners for 2016 is with Japanese Equities and the lowest is with Emerging Market Equities. Our partners believe both the domestic economy and government backing of Japan will drive returns. When looking at the conviction levels, Europe saw the most polarisation in views with some managers having 100% conviction and others only having 20%.

How much conviction do you have for fixed income markets?



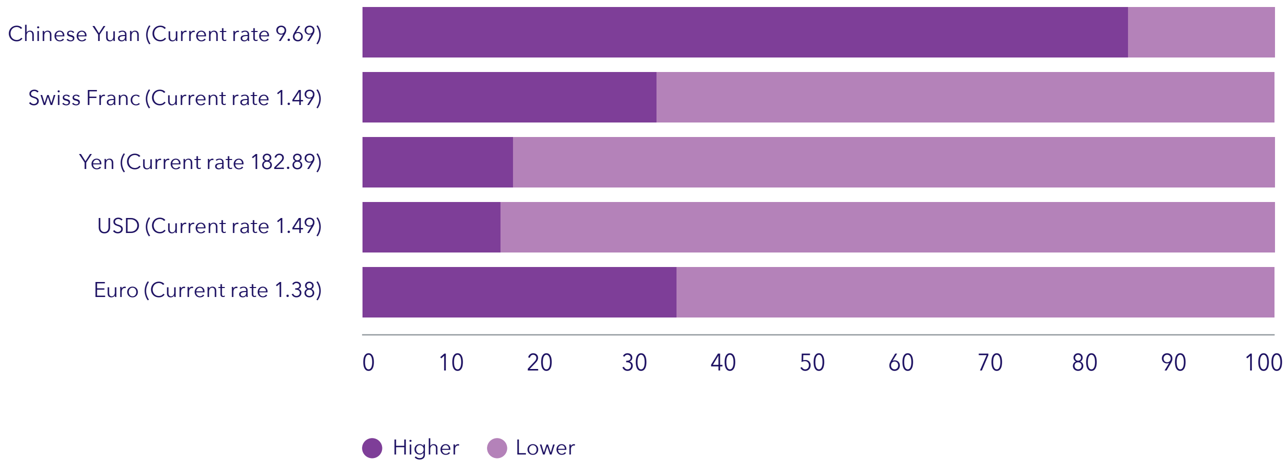
Our partners have the highest conviction with cash, emphasising the nervousness around liquidity and yield levels we are seeing within bond markets at the moment. This time, the most polarised views centred on Emerging Market Bonds and Global High Yield Bonds, with some managers having no conviction to hold these assets at all and others having up to 80% conviction.

Note: 100% is the most positive, while 0% is no conviction at all in returns.

What are your views on currencies for 2016?

From the below, you can see that the most conviction from our partners is that the Chinese Yuan will strengthen against Sterling during 2016. In recent times, we have seen currencies being used as a weapon by Governments to offset the effects of competition by devaluing their currency to make domestic exports look more attractive and to stimulate growth. As a consequence of this, managing currency within multi-asset investments is now more important than ever.

On average, do you think Sterling will trend higher or lower than the following currencies this year?



VIEWS FROM OUR FUND MANAGERS

We also asked some more in-depth questions to our investment manager partners, the highlights of which can be found on the next few pages.

01

Do you think smaller companies in the UK will outperform or underperform large cap in 2016?

“Small Cap will outperform due to less exposure to energy, less exposure to international finance and higher beta. We do not expect UK Small Caps to outperform by the same magnitude, if at all. If oil and commodities bottom, Large Cap value will have a strong period of relative performance.”

02 What are the biggest risks investors will face in 2016?

"UK exit from EU".

"China debt bust and subsequent recession".

"Re-imposition of border controls impeding movement of people and goods between Schengen states".

"Interest rates rise faster than expected, particularly in the US, putting pressure on markets as highly geared investors de-lever".

"China continues to devalue its currency to gain market share from its neighbours leading to a regional recession and deflationary pressures in the West".

"USD strength puts pressures on Emerging Market currencies leading to a number of high profile defaults and putting a major Emerging Market country on the edge as it bails out its domestic banking sector".

03 What will be the largest positive themes influencing asset allocation and stock selection (if applicable) in 2016?

"Healthcare, where strong product innovation in many firms is combined with growing demand and industry consolidation to underpin strong long-term growth. Price caps and other pressure on product costs remain a potential threat but we still see overwhelming growth benefit from innovation, consolidation, and demographic demand."

"Consumer Discretionary segment in the developed world is benefiting from clear signs of a consumer recovery and pent-up demand from prior belt tightening years. We like shares which benefit from the more cost conscious consumer in the growing 'fast fashion' segment as well as shares exposed to increased expenditure in travel and leisure."

"Technology, remains an area of selective focus, with companies benefiting from a pickup in enterprise spend, particularly in key areas of broadband, the Cloud and cyber security. We also like select Internet models which continue to gain share versus 'bricks and mortar' business models."

"US gradual recovery".

"China economic stabilisation (fiscal and monetary stimulus finally feeds through to broader economy)".

In conclusion, you can see a real divergence in manager views, even within the same asset class.

Within stock markets, central banks have much more of a role to play than before, with their abilities to drive markets, one of the main key themes we have seen from our manager partners. For the Managed Portfolio Series, we bring together all of these views from our managers and utilise them to work out the overall key themes. By doing this, we can then manage the Portfolios to take advantage of these themes. By bringing all of this information together, we are removing single manager bias, reducing risk and most importantly, maximising diversification for investments.

THE SCIENCE BEHIND OUR PORTFOLIOS

How we optimise the Portoflios

Optimisation of our Portfolios is conducted against equally-weighted (EW) portfolios containing funds mapped to our five True Potential Investments/ Morningstar risk categories.

For example, we offer seven funds within the Balanced category, therefore if no preference was given to one fund over another, an equally-weighted allocation to each fund is 14.3%.

When we build our Managed Portfolo Series, we tactically allocate away from the EW portfolios aiming for lower volatility, lower cost, higher expected return and a better risk-adjusted return outcome than could be expected from choosing an equal allocation.

	Defensive	Cautious	Cautious Dynamic	Cautious Income	Balanced	Balanced Dynamic	Balanced Income	Growth	Growth Dynamic	Aggressive
Risk (Volatility)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk (Mapped)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cost		✓	✓	✓	✓	✓	✓	✓	✓	✓
Long-Term Expected Return		✓	✓		✓	✓		✓	✓	
Risk-Adjusted Return	✓	✓	✓		✓	✓		✓		✓
Income				✓			✓			

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Risk (Managed Portfolios)

Risk is estimated using the asset composition of each Portfolio. The higher the measure of standard deviation, the more volatile the Portfolio will be. We construct separate Portfolios for each of the five risk categories containing all of the funds mapped to that risk category. When we optimise these Portfolios, we make sure they are lower risk than the equally-weighted Portfolios containing the same funds.

Risk (Dynamic Portfolios)

Our three Dynamic Portfolios use funds outside the Portfolio's own risk category. For example, the Dynamic Balanced Portfolio does not include any Balanced funds. When we optimise for the Dynamic Portfolios, we make sure that each Portfolio's measure of risk does not stray outside the risk band set for each risk category.

Risk (Income Portfolios)

Our two Income Portfolios use all available income funds from the Cautious and Balanced risk categories. We then allocate accordingly to create one Portfolio mapped to the Cautious risk category and one mapped to the Balanced risk category.

Cost

This is an important factor because costs negatively impact future returns. This is why we build our Portfolios with the objective of being lower cost than an EW Portfolio. However it should be noted that at times the choice may lie between lower cost and higher risk. The impact from risk is disproportionate to the impact from cost. It is worth remembering that our funds are already amongst the lowest cost in the market anyway.

Expected Return

An estimate of future expected risk is based on the future expected returns for each asset class. When the managers change assets in our funds, the Portfolio compositions change. The expected returns for each of our Portfolios will change with the composition of the assets in each fund.

Risk-Adjusted Return

Risk-adjusted return is also an estimate. It is based on future expected return for each Portfolio minus the risk-free rate of return divided by the level of expected volatility calculated for each Portfolio. Our objective over time is to manage toward a better risk-adjusted outcome.

PERFORMING AS DESIGNED

Although this is very much only a short track record (the Portfolios launched in October 2015), we are pleased with the results. You can see positive returns for all of the risk categories.

Portfolio	Performance Since Launch	OCF
Defensive Managed Portfolio	0.90%	0.83%
Cautious Managed Portfolio	2.09%	0.86%
Cautious Dynamic Managed Portfolio	2.24%	0.82%
Cautious Income Managed Portfolio	2.21%	0.76%
Balanced Managed Portfolio	3.17%	0.92%
Balanced Dynamic Managed Portfolio	3.59%	0.86%
Balanced Income Managed Portfolio	2.66%	0.83%
Growth Managed Portfolio	4.62%	0.85%
Growth Dynamic Managed Portfolio	4.84%	0.81%
Aggressive Managed Portfolio	5.62%	0.85%

Source: SEI Investments Company (as of 31st December 2015)

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RANGE OF RETURNS

Below is a table showing the range of returns over one year for the best and worst performing funds in each Investment Association category. This highlights how our fund range compares against funds available in the wider market.

	IA Mixed Investment 0% - 35% Shares	IA Mixed Investment 20% - 60% Shares	IA Mixed Investment 40% - 85% Shares	IA Flexible Investment
Best Performer	3.9%	6.4%	8.1%	7.1%
Worst Performer	-2.9%	-7.8%	-5.2%	-13.2%
Difference	-6.8%	-14.2%	-13.3%	-20.3%

Figures are one year to 31st December 2015. Source: Trustnet

You can see that, as you move up the risk spectrum, the difference between the best and worst performing funds tends to increase. Although the best lower-risk fund achieved a lower return than higher-risk funds, the worst performing lower-risk fund has dropped by much less than the worst higher-risk funds.

Although it is not possible to exactly map the IA categories to our Morningstar categories, looking at how the True Potential Wealth Strategy and Strategy Fund range has performed, you can see below that the range of returns is much lower.

	Cautious	Balanced	Growth
Best Performer	2.55%	3.01%	4.86%
Worst Performer	-2.87%	-2.76%	-2.45%
Difference	-5.42%	-5.77%	-7.31%

Figures are one year to 31st December 2015. Source: Bloomberg

By choosing the True Potential Managed Portfolio Series investors are diversified across investment styles, asset allocation and geographic region, reducing risk and managing volatility within a single solution.

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SERIES SPOTLIGHT MANAGED PORTFOLIOS

Each Managed Portfolio contains all of the funds available within its risk category.

The Portfolios in the Managed Portfolio Series have the greatest degree of diversification. This means they are less prone to highs and lows relative to our Dynamic Managed Portfolios.

We optimise the Portfolios with the objective of being lower risk than an equally-weighted Portfolio. In addition, the Managed Portfolios do not have an income focus, which makes them very different to our Income Managed Portfolios. However, when investing in the Managed Portfolios some clients are happy to take income by selling units.

Below are the optimisation results for the Managed Portfolio Series. As you can see, for Cautious, Balanced and Growth we have optimised across all factors. In December, on this occasion it was not possible to optimise on all factors for all Portfolios.

The True Potential Defensive Managed Portfolio and True Potential Aggressive Managed Portfolio are constructed from two underlying funds each, which makes the task of optimising on each of the four factors impossible.

	Defensive Managed Portfolio	Cautious Managed Portfolio	Balanced Managed Portfolio	Growth Managed Portfolio	Aggressive Managed Portfolio
Risk (Volatility)	✓	✓	✓	✓	✓
Cost		✓	✓	✓	✓
Long-Term Expected Return		✓	✓	✓	
Risk-Adjusted Return	✓	✓	✓	✓	✓

We have provided a cost comparison to see how each of the Managed Portfolios are positioned, compared to their equally-weighed portfolio.

Optimisation Factors	Defensive Managed Portfolio	Defensive EW	Cautious Managed Portfolio	Cautious EW	Balanced Managed Portfolio	Balanced EW
Cost	0.83%	0.82%	0.86%	0.92%	0.92%	0.94%

Optimisation Factors	Growth Managed Portfolio	Growth EW	Aggressive Managed Portfolio	Aggressive EW
Cost	0.85%	0.87%	0.85%	0.86%

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Asset Allocation

Asset Class	Defensive Managed Portfolio	Cautious Managed Portfolio	Balanced Managed Portfolio	Growth Managed Portfolio	Aggressive Managed Portfolio
UK Equities	6.2%	13.3%	17.8%	20.3%	29.4%
North American Equities	7.2%	14.2%	19.6%	21.8%	17.3%
European (ex UK) Equities	8.1%	10.2%	13.0%	15.0%	18.7%
Japanese Equities	2.6%	4.3%	7.1%	8.0%	10.5%
Asia Pacific (ex JPN) Equities	0.4%	0.5%	1.1%	0.9%	1.4%
Emerging Market Equities	2.1%	2.7%	5.8%	10.6%	17.5%
Global Bonds	14.8%	9.5%	6.2%	4.8%	0.0%
Global Inflation Linked Bonds	5.0%	3.8%	2.1%	1.6%	0.0%
Emerging Market Bonds	0.0%	1.1%	1.4%	1.5%	0.0%
Global High Yield Bonds	8.2%	5.5%	4.4%	2.8%	0.0%
UK Gilts	7.4%	12.1%	7.7%	4.4%	0.0%
UK Credit	7.0%	10.7%	3.9%	1.5%	1.0%
Property	1.1%	0.5%	1.0%	1.5%	0.0%
Commodities	0.0%	0.0%	0.3%	0.0%	0.0%
Cash	29.9%	11.6%	8.6%	5.3%	4.2%

Source: Bloomberg, as of 31st December 2015

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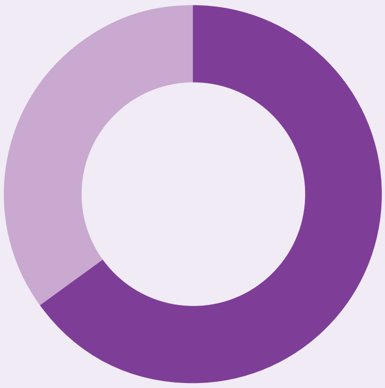
SERIES SPOTLIGHT MANAGED PORTFOLIOS

Asset Allocation

	Defensive Managed Portfolio	Cautious Managed Portfolio	Balanced Managed Portfolio	Growth Managed Portfolio	Aggressive Managed Portfolio
Equities	27%	44%	64%	77%	95%
Bonds	42%	43%	26%	17%	1%
Alternatives	1%	1%	1%	1%	0%
Cash	30%	12%	9%	5%	4%

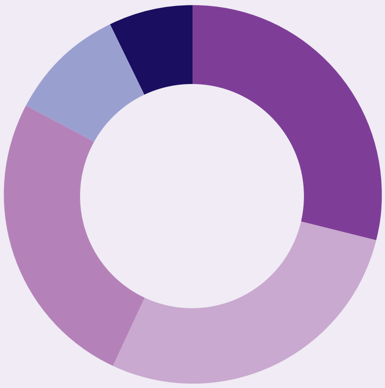
Source: Bloomberg, as of 31st December 2015

Style Allocation



Defensive Managed Portfolio

- Manger of Managers - SEI 65%
- Actively Passive - 7IM 35%



Cautious Managed Portfolio

- Manager of Managers - SEI 29%
- Actively Passive - 7IM 28%
- Directly Invested - Close Brothers 26%
- Risk-Based - Allianz 10%
- Fund of Funds - Schroders 7%

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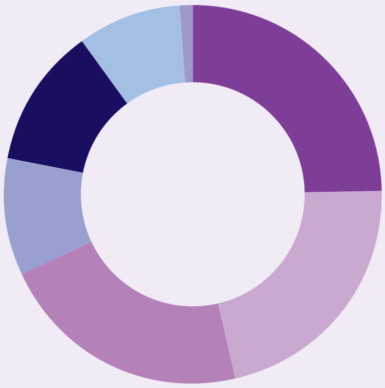
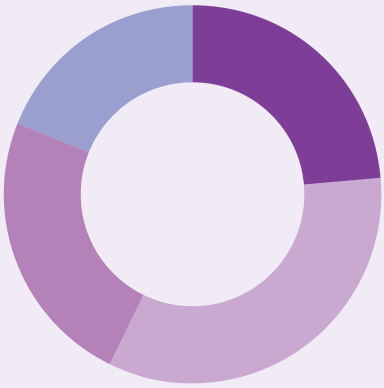


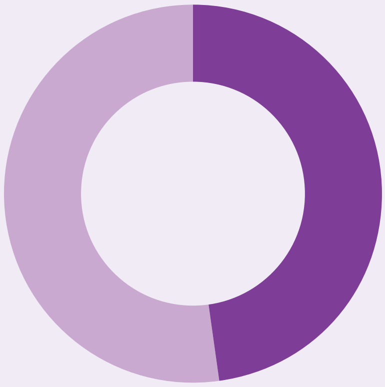
Balanced Managed Portfolio

Manager of Managers - SEI	24%
Actively Passive - 7IM	22%
Directly Invested - Close Brothers	22%
Risk-Based - Allianz	10%
Fund of Funds - Schroders	12%
Multi-Asset - Goldman Sachs	9%
Income Building - Goldman Sachs	1%



Growth Managed Portfolio

Manager of Managers - SEI	24%
Actively Passive - 7IM	34%
Directly Invested - Close Brothers	23%
Risk-Based - Allianz	19%



Aggressive Managed Portfolio

Manager of Managers - SEI	48%
Actively Passive - 7IM	52%

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SERIES SPOTLIGHT DYNAMIC MANAGED PORTFOLIOS

Each Portfolio in the Dynamic Managed Portfolio Series will be more concentrated in its fund selections or contain larger fund positions compared to its risk category equivalent in the Managed Portfolio Series.

The Dynamic Managed Portfolios are constructed using funds from right across the risk spectrum, but always stay within the risk band for their risk category.

The Dynamic Managed Portfolios do not include funds from the same risk category to which the Portfolio is mapped. In other words, the True Potential Dynamic Balanced Managed Portfolio does not select funds mapped to the Balanced risk category. Optimising the Portfolios in the Dynamic Managed Portfolio Series is less problematic as we can select from all the funds outside the Portfolio's respective risk category. The only factor which we were unable to optimise was risk-adjusted return for the True Potential Growth Dynamic Managed Portfolio because the three underlying funds each have a risk-adjusted return lower than the Growth equally-weighted figures.

	Cautious Dynamic Managed Portfolio	Balanced Dynamic Managed Portfolio	Growth Dynamic Managed Portfolio
Risk (Volatility)	✓	✓	✓
Cost	✓	✓	✓
Long-Term Expected Return	✓	✓	✓
Risk-Adjusted Return	✓	✓	

We managed to optimise on cost for each Portfolio, below are the comparisons.

Optimisation Factors	Cautious Dynamic Managed Portfolio	Cautious EW	Balanced Dynamic Managed Portfolio	Balanced EW	Growth Dynamic Managed Portfolio	Growth EW
Cost	0.82%	0.92%	0.86%	0.94%	0.81%	0.87%

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Asset Allocation

Asset Class	Cautious Dynamic Managed Portfolio	Balanced Dynamic Managed Portfolio	Growth Dynamic Managed Portfolio
UK Equities	14.5%	21.9%	26.8%
North American Equities	14.5%	17.6%	19.2%
European (ex UK) Equities	9.9%	13.0%	16.6%
Japanese Equities	4.6%	6.8%	9.3%
Asia Pacific (ex JPN) Equities	0.6%	0.6%	0.6%
Emerging Market Equities	4.2%	6.7%	11.8%
Global Bonds	10.3%	6.2%	0.9%
Global Inflation	1.5%	2.2%	0.0%
Emerging Market Bonds	0.0%	1.8%	0.0%
Global High Yield Bonds	7.2%	5.2%	0.0%
UK Gilts	8.1%	7.0%	6.7%
UK Credit	3.5%	3.0%	4.2%
Property	0.0%	0.0%	0.0%
Commodities	0.2%	0.0%	0.0%
Cash	20.9%	8.0%	3.9%

Source: Bloomberg, as of 31st December 2015

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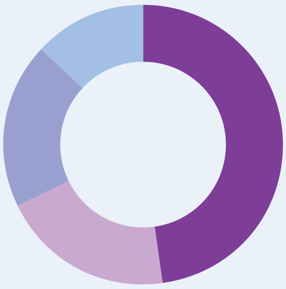
SERIES SPOTLIGHT
DYNAMIC MANAGED PORTFOLIOS

Asset Allocation

	Cautious Dynamic Managed Portfolio	Balanced Dynamic Managed Portfolio	Growth Dynamic Managed Portfolio
Equities	48%	67%	84%
Bonds	31%	25%	12%
Alternatives	0%	0%	0%
Cash	21%	8%	4%

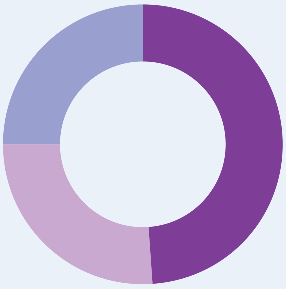
Source: Bloomberg, as of 31st December 2015

Style Allocation



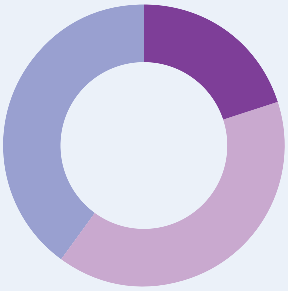
Cautious Dynamic Managed Portfolio

Manager of Managers - SEI	48%
Directly Invested - Close Brothers	20%
Actively Passive - 7IM	19%
Multi-Asset - Goldman Sachs	13%



Balanced Dynamic Managed Portfolio

Manager of Managers - SEI	49%
Directly Invested - Close Brothers	26%
Actively Passive - 7IM	25%



Growth Dynamic Managed Portfolio

Manager of Managers - SEI	20%
Directly Invested - Close Brothers	40%
Actively Passive - 7IM	40%

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. Tax rules can change at any time.

SERIES SPOTLIGHT
INCOME MANAGED PORTFOLIOS

Each Portfolio in the Income Managed Portfolio Series is focused on yield and income sustainability, therefore we have income as an additional optimisation factor.

Given that investors in the Income Managed Portfolio Series are seeking income above capital growth, the income optimisation factor is our primary consideration. Despite not being able to optimise on long-term expected return and risk-adjusted returns this month, we are comfortable given that we are optimised on risk, cost and income.

One interesting point to note about the Income Portfolios is that the equally-weighted Portfolio of all income funds is risk assessed as being Balanced.

For the first time since we launched the Income Managed Portfolio Series, we made some adjustments to both Income Portfolios. We reduced allocation to the True Potential Close Brothers Cautious Income Fund and True Potential Schroders Cautious Income Fund by 5% in each, primarily driven by the lower income levels that are currently being produced.

We allocated an extra 10% to the Threadneedle Monthly Extra Income Fund, consequently increasing the monthly distribution levels. Threadneedle are proven stock pickers within the UK and offer both an excellent yield as well as good capital growth so we are comfortable to increase their position.

The True Potential Cautious Income Managed Portfolio is currently yielding 3.93% and the Balanced Income Managed Portfolio is yielding 4.10% with the equally-weighted Portfolio yielding 3.81%.

Source: Bloomberg, as of 31st December 2015

	Cautious Income Managed Portfolio	Balanced Income Managed Portfolio
Risk (Volatility)	✓	✓
Cost	✓	✓
Long-Term Expected Return		
Risk-Adjusted Return		
Income (Income funds only)	✓	✓

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SERIES SPOTLIGHT
INCOME MANAGED PORTFOLIOS

We were able to optimise on cost for both Income Managed Portfolios, details are given below.

Optimisation Factors	Cautious Income Managed Portfolio	Cautious EW	Balanced Income Managed Portfolio	Balanced EW
Cost	0.76%	0.92%	0.83%	0.94%

Asset Allocation

Asset Class	Cautious Income Managed Portfolio	Balanced Income Managed Portfolio
UK Equities	26.5%	36.8%
North American Equities	10.2%	14.8%
European (ex UK) Equities	5.8%	6.9%
Japanese Equities	0.7%	0.4%
Asia Pacific (ex JPN) Equities	0.6%	0.2%
Emerging Market Equities	0.1%	0.2%
Global Bonds	18.0%	26%
Global Inflation Linked Bonds	0.1%	0.0%
Emerging Market Bonds	0.0%	0.0%
Global High Yield Bonds	0.1%	0.1%
UK Gilts	0.0%	0.0%
UK Credit	30.2%	10.6%
Property	1.0%	0.1%
Commodities	0.6%	0.1%
Cash	6.1%	3.8%

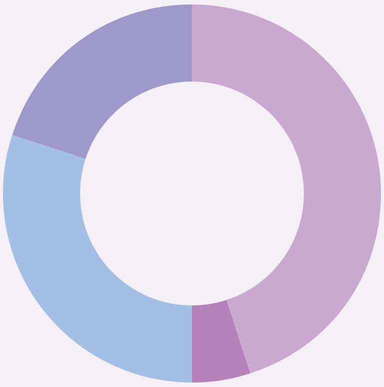
Source: Bloomberg, as of 31st December 2015

Asset Allocation

	Cautious Income Managed Portfolio	Balanced Income Managed Portfolio
Equities	44%	59%
Bonds	48%	37%
Alternatives	2%	0%
Cash	6%	4%

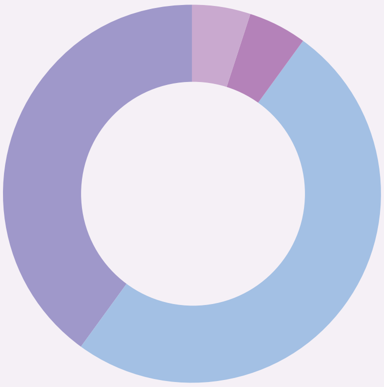
Source: Bloomberg, as of 31st December 2015

Style Allocation



Cautious Income Managed Portfolio

- Directly Invested - Close Brothers 45%
- Fund of Funds - Schroders 5%
- Multi-Asset - Goldman Sachs 30%
- Income Strategies - Threadneedle 20%



Balanced Income Managed Portfolio

- Directly Invested - Close Brothers 5%
- Fund of Funds - Schroders 5%
- Multi-Asset - Goldman Sachs 50%
- Income Strategies - Threadneedle 40%

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FOCUS ON OIL

Why has the oil price fallen so sharply?

Increased oil supply from US shale fields and slowing demand for oil from China are the main contributors to supply outgrowing demand, the key variable driving down the oil price. Moreover, OPEC, a cartel of oil producing countries, is contributing to the problem by not restraining production to realign supply with slowing demand.

Saudi Arabia is the largest OPEC constituent and their decision to keep pumping oil is a strategic one to drive out competing high-cost producers.

So far, their strategy has failed. The recent re-engagement between Iran and the main world powers also brings with it the possibility of additional oil supply entering the market.

So what does this mean in terms of the actual supply and demand equation?

Chart 1 opposite highlights the imbalance. As you can see, shifts from undersupply to oversupply in reality tend to be relatively modest.

However, when we overlay the oil price in Chart 2, we can see that shifting from a deficit to a surplus causes a disproportionate impact.

Source: Bloomberg, as of 31st December 2015

Chart 1: Oil Supply / Demand

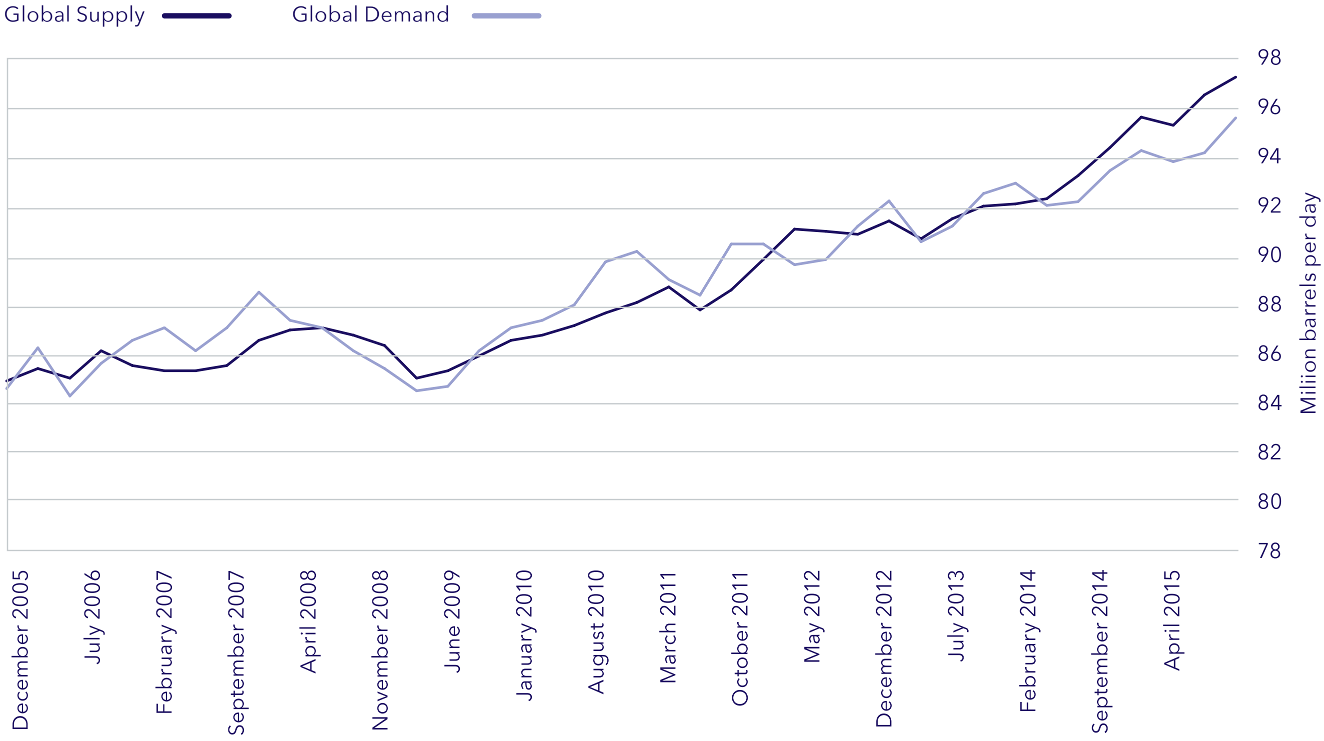
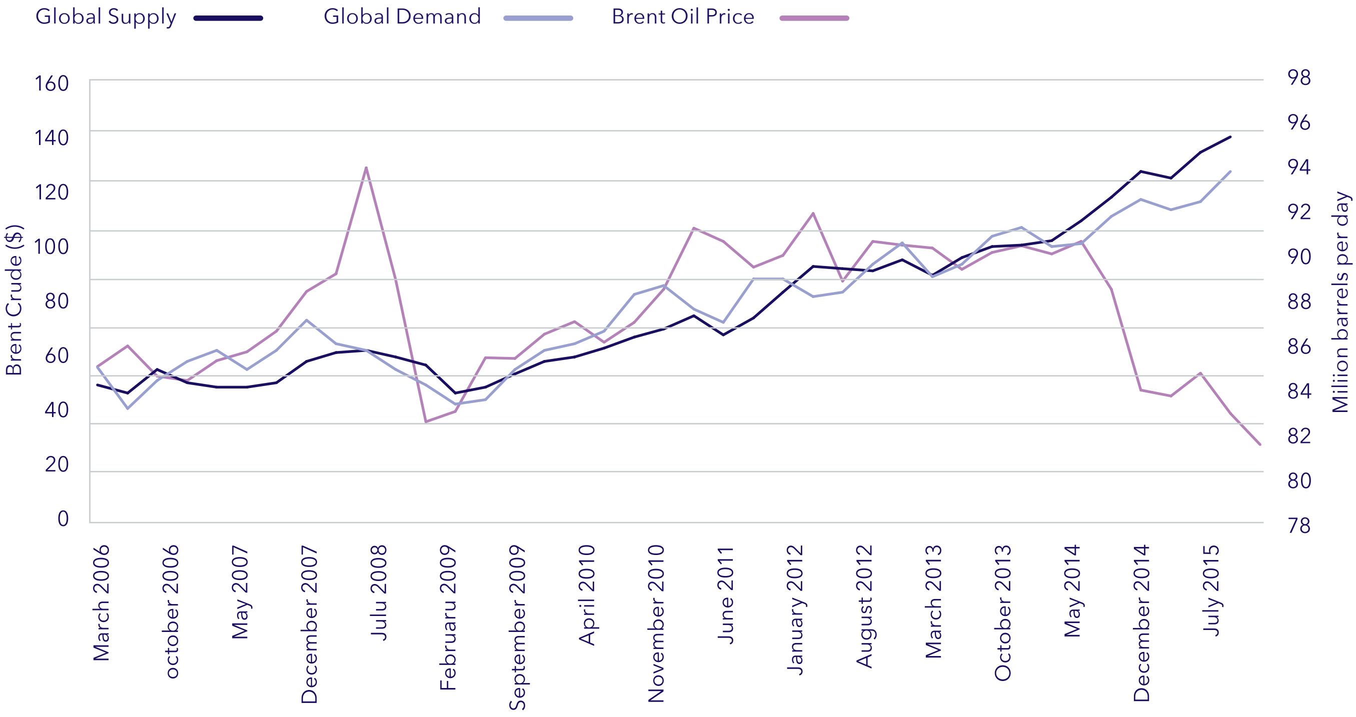


Chart 2: Oil Supply / Demand and Brent Oil Price



Source: Bloomberg, as of 31st December 2015

These dramatic price movements imply that market participants operate under high degrees of uncertainty about the future direction of supply and demand.

Managers who invest in assets that are directly or indirectly linked to the oil price show a strong reluctance to predict the future price level of oil.

However, we asked our investment manager partners to predict the future direction of the oil price and, while they gave all sorts of health warnings about how they could be wrong, here are the results based on the options we gave them (the price of oil at the time of asking was $34.61). In essence, they avoided going for the more extreme ends of the possible outcomes and clustered around a range of $20 to $60. This is to be expected.

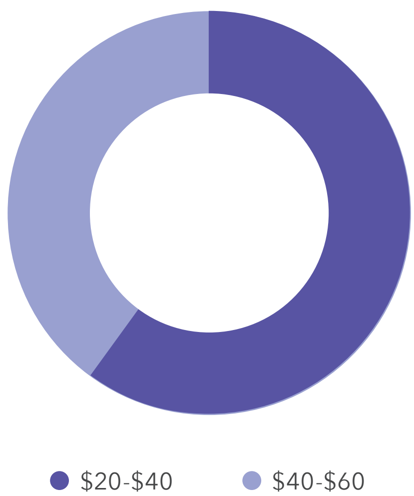
From an investor perspective, there are some interesting aspects to consider. At the economic level, it is generally good for oil importing economies like Japan and parts of Asia, but very bad for economies dependent on selling oil as a major source of revenue.

The main losers are countries in the Middle East, Brazil and Russia. A depressed oil price is terrible news for the UK's oil industry, which is based predominantly in Scotland. In its widest sense though, economists depict current events as a transfer of power and wealth from developing to developed nations.

There are, of course, effects at industry level too. The oil companies are negatively impacted, but a whole host of constituent companies wrapped around the oil industry get dragged down too.

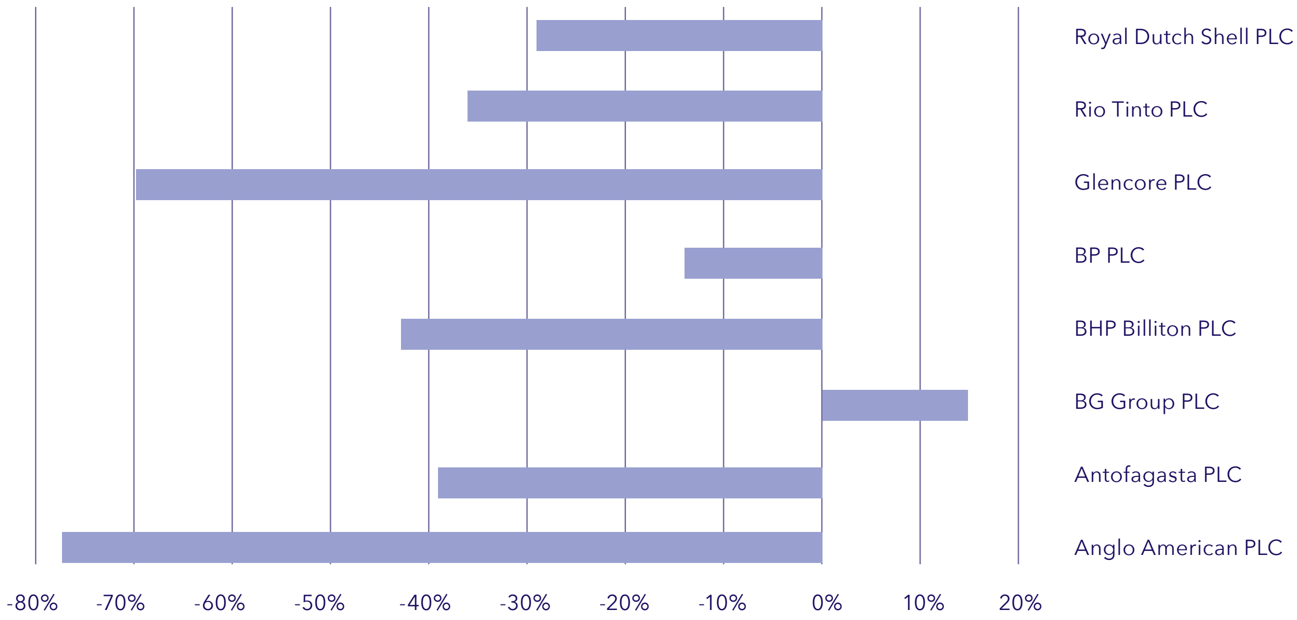
We have also seen other commodities impacted by slowing global demand and this has impacted mining as well as oil exploration and production. Perhaps the most visible manifestation is the way it has dragged down the FTSE 100 index of leading shares.

Estimates for the oil price at the end of 2016
(Current price $34.61)



Source: Bloomberg, as of 31st December 2015

The table below shows the performance of the mining and oil companies included in the index across the whole of 2015.



Source: Bloomberg, as of 31st December 2015

Note: BG Group is in negotiations with Royal Dutch Shell, which is why it is showing a positive return.

Turning to the income effects of the oil price, we know from previous price falls that consumers tend to regard the benefit from lower oil prices as a windfall to be spent.

This time, it seems the income effects are playing out differently with some being saved, some used to pay down debt and the remainder being spent.

Quantifying what happens is difficult, but we can understand some elements better by looking at what goes back into consumers' pockets. We start by looking back over a slightly longer period to give some context. Over the last 10 years, the oil price in US dollars has fallen by 37%.

After adjusting for inflation, it has fallen by a whopping 50%. This would be really good news for consumers if the full amount was passed through, but of course from a UK consumer's perspective, exchange rates and fuel duty impact on the final price.

In sterling terms, the oil price over 10 years has fallen by 26% because sterling has weakened against the dollar, but over that same time period, petrol prices, non-inflation adjusted, have actually risen by 13%. While the longer-term picture shows that UK consumers are paying more for their fuel, the shorter-term picture is a lot better. The price of oil in 2015 has fallen by 65% to a year-end level of $37.28. In sterling terms, the decline over the same time period is 59.7%. Prices at the pumps over the course of 2015 fell by 22%.

According to the ONS, which collates data on average expenditure, the average amount spent on fuel in the UK is around £36.59 per week or £1,902.68 per year. On our calculations, the saving to be had from lower oil prices is around £420 per year, so why not try tucking away £420 into your pension and get a tax contribution from the government to offset the roughly 58p in tax duty levied on each litre of fuel.

Source: Bloomberg, as of 31st December 2015

For more information on our Managed Portfolio Series and its benefits for clients, contact us at **investmentmanagement@tpllp.com.**

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