

TRUE INSIGHT

True Potential Portfolios | Issue 42 | Spring 2026

EXPECTING THE UNEXPECTED.

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Expecting the unexpected

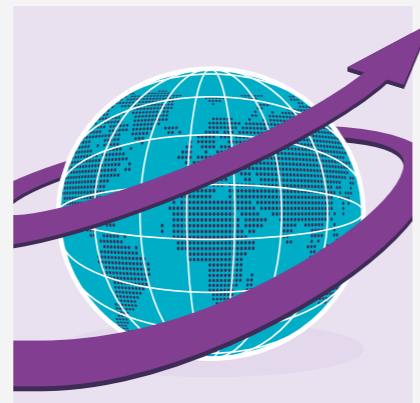
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Jeff Casson
Chief Executive Officer
True Potential Investments

Welcome to the spring edition of True Insight. I hope you have been enjoying the sunshine and are looking forward to the holiday season ahead.

Even by the standards of recent years, the past few months have been unusually volatile and dramatic. The Middle East conflict, the closure of the Strait of Hormuz and the on-again-off-again negotiations between the US and Iran have led to wild swings in energy prices and equity markets. After starting the year well, both bond and equity markets posted declines for the first quarter of 2026, as the outbreak of the US-Iran war led to a heavy sell-off in March. On page 4, we look at how our True Potential portfolios performed in the first quarter, and we discuss the quarter's market movements on page 6.

Since the end of the first quarter, many of the world's stock markets have since recovered to reach new all-time highs - but there have been further fluctuations along the way. On page 8, we explore some of the concerns that have caused those fluctuations, including the risk that higher oil prices could drive inflation up and force central banks to raise interest rates. We look at how diversified multi-asset portfolios can cope with an environment in which investors have to expect the unexpected.

At True Potential, we pride ourselves on working with the best of the best when it comes to our investment partners. On page 16, we discuss True Potential's new strategic partnership with Amundi, one of the world's largest asset managers and a pioneer in investment technology. Amundi is now providing us with index solutions for our Growth-Aligned funds and the use of its proprietary ALTO platform for our internal operations.

Technology has always been a core part of True Potential's business. Our adoption of Amundi's ALTO platform is one example of this. Another is our use of artificial intelligence (AI). On page 10, we set out how we're empowering our advisers to enhance their client offerings through judicious use of AI.

Finally, on page 14, we take the temperature of the global economy and look at some of the events that might move markets over the remainder of 2026.

I hope you enjoy this edition of True Insight. The coming months will doubtless give us plenty to discuss when I write to you again in the summer. In the meantime, I hope you enjoy the spring!



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

With investing, your capital is at risk. Investments can fluctuate in value, and you may get back less than you invest. The contents of this magazine should not be interpreted as personalised financial advice.

Performance update.



Kevin Kidney
Head of Investments
True Potential Investments

The first quarter of 2026 proved turbulent for multi-asset investors. Following a positive start to the year, global equities and bonds finished the quarter down as the Middle East conflict moved sharply into focus. The closure of the Strait of Hormuz triggered a significant rise in energy prices and sharp swings across risk assets as investors reassessed the outlook for growth, inflation and policy rates.

Against this turbulent backdrop, the True Potential Portfolios declined over the quarter, with the Balanced portfolio down a modest -0.76%. This compares to a -1.75% fall in global equities in sterling terms. US equities led the decline, falling -2.64%, whilst UK, Japan and emerging market equities provided positive returns. The True Potential Portfolios benefitted from being positioned underweight US equities in favour of global ex-US equities.

Our equity exposure moderated over the quarter via reduction to the US and Europe, led by Pictet and TrinityBridge respectively. TrinityBridge reduced equities to neutral by trimming exposure to US financials, reflecting concerns around the US labour market and growing evidence that the Federal Reserve may be behind the curve in cutting interest rates. Pictet moved underweight equities in March, implemented through short positions in global and European equity futures. They also closed their overweight to emerging market equities and moderated their US equity underweight.

Despite the broad drawdown in risk assets, our active approach enabled us to add value by capturing pockets of diversification that supported performance. Ahead of the conflict, Schroders initiated a position in global energy to hedge against inflation risks. The position, initiated in December, returned 40% over the quarter.

▲▲▲ **7.2%**

The True Potential Defensive Portfolio has grown by 7.29% in the last 12 months.

▲▲▲ **12.0%**

The True Potential Balanced Portfolio has grown by 12.08% in the last 12 months.

▲▲▲ **109.8%**

The True Potential Growth Portfolio has grown by 109.8% since launch (October 2015).

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

“The True Potential Portfolios stayed resilient, supported by advanced diversification.”

Portfolios	3 months	1 year	Since launch (1 Oct 2015)
Defensive	-0.43%	+7.29%	+35.42%
Cautious	-0.38%	+10.37%	+58.72%
Cautious +	-0.62%	+9.98%	+60.76%
Cautious Income	-0.41%	+10.43%	+74.12%
Balanced	-0.76%	+12.08%	+81.34%
Balanced +	-1.06%	+11.37%	+88.70%
Balanced Income	-1.11%	+10.18%	+79.76%
Growth	-1.76%	+13.39%	+109.80%
Growth +	-1.85%	+13.81%	+113.15%
Aggressive	-2.51%	+15.88%	+134.31%

Source: Bloomberg LLP, 31st March 2026.

Full five-year past performance data for the True Potential Portfolios can be found on page 22. Figures shown after Ongoing Charges Figure (OCF) has been deducted.

The manager also tactically topped up select equity and fixed income positions during the sell-off, taking advantage of depressed valuations.

Fixed income allocations also moderated over the quarter, driven by reductions across credit. Goldman Sachs reduced high-yield bonds into cash and US Treasuries, given linkages with private credit. UBS also moderated its high-yield exposure given tight credit spreads, preferring to take risk in active emerging market debt, where it sees greater opportunity for idiosyncratic bond selection to add value. Growth Aligned also trimmed its active high-yield manager following strong performance. Within sovereign bonds, TrinityBridge and Goldman Sachs added to US Treasuries as yields moved higher and presented an attractive entry point.

Whilst both equities and fixed income allocations moved lower over the quarter, cash and alternatives increased in line with our asset class preferences. Schroders topped up select long-short alternative strategies on weakness, whilst Growth Aligned added to a trend-following strategy to hedge against the risk of a prolonged conflict.

Over the quarter, we made a manager allocation change in the Growth + portfolio to increase Growth Aligned, funded from SEI. This change reduced the cost of the portfolio. No manager allocation changes were made to the other portfolios, as we believe they are optimally positioned.

In summary, heightened geopolitical tensions drove market volatility in Q1, pressuring both equities and bonds. The True Potential Portfolios proved resilient, supported by our advanced diversification approach and selective positioning.

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



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

Review of the markets: Q1 2026

Over the quarter, global equities (as represented by the MSCI World index) fell by 3.5%. The period can be divided neatly into the first two months before conflict in the Middle East began, when markets were in fine fettle, and the month after, when the jump in global energy prices caused a setback. The first two months of the year were characterised by incredibly strong equity performance outside of the US; a rotation from growth to value; evidence that some parts of AI look over-valued; growing unease within private credit; and a broad consensus that policy stimulus ahead of the US midterms would keep markets afloat. The expected combination of policy stimulus, residual strength in the US economy and structural support for Japanese, European and emerging markets was sufficient to counter investor nervousness about systemic risks.

The outbreak of war in the Middle East disrupted these trends by triggering a sharp rise in energy prices, which led bond markets to price out interest-rate cuts in the US and to project aggressive rate hikes elsewhere. Initial comparisons with the 2022 energy shock were perhaps too pessimistic, given significant differences in the state of the global economy and the absence of material underlying inflationary pressures today.

Nonetheless, the absence of interest-rate cuts and the tax on consumers and companies from higher energy prices are significant headwinds to economic growth, and stocks struggled in March as a result. Global equities fell by 6.3% on the month, dragged down by those regions most exposed to higher energy prices, such as emerging markets (MSCI EM -13.1%), Japan (Topix -10.4%) and Europe (Eurostoxx 50 -9.1%).

Since the quarter ended, equities have rebounded on hopes of some kind of resolution in Iran and on the strength of company earnings in the US. In addition, investors remember that previous geopolitical events such as Trump's tariffs last year, Covid-19 and the Iraq war have only had a short-lived impact on financial markets. Equity investors appear willing to look through near-term earnings setbacks if their expectations for subsequent years remain unscathed.



Investors' nonchalance in the face of the war in the Middle East can also be explained by the strength of earnings in Q1, especially within semiconductors.

The reset higher in interest-rate expectations weighed on bond returns over the quarter, with global government bonds returning -1.8% and global investment-grade and high-yield credit both returning -1.3%. UK gilts performed particularly poorly, exacerbated by the UK's poor record in coping with inflation shocks and ongoing domestic political uncertainty ahead of local elections in May.

The quarter was a rollercoaster ride for gold. After gaining more than 20% in January and February, driven in part by increasing speculative involvement, gold lost nearly all those gains in the early weeks of the Iran war, but ended the quarter 8% higher. This episode has eroded some of gold's perceived defensive qualities, but the asset's growing correlation with equities had been noted; now that speculative positioning has been flushed out, there may be scope for fundamental drivers (fiat currency debasement, central bank purchases) to reassert themselves.

The dollar was one of the few beneficiaries of the war, gaining just under 2% over the quarter. However, this is likely to be a short-lived respite for its longer-term weakening trend, driven by the Trump administration's concerted efforts to improve US competitiveness. This was borne out by the dollar re-weakening as optimism grew that a resolution to the conflict might be in sight. For multi-asset investors, Q1 was a challenging period with most assets rising in the first two months then falling together in March. But over longer periods, the benefits of diversification across regions, equity styles and asset classes continue to be felt.

Source: All data from Bloomberg LLP, 31 March 2026

Market outlook: Patience through volatility.

One might reflect, hypothetically, on what it would have meant to possess perfect foresight from the spring of 2020 onwards. Such a period would have begun amid a pandemic induced lockdown and the most significant economic shock in a century. Within six months of emerging from that lockdown, the world then experienced the largest inflationary shock in forty years, followed in quick succession by the most substantial tariff conflict in a hundred years and the most significant military conflict in almost a quarter of a century. Remarkably, all of these events have occurred within the last six years.

Against this backdrop, remaining invested would understandably have required considerable conviction. Nevertheless, over this period a multi-asset investor with a balanced risk profile has achieved a return of approximately 35%¹. Over the same timeframe, an

investor in the True Potential Balanced portfolio has generated returns in excess of 56%², after fund charges, while the True Potential Aggressive portfolio has delivered gains of almost 94%.

In reality, investors never benefit from perfect foresight in any economic cycle. Instead, investment decisions are grounded in informed, risk-based judgments: that companies will continue to generate profits, that management teams will seek to grow those profits over time, and that this growth will be reflected in long-term share prices. Diversification through assets such as bonds is also expected to provide resilience during periods of economic stress, albeit this assumption was tested to an exceptional degree in 2022. These principles underpin our multi-asset investment discipline and our enduring belief that patient, diversified investment can deliver positive outcomes across the economic cycle.

Figure 1: Additional effect of high inflation on purchasing power of £100,000

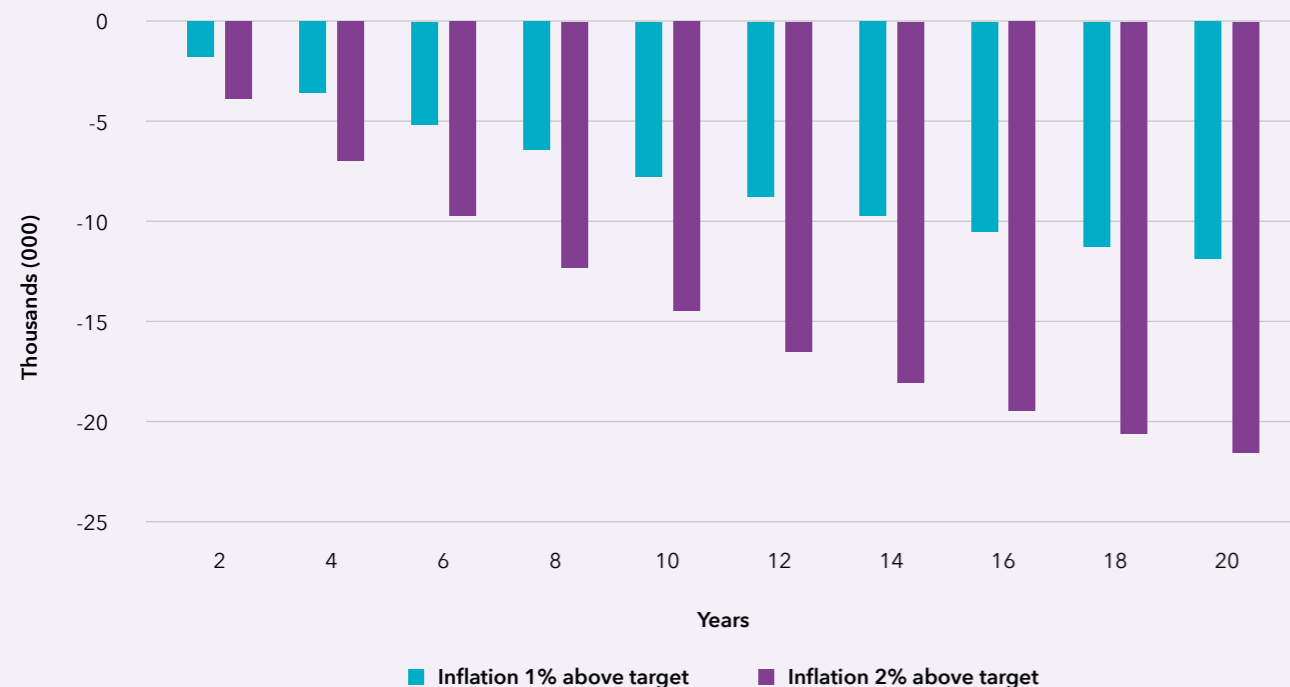
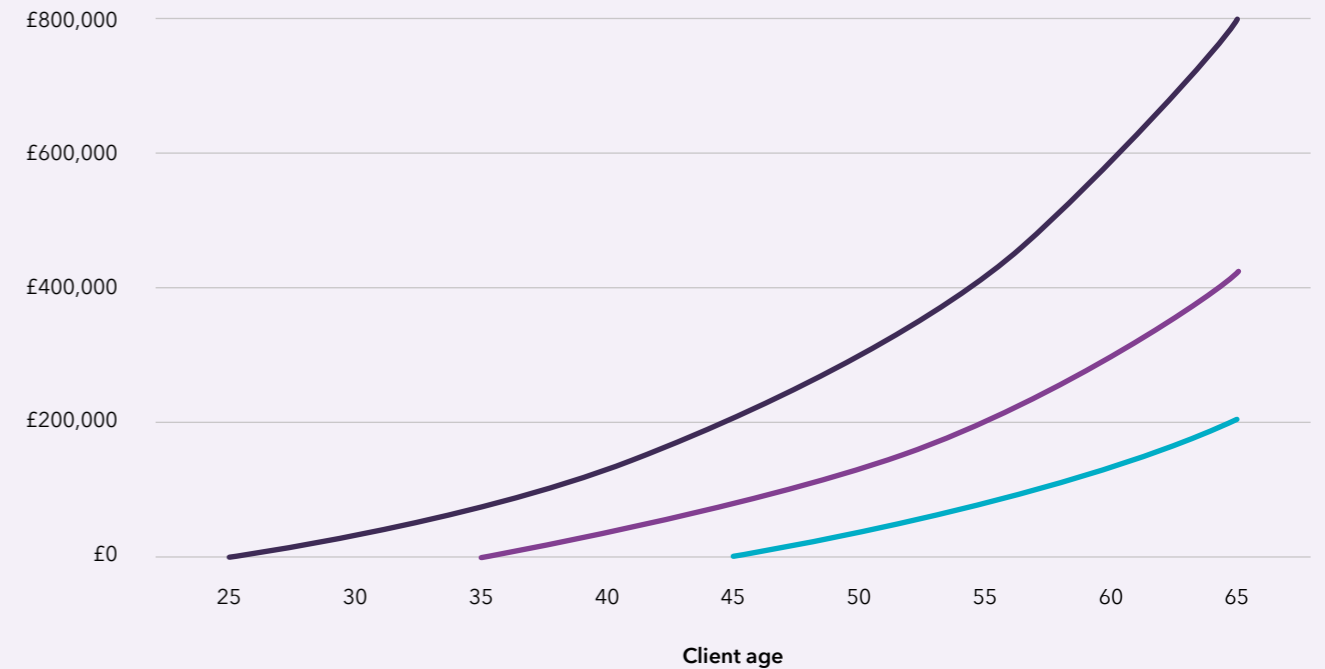


Figure 2: £5,000 invested annually with 5.9% growth per year



Investing requires patience. Remaining invested with True Potential over this unusually volatile period has proved remarkably rewarding for our clients.

The temptation to remain in cash can be compelling - no volatility, no risk of downside. Safe. Yet cash investing comes with a cost: that of inflation. Since Spring 2020 consumer prices in the UK have risen 30%, yet cash has returned less than 18%. The cost of this excess inflation can be severe. Had inflation averaged 3% over the last 6 years - just 1% above the stated target - then it would still have eroded the real value of an illustrative cash pot by an additional £5,000 (see Figure 1). Inflation averaging 4% over that time would have eroded the real value by an additional £9,800. Since Covid-19 took hold UK inflation has in fact averaged 4.5% every year, way above the stated central bank target. And inflation has been on the rise again over the last 12 months, with further pressures ahead expected.

Staying invested also comes with an overhead, but one that is more manageable. Time. Since Covid-19, this time enabled our clients to grow their savings by 26% above inflation and 36% more than the return from cash. Looking ahead, compounding returns over time can substantially grow savings and exceed the returns from cash. Since its launch over a decade ago, the True Potential Balanced portfolio has delivered an annualised return of 5.9%, net

of fund charges. Using this long-term performance as an illustrative reference, an individual investing £5,000 per annum over a 20 year period - representing total contributions of £100,000 - could reasonably expect this to grow to approximately £199,000 (Figure 2). This outcome would represent an almost twofold increase in the value of the original investment over the course of just half a typical working lifetime.

More broadly, this underscores the fundamental importance of disciplined, long-term saving and the value of remaining invested through market cycles. Regular contributions, made consistently over time, help smooth the impact of market volatility and allow investors to benefit from the compounding effect of reinvested returns. History has also shown that, over extended periods, diversified market investments have delivered returns meaningfully in excess of those typically available from cash. Taken together, the combination of time in the market, exposure to growth assets and a commitment to regular investment can play a vital role in building financial resilience and supporting stronger outcomes for the future.

Sources:
¹ Morningstar UK Moderate Target Allocation Index
² True Potential Investments & Bloomberg LLP
 All data as at 31 March 2026

Using AI to support our advisers and our clients.

With financial advice, there's no substitute for the human touch. That's precisely why we've embraced artificial intelligence (AI) at True Potential: to free up our advisers' time so that they can focus on the personal interactions that deliver the best outcomes for you.

We know that our clients value time with their advisers. They want clear, high-quality advice that covers their financial situations and takes their individual circumstances into account. But to be able to hold these conversations, advisers need to put in a lot of hours on other aspects of their job. Besides ensuring that they understand all of their clients' individual requirements, advisers have to monitor a complex and changing regulatory environment and keep abreast of developments in the markets and the industry.

This work is essential, but it can be time-consuming and laborious. And this is where technology can help. Much of this work can be whittled down considerably through the responsible use of AI.

Taking a lead in technology.

At True Potential, we've always embraced new technology to enhance our client offering, and we've always prided ourselves on developing our own solutions where that's feasible. Our adoption of AI is just a natural step in this journey. We haven't bought into 'plug and play' systems and then tried to work out how to use them; instead, we've built our technology in house.

This means that all the tools we use have been specifically developed for our needs and those of our clients. And because everything's purpose-built, we're not shoehorning AI into systems where it doesn't properly fit. Instead, we're able to integrate the tools we've developed seamlessly and efficiently.

These tools enhance our existing systems rather than replacing them. They don't disrupt existing client-adviser relationships or make them more complex; instead, they allow them to run more smoothly, giving more room for the human interaction that matters the most.



“ At True Potential, we've always embraced new technology to enhance our client offering. ”

Cutting admin and improving accuracy.

So how exactly do our AI tools help us? Well, behind the scenes, they allow us to streamline and speed up client onboarding. They also allow us to reduce admin work and improve accuracy, helping advisers to locate information quickly and speed up their responses to client enquiries.

And when it comes to meetings, our AI tools can generate transcripts and summaries that allow advisers to keep abreast of client needs more efficiently, with checklists and prompts for follow-up actions.

Innovating in our interactions.

Besides these administrative functions, we've also developed several client-facing AI tools, with which you may already be familiar. These are designed to improve your interactions with True Potential when you're not dealing directly with your adviser.

One example is Live Chat, which has been operating on our platform since December 2024. This tool helps guide you to the outcome you're looking for - whether that's to do with account enquiries, withdrawals or beneficiary-related questions. All in all, Live Chat helps you get the support you need without forcing you to jump through unnecessary online hoops.

Another example is the Personalised Account Summary, which we've now had in place for two years. This offers insights into the value of your investments, the performance of the portfolios in which you invest and the themes influencing markets. It also points out any actions that you need to take for your account. The Personal Account Summary is available in audio format, so that you can catch up with your account when you're cooking, cleaning or on the move.

Keeping control.

As with any technology, the key with AI is to use it responsibly. That's why we couple our intelligent tools with a full suite of security measures, including human oversight. It's also why we're committed to being fully transparent about how we use technology - so that you always know when AI is being applied.

Ultimately, our AI tools play a supporting role, allowing our advisers to keep you and your investment needs centre stage. We've introduced these technologies to allow our advisers to focus on what they do best: making the recommendations that are best suited to your goals and guiding you through the decisions that you need to make to achieve them.

If you'd like to know more about how we use technology to support you on your investment journey, please visit our website at www.truepotential.co.uk/technology



Power your investments with a direct debit.

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

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



John has no regular contribution



Jane set up a monthly direct debit of £200

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

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

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

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

Step 1

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

Step 2

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

Step 3

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



Expecting the unexpected.

We used to think of 'black swan' events as unexpected occurrences that were both game-changing and exceptionally rare. But these days, black swans seem to come thick and fast. In an uncertain world, investors should always expect the unexpected - and prepare their portfolios accordingly.

As this decade began, few would have predicted a global pandemic, the outbreak of Europe's largest land war since World War II and a US-instigated trade war to boot. But in the past few years, we've all had to learn to live in a much less certain world. And there's been no let-up in 2026, not least due to the Iran war and the energy shock arising from the closure of the Strait of Hormuz.

For investors, this year's twists and turns have delivered an unwelcome shift in expectations for interest rates. At the start of 2026, most market-watchers expected that US and UK interest rates would continue to fall, albeit

gradually. There were even concerns that the White House might put pressure on the Federal Reserve to cut rates further and faster than was prudent.

How things have changed. As the Iran conflict has choked off a large portion of the world's oil and gas supplies, energy prices have rocketed, with stark implications for inflation, interest rates and growth. Higher energy prices affect everything from the price of petrol to the cost of manufacturing goods. So a prolonged rise in energy costs could force central banks to raise interest rates to keep prices in check. At the same time, a sustained oil shock could cause the global economy to slow - potentially leading to 'stagflation', where high inflation is coupled with stagnant growth.

Stocks and bonds in a bind?

This outcome is far from assured, but rising rates are certainly a concern. Higher interest rates make it more expensive for businesses to expand their operations and grow their profits. They also encourage consumers to save rather than spend. As a result, the share prices of many companies tend to weaken as interest rates rise - especially in a sluggish economic environment.

And when interest rates rise, bonds tend to weaken too. That's because bond yields increase in response to higher interest rates, which means that bond prices decline.

Why multi-asset matters.

The fact that stock and bond prices can sometimes move in the same direction is one reason more broadly diversified multi-asset portfolios make sense. Stocks and bonds are essential portfolio components, but they're not the only investments available. Certain alternative investments are more resilient to rising inflation and interest rates: some types of property and infrastructure assets offer inflation-linked income streams, and some commodities can act as stores of value.

So, by diversifying their portfolios with alternative asset classes, investors can access sources of returns that may hold up better if rates do rise.

Diversification within asset classes.

Investing in alternatives is only one aspect of diversification, of course. Just as it's important to diversify between asset classes, it's also important to diversify within them. Not all stocks react to higher interest rates the same way: the most vulnerable tend to be 'growth' stocks, which are valued according to their expected future earnings. When interest rates rise, those future earnings are worth less in today's money - because money in the bank would be earning more in the interim. So growth stocks tend to be more sensitive to movements in interest rates.

But there are diversification opportunities in steadier 'value' stocks, which offer more dependable earnings and - often - income payments in the short term and are thus less exposed to rises in rates. So far this year, value stocks have outperformed growth stocks, in large part because of the prospect of higher rates.

There's also a regional consideration. Many of the growth stocks that have led markets up in recent years are based in the US. Their lofty valuations can make them especially vulnerable to sell-offs when investors reassess the outlook. Other regions, with more attractively valued stocks, may prove less exposed to such shifts. That's why regional diversification is an essential part of prudent portfolio management.

So too with sectors: banks, for example, may be helped by higher interest rates, which can boost their earnings. And the unglamorous utilities sector can be cushioned against shocks by the essential nature of its services.

Likewise, not all bonds are equal when it comes to interest rates. Like 'value' stocks, shorter-dated bonds are less exposed to rising rates, and index-linked government bonds are purpose-built for inflationary environments.

Taking the long view.

Just as it's important to achieve an appropriate balance of assets within a portfolio, it's also important to take a balanced - and long-term - view. Although unexpected events make markets prone to violent lurches, prudent investors shouldn't be pressured into hasty responses. We should remember that surprises aren't always unwelcome. For example, the current Middle East conflict might drag on for months, but it might be rapidly resolved. That could lead to altogether more optimistic expectations and the prospect of 'relief rallies' in the markets.

All of this makes confident forecasting a fool's errand: we can't control global events. But we can control the make-up of our portfolios. By diversifying them appropriately across and within asset classes, we can ensure that they're built to cope with all the uncertainties of our 'black swan' age.

Introducing Amundi Investment Solutions

200 million

Amundi has over 200 million clients.

34 countries

With a presence in 34 countries, Amundi is Europe's largest asset manager.

€2.4 trillion

The company has around €2.4 trillion in assets under management.

Source:
1 Amundi - Your
Trusted Partner in
Asset Management |
About Amundi,
May 2026.

At True Potential, we always aim to work with investment managers who are 'best in breed'. And we're also committed to evolving our operations to improve outcomes for our clients. That's why we're delighted to announce that we've appointed Amundi as our new strategic partner. Amundi is now providing us with strategic investment solutions for our Growth-Aligned funds and state-of-the-art technology for our investment operations.

With 200 million clients and a presence in 34 countries, Amundi is Europe's largest asset manager and one of the 10 largest in the world. Currently, the company has around €2.4 trillion in assets under management. Amundi is a pioneer in responsible investment and an innovator in investment-related technology.

Streamlined portfolio construction.

This new partnership offers our clients several important benefits. Amundi has worked with us to design a unique framework for our strategic asset allocation. This draws on Amundi's expertise in multi-asset solutions, exchange-traded funds and index platforms, as well as the company's in-depth economic research and technological know-how. The aim is to achieve investment outcomes in line with the risk appetite associated with each of our Growth-Aligned funds.

Amundi also now provides our Growth-Aligned team with a range of bespoke index-level funds, which function as building blocks for our five Growth-Aligned strategies. This streamlines our portfolio construction and makes our investment process more transparent.

Enhancing our operations.

Another aspect of the new partnership is an enhancement of our internal operations. We are achieving this through the integration of ALTO, Amundi's proprietary technology platform. This is now embedded in our investment processes. By harmonising our operations, ALTO allows us to enhance our investment oversight and our client reporting.

We see these developments as significant steps forward in our effort to deliver the best outcomes for our clients. And this is just the beginning. We are looking forward to working with Amundi on other aspects of our business. These are likely to include collaborations on digital initiatives, retirement technology and our marketing efforts.

Staying agile.

Ultimately, our partnership with Amundi is about ensuring that we never stand still. We're delighted that our True Potential Portfolios have delivered top-quartile performance for our clients since their inception. But we know that we can never afford to rest on our laurels.

This means that our drive to deliver superior client outcomes is constantly evolving, whether in our investment strategy, our client offering or our internal processes. We're confident that our partnership with Amundi improves our ability to deliver for our clients on all of these fronts.

“ Our partnership with Amundi improves our ability to deliver for our clients. ”



What matters for growth, inflation and the markets in the months ahead?

At the time of writing, global equity markets have recovered strongly from their first-quarter sell-off. That recovery is largely based on optimism that the US-Iran conflict will be resolved relatively soon, allowing oil shipments to start moving through the Strait of Hormuz again and easing concerns about inflation and growth. If the conflict drags on, however, those concerns will come to the fore again.

That makes events in the Persian Gulf the key to growth and inflation forecasts in the months ahead – and thus perhaps the most important factor in moving financial markets in one direction or the other.

There are likely to be plenty of other market-moving developments in the second half of 2026, of course. Some of these could be amplified by higher energy prices, however, should the closure of the Strait of Hormuz persist.

In the US, for example, the Democrats could take control of one or both Houses of Congress in November's midterm elections, potentially constraining President Trump's ability to pursue his policy agenda. Higher energy prices and popular discontent at the US's involvement in another foreign war could be significant factors in deciding the outcome of the midterms.

In Europe, the higher cost of energy is already threatening the 'green shoots' of economic recovery that were beginning to emerge. Germany's commitment to higher spending on infrastructure and defence is offsetting this to some extent, but a prolonged oil shock could tip the balance towards recession.

Sustained high energy prices could also weigh on corporate profits, which have helped to keep equity markets buoyant through the recent volatility, especially in the US.

Another driver of stock-market performance has been excitement over the huge spending on AI infrastructure. Recently, this has caused concern among investors. Although AI-driven efficiencies are already helping to improve corporate profits, not all of the big AI spenders are likely to emerge as 'winners' in the AI race. As investors try to weed out the 'winners' from the 'losers', the market outcomes could be dramatic.

And then there's politics. Along with the US midterms, we could also see an autumn of political change in the UK. Here, a Labour leadership challenge looks likely in the coming months, potentially resulting in a new prime minister. Any leadership challenge would probably be resolved in September, meaning that a new prime minister, with a new Cabinet and policy agenda, could be in place in time for November's Budget.

All of these prospects could play out in different ways – underscoring the need for properly diversified portfolios and a balanced investment approach.

Inflation up but interest rates unlikely to follow



We forecast global inflation at **3.3%** this year.

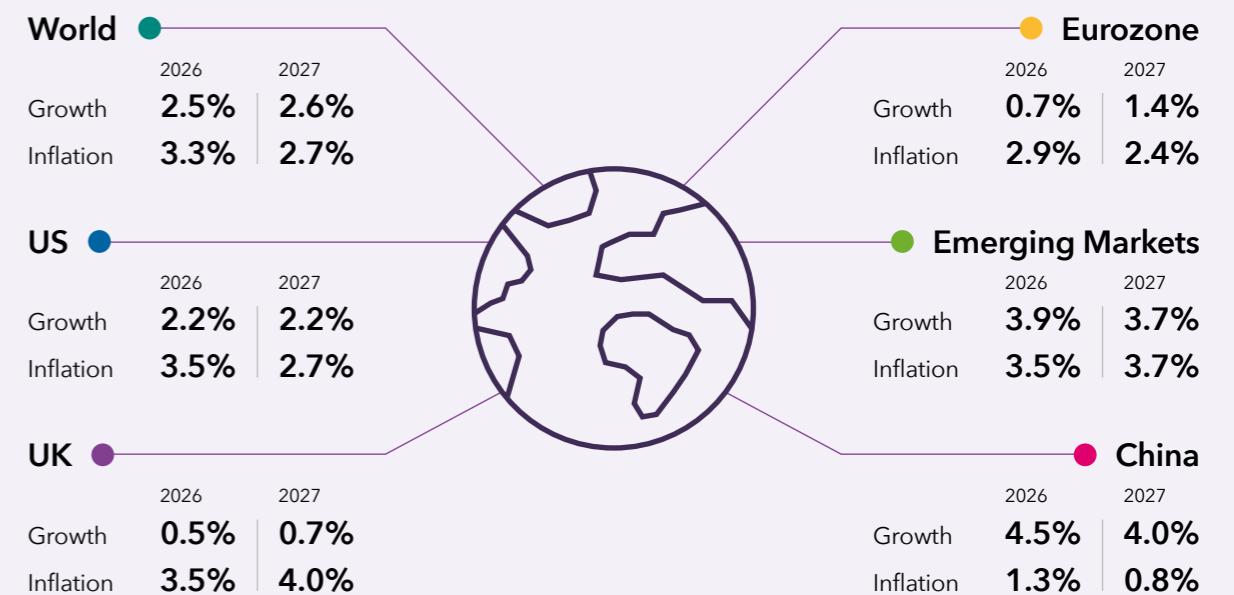


Higher energy prices will push inflation up and weigh on growth.



Weak growth should prevent second round inflation and mean rate hikes are unnecessary.

Schroder's latest growth and inflation forecasts



Middle East conflict: grand bargain or re-escalation?



A grand bargain leading to a glut in oil supply could see prices drop to **\$50/barrel**, causing inflation to fall and **boosting growth to 3.4%** in 2027.



But re-escalation could see oil reach **\$150/barrel**, causing inflation to surge and **growth to fall to 1%** in 2027.

Source: Schroders Economics Group, May 2026.

A small change, the same Insight.

True Insight has moved to a digital-only format.

This change allows us to bring you the same thoughtful commentary, market insights and performance updates you value - but in a more flexible, accessible and sustainable way. A digital edition means you can read True Insight wherever and whenever it suits you, on your phone, tablet or computer, and revisit articles whenever you wish.

While the format is changing, our focus is not. We remain committed to keeping you informed with clear, relevant and high-quality insight to help you stay confident about your financial future.

If you would like to receive a digital version of True Insight, you will need to ensure that your marketing preferences are set to receive email communications. To do this you will need to log into your True Potential account, access **settings**, then select **marketing preferences**.

If you would still like to continue to receive True Insight as a print magazine, please scan the QR code below, or visit truelnsight.co.uk to confirm your preference.



If you need any support you can speak to our dedicated team by calling us on 0191 500 9164, or log into your account to start a live chat or send us a secure message.

We are available 7am - 8pm weekdays
and 8am - 12pm Saturdays.



Five-year performance.

Portfolios	31 Mar 2021 to 31 Mar 2022	31 Mar 2022 to 31 Mar 2023	31 Mar 2023 to 31 Mar 2024	31 Mar 2024 to 31 Mar 2025	31 Mar 2025 to 31 Mar 2026	Since launch annualised* (1 Oct 2015)
Defensive	+0.80%	-4.28%	+5.53%	+3.00%	+7.29%	+2.93%
Cautious	+1.95%	-4.47%	+7.65%	+3.78%	+10.37%	+4.50%
Cautious +	+2.91%	-4.98%	+8.75%	+3.81%	+9.98%	+4.62%
Cautious Income	+5.48%	-5.29%	+8.30%	+8.09%	+10.43%	+5.42%
Balanced	+3.89%	-5.15%	+10.21%	+3.72%	+12.08%	+5.83%
Balanced +	+4.62%	-4.96%	+10.96%	+3.78%	+11.37%	+6.23%
Balanced Income	+5.11%	-4.70%	+10.03%	+6.44%	+10.18%	+5.74%
Growth	+5.94%	-4.65%	+12.57%	+3.10%	+13.39%	+7.31%
Growth +	+6.28%	-5.16%	+14.06%	+3.76%	+13.81%	+7.47%
Aggressive	+7.72%	-4.57%	+14.93%	+2.81%	+15.88%	+8.44%

Source: Bloomberg LLP, 31st March 2026.

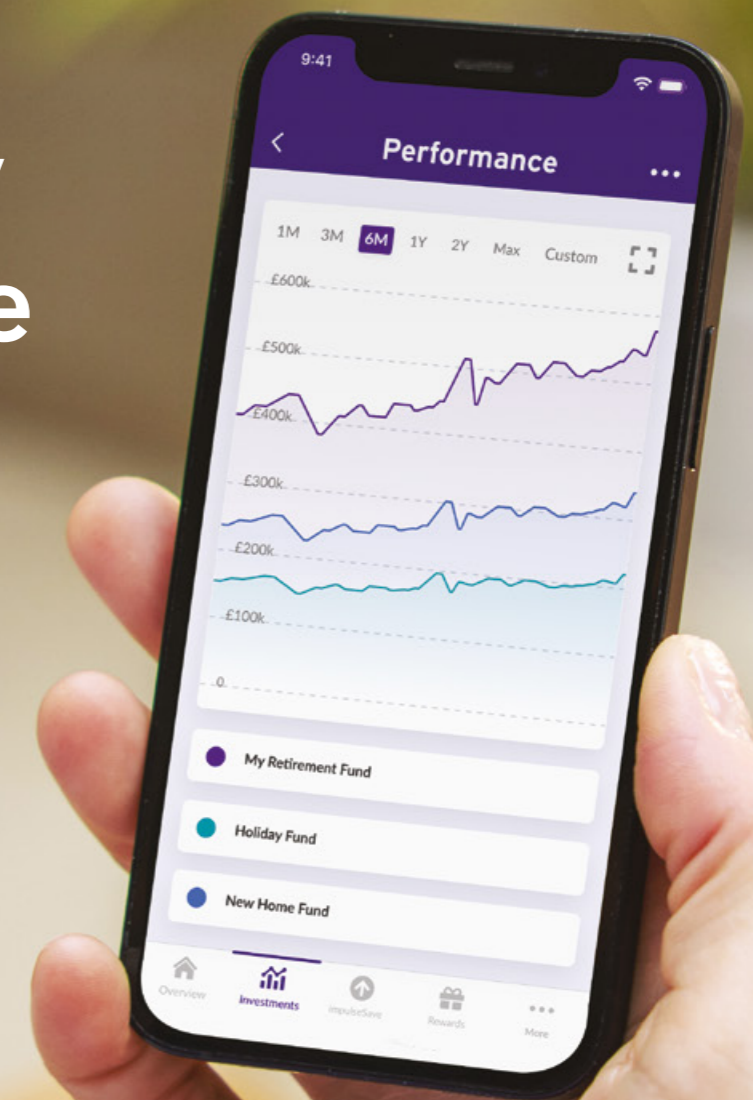
Figures shown after Ongoing Charges Figure (OCF) has been deducted.

*An annualised return is a measure of how much an investment has increased on average each year during a specific period.

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