

Portfolio commenced 8 June 2009

**OBJECTIVE:**

To substantially outperform cash whilst aiming to reduce downside risk. Please note that whilst we aim to achieve positive returns over three year rolling periods, there is no guarantee that such a return will be achieved over this or any other period.

**STRATEGY:**

Actively managed and may be all equity, all bonds or all cash. It normally invests in a wide range of ETFs to gain significant diversification and exceptional liquidity at very low cost.

Top Holdings as at 30 <sup>th</sup> November 2018	%
Vanguard FTSE 100 ETF	11.5
iShares Core MSCI EM IMI ETF USD Acc	9.2
iShares Core MSCI Japan IMI ETF USD Acc	8.9
SPDR® FTSE UK All Share ETF Acc	7.1
UBS ETF BlombgBarcl USD EM Sovn GBPH A	5.9
UBS ETF BlombgBarcl US LqCrp1-5Yr GBPH A	5.9
UBS ETF BlombgBarcl US Lq Corp GBPH A	5.8
iShares Core FTSE 100 ETF GBP Dist	5.8
iShares MSCI EMU ETF GBP H Dist	4.8
iShares JPMorgan \$ EM Corp Bd ETF \$ Dist	3.8

**Underlying Holdings Key Statistics** (Source: Bloomberg)

**OVERALL ASSET ALLOCATION**



**Bonds Component**

No. Holdings	Yield to Maturity	Maturity (Yrs from Today)	Modified Duration	S&P Rating
792 Govt. Bonds 2,884 Corp. Bonds	4.8 %	9.0 Yrs	5.8	BBB+

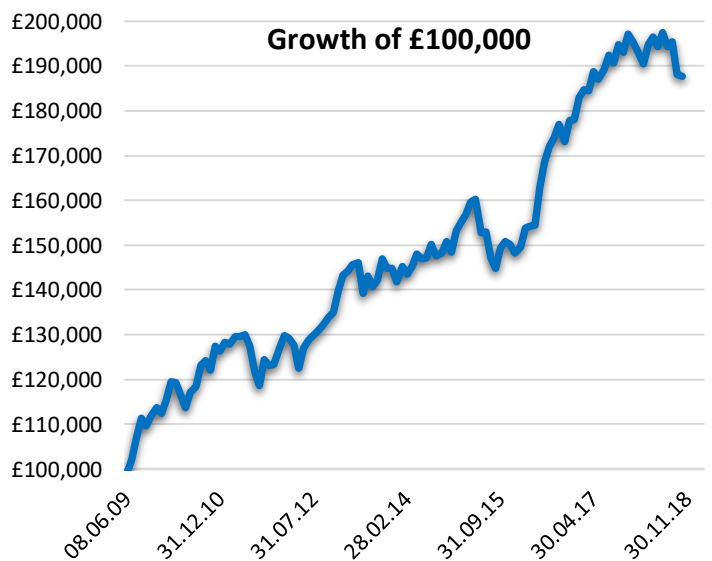
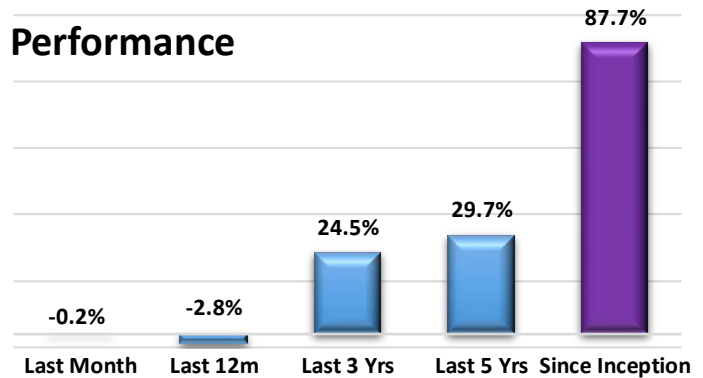
**Equities Component**

No. Holdings	Dividend Yield	Price to Book Ratio	P/E Ratio *	LTG EPS**
4,882 Equities	3.7%	1.4x	11.7x	10.2%

\*Price/projected earnings for a stock is the ratio of the company's most recent month-end share price to the company's estimated earnings per share (EPS) for the current fiscal year.

\*\* The estimated earnings growth over the next 5 years.

**Performance**



**Rolling Returns**

12m to 30.11.18	12m to 30.11.17	12m to 30.11.16	12m to 30.11.15	12m to 30.11.14	12m to 30.11.13	12m to 30.11.12	12m to 30.11.11
-2.8%	11.5%	14.8%	-0.1%	4.3%	8.1%	8.9%	0.8%

Source: SCM Private LLP

Past performance is not a guide to future performance. The value of the investment and the income deriving from it can go down as well as up and can't be guaranteed. You may get back less than you invested.

**Fees & Charges**



<b>ANNUAL MANAGEMENT CHARGE: 0.4% +VAT</b>	<b>0.48%</b>
<i>Underlying ETF costs (KIID Ongoing Charge)</i>	0.25%
<i>Est. Dealing Costs (transaction costs of buying &amp; selling ETFs of 0.09% pa + underlying transaction costs within ETFs of 0.06% pa)</i>	0.17%
<i>Custody &amp; Administration fee</i>	0.12%
<b>TOTAL COST OF INVESTING</b>	<b>1.00%</b>

**WINNERS 2018**

Online Wealth Manager of the Year • *Global Business Insight Awards*  
 Business Women of the Year - Gina Miller • *CEO Today*  
 Excellence Award - Gina Miller • *Wintrade*

**WINNERS 2017**

50 Most Influential • *PAM Awards*  
 Investment Manager of the Year • *Acquisition International*

**WINNERS 2016**

UK Long-Term Return Fund of the Year • *ACQ5*  
 Transparency Champions • *Transparency Taskforce*  
 Fund Manager of the Year • *Acquisition International*  
 Inspirational Women Innovators - Gina Miller • *Brummel*  
 UK Leading Fund Management Firm of the Year • *ACQ5*  
 UK Game Changers of the Year (FM) - Alan & Gina Miller • *ACQ5*

**WINNERS 2015**

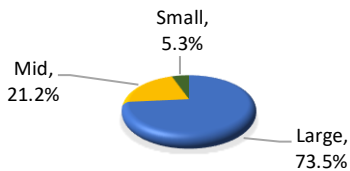
Best Long-Term Returns • *Wealth & Money Management*  
 UK Game Changers of the Year (FM) - Alan & Gina Miller • *ACQ5*  
 Most Innovative Fund Management Firm UK • *Wealth & Money Management*

**WINNERS 2014**

City Champions - Alan & Gina Miller for Moral Leadership • *Spears*

## Underlying Holdings (Source: Bloomberg)

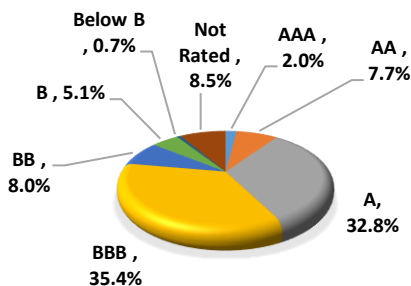
### EQUITIES BY SIZE



### Equities by Region

United Kingdom	41.8%
Japan	15.0%
Europe dev	13.8%
Asia dev	9.4%
Asia emrg	7.3%
Europe emrg	5.1%
North America	4.4%
Latin America	1.9%
Africa / Middle East	1.3%
Australasia	0.0%

### FIXED INCOME BY CREDIT RATING



### Last 3 years annualised volatility

SCM Absolute Reserve	6.3%
UK Corp Bonds (iBoxx Large Cap TRI Index)	6.7%
UK Gilts (Bloomberg UK Govt All>1 Yr)	7.2%
UK Equities (MSCI UK)	9.6%
US Equities (MSCI USA)	9.5%
UK Index-Linked Gilts (Barclays UK Infl. Linked)	11.4%
Europe Excluding UK (MSCI Eur. Ex UK)	10.0%
Asia Pacific Excl. Japan (MSCI Asia Ex Jap)	14.8%
Em Markets (MSCI EM)	14.6%
Japan (MSCI Japan)	14.7%

## Asset Allocation Changes and Market Commentary

No changes were made during the month.

At the time of writing, there have been major falls in many stock markets in December with falls (in GBP) of 7.2% for the US stock market (S&P 500), 7.3% for US tech stocks (NASDAQ), 3.3% for the UK market (FTSE 100), and 4.0% for the Japanese market (NIKKEI 225). We believe that valuations for many shares outside US tech stocks are now looking good value again.

The average stock held is forecast to grow its earnings over the next 3 to 5 years by 10% pa, whilst the Price to Earnings Ratio is a reasonable 11.7x with a yield of 3.7% pa. Compounding is a powerful force – let's say the 10-year future growth is just half this 10% pa - 5% pa, and that share prices rise in line with this earnings growth, and that the 3.7% pa yield grows at 5% pa. This produces a 10-year return before costs or taxes of 46.5% in income and 62.9% in capital, making 109.4% overall.

However, the question remains how likely is the stock you buy today will produce this growth? Obviously by spreading your portfolio over many stocks as we do, you reduce stock specific risk. For example, ASOS, the internet shopping firm yesterday warned that UK sales growth would fall short of expectations leading to its share price falling nearly 38%, reducing its market value by over £1bn. The last few years have seen many tech & growth stocks move to higher valuations. The problem is that when there is a downgrade, it produces a "double whammy" whereby a fall in the earnings projection is accompanied by a fall in the earnings multiple producing a sharp price fall as evidenced by ASOS yesterday. We have recently been reducing our exposure to tech stocks and increasing the focus of "value" stocks that tend to have a much lower valuation, albeit with often a lower growth rate.

Whilst "growth" stocks (red line) have outperformed considerably over the last 5 years, over recent months "value" stocks have been outperforming:



Source: Bloomberg

[Alan Miller](#) - Chief Investment Officer, 18<sup>th</sup> December 2018

Performance is based on the monthly performance of the first client discretionary portfolio after all charges. Individual client portfolios may differ due partly to differences in the timing of initial investment or withdrawals or rebalancing. The SCM Absolute Return (GBP) Benchmark is the Barclays Benchmark Overnight GBP Cash Index. Investing in Exchange Traded Funds may expose the investor to a number of risks, some of which are specific to Exchange Traded Funds and some of which are general investment risks. Discretionary portfolios are not subject to the same regulatory constraints as UCITS and other regulated funds. Risk and performance can change over time and the SCM Direct Portfolios may not be suitable for all types of investor. The tax treatment of investments depends on each investor's individual circumstances and is subject to changes in tax legislation. We aim to provide investors with simple, understandable information so they can make fully informed decisions. If you are unsure about the suitability of our investment portfolios, please contact an independent financial adviser. SCM Direct is a trading name of SCM Private LLP which is authorised and regulated by the Financial Conduct Authority to conduct investment business. Company registered in England and Wales, no. OC342778. **The value of investments can go down in value as well as up, so you could get back less than you invest. Exchange rates may cause the value of overseas investments and income from them to rise and fall. It is therefore important that you understand the past performance is not a guide to future returns. SCM Direct does not give personal advice.**