

Portfolio commenced 1<sup>st</sup> June 2011

**OBJECTIVE:**

To outperform cash.

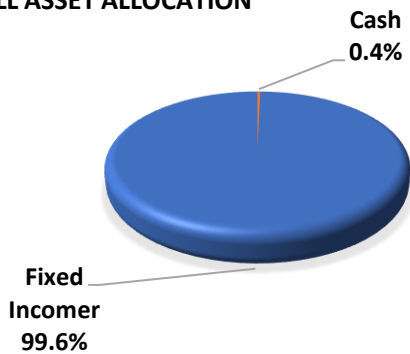
**STRATEGY:**

Actively managed. This well-diversified portfolio is made up of cash, credit and fixed interest investments. It normally invests in a wide range of ETFs to gain significant diversification and exceptional liquidity at very low cost.

Top Holdings as at 31 <sup>st</sup> of December 2018	%
UBS ETF BlombgBarcl USD EM Sovn GBPH A	15.3
UBS ETF BlombgBarcl US LqCrp1-5Yr GBPH A	15.1
UBS ETF BlombgBarcl US Lq Corp GBPH A	15.1
UBS ETF JPM USD EM Dvrs Bd1-5H GBP A-dis	13.8
PIMCO EM Advtg Lcl Bd Res ETF Acc USD	8.3
iShares Core £ Corp Bond ETF GBP Dist	8.0
SPDR® Blmbrg Bcly Stlg Corp Bd ETF	7.5
iShares £ Corp Bond ex-Fncl ETF GBP Dist	7.4
iShares \$ Floating Rate Bd ETF GBPH Dist	5.0
iShares JPMorgan EM Lcl Govt Bd ETF\$Dist	4.4

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

**OVERALL ASSET ALLOCATION**



**Underlying Holdings Key Statistics**

No. Holdings	Yield to Maturity	Maturity (Yrs from Today)	Modified Duration	S&P Rating
<b>677 Govt. Bonds</b> <b>2,374 Corp. Bonds</b>	<b>4.8 %</b>	<b>8.3 Yrs</b>	<b>5.4</b>	<b>BBB+</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*

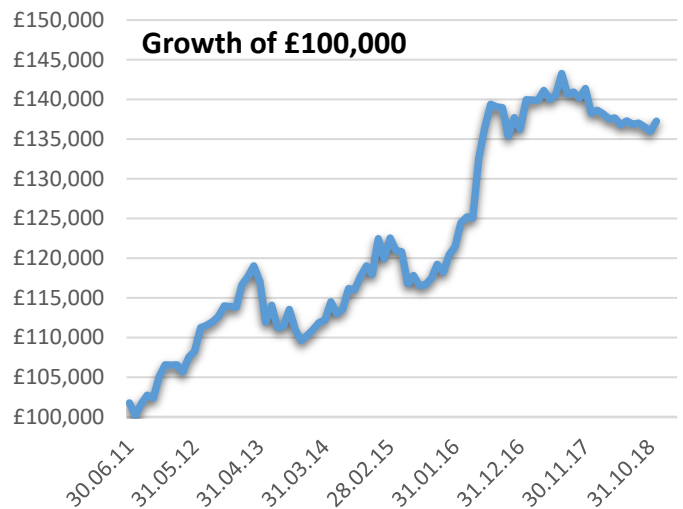
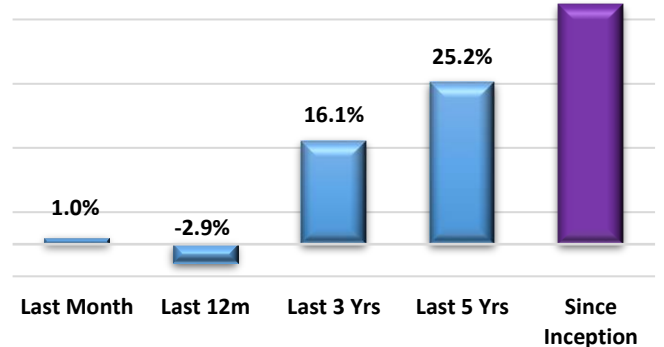
**WINNERS 2017**  
50 Most Influential • *PAM Awards*  
Investment Manager of The Year • *Acquisition International*

**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**  
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Most Innovative Fund Management Firm UK • *Wealth & Money Management*

**WINNERS 2014**  
City Champions - Alan & Gina Miller for Moral Leadership • *Spears*

**Performance**



**Rolling Return**

12m to 31.12.18	12m to 31.12.17	12m to 31.12.16	12m to 31.12.15	12m to 31.12.14	12m to 31.12.13
-2.9%	2.7%	16.5%	0.3%	7.6%	-3.8%

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>	<i>0.33%</i>
<i>Est. Dealing Costs (transaction costs of buying &amp; selling ETFs of 0.07% pa + underlying transaction costs within ETFs of 0.05% pa)</i>	<i>0.12%</i>
<i>Custody &amp; Administration fee</i>	<i>0.12%</i>
<b>TOTAL COST OF INVESTING</b>	<b>1.05%</b>

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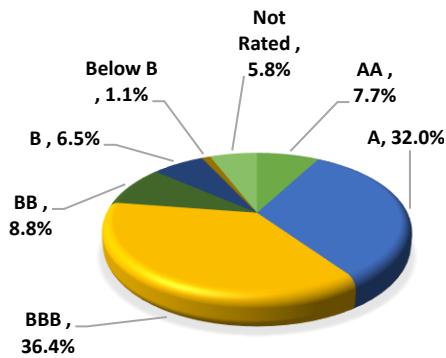
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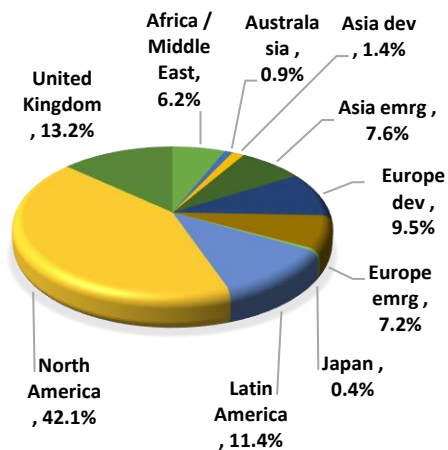
## OVERALL ASSET ALLOCATION



### Last 3 years annualised volatility

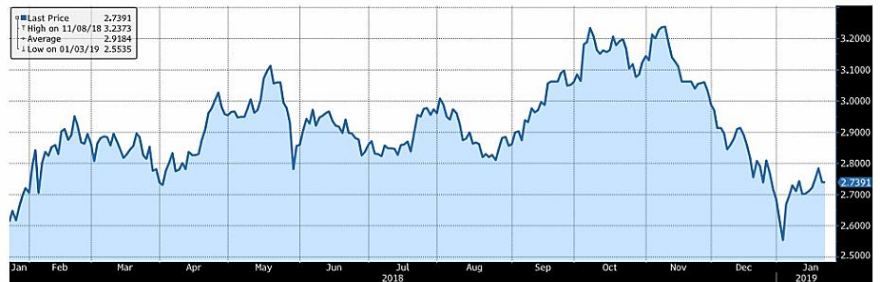
Asset Class	Volatility
SCM Bond Reserve	5.5%
UK Gilts (Bloomberg UK Govt All>1 Yr)	7.0%
UK Corp Bonds (iBoxx Large Cap TRI Index)	6.7%
UK Equities (MSCI UK)	9.8%
US Equities (MSCI USA)	10.7%
UK Index-Linked Gilts (Barclays UK Infl. Linked)	11.1%
Europe Excluding UK (MSCI Eur. Ex UK)	9.8%
Asia Pacific Excl. Japan (MSCI Asia Ex Jap)	14.1%
Em Markets (MSCI EM)	14.1%
Japan (MSCI Japan)	15.3%

### FIXED INCOME BY REGION (BY ISSUER)



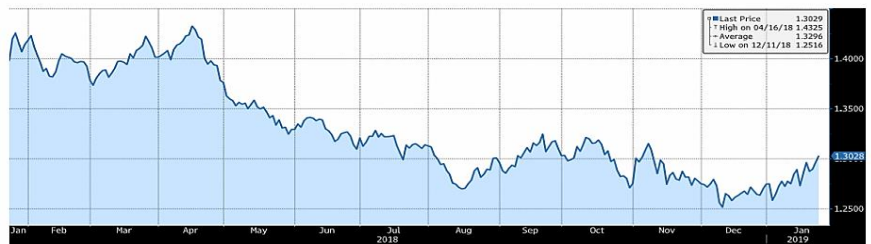
## Asset Allocation Changes and Market Commentary

December witnessed some dramatic falls in equity markets across the world, because of escalating fears on the US/China trade talks and recent poor economic stats. In contrast, the US and other bond markets performed strongly. The yield on US 10-year Treasuries has fallen from over 3.2% pa in November to below 2.7% pa at year-end:



Source: Bloomberg

During December, we made several changes to reflect our view that £ Sterling was materially under-priced, particularly against the US\$. The £ pound fell to \$1.25 in mid-December from the \$1.43 level, it reached in April 2018:



Source: Bloomberg

We took advantage of this weakness to switch a US\$ based Emerging Market Corporate Bond ETF (9.9% of the portfolio) and part of a US\$ based Emerging Government Bond ETF (4.0% of the portfolio) into a shorter maturity, GBP hedged, Emerging Government Bond ETF. The new ETF invests in a diverse range of Emerging Market Government Bonds, that currently yield 6.2% pa, before costs, with an average maturity of 3.3 years.

As the table below indicates, based on Purchasing Power Parity (PPP), the £ is c. 15% undervalued against the US\$. Purchasing power parity (PPP) compares different countries' currencies through a "basket of goods" approach.

	% Undervaluation £ vs US\$
Based on PPP (Consumer)	3.7
Based on PPP (Producer)	19.7
Based on PPP (Big Mac)	27.3
Based on PPP (OECD)	10.5
Average of above	15.3

Source: Bloomberg

Our strategy remains to look through short term noise and volatility of markets, focus on the fundamentals and endeavour to take advantage of opportunities as they arise.

**Alan Miller - Chief Investment Officer, 23<sup>rd</sup> January 2019**

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 Direct Bond Reserve (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.