

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 31 <sup>st</sup> December 2018	%
Vanguard FTSE 100 ETF	11.5
iShares Core MSCI EM IMI ETF USD Acc	8.7
iShares Core MSCI Japan IMI ETF USD Acc	8.4
SPDR® FTSE UK All Share ETF Acc	7.2
UBS ETF BlombgBarcl USD EM Sovn GBPH A	6.1
UBS ETF BlombgBarcl US LqCrp1-5Yr GBPH A	6.0
UBS ETF BlombgBarcl US Liq Corp GBPH A	6.0
iShares Core FTSE 100 ETF GBP Dist	5.9
UBS ETF JPM USD EM Dvrs Bd1-5H GBP	5.5
iShares MSCI EMU ETF GBP H Dist	4.8

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

**OVERALL ASSET ALLOCATION**

**Bonds Component**

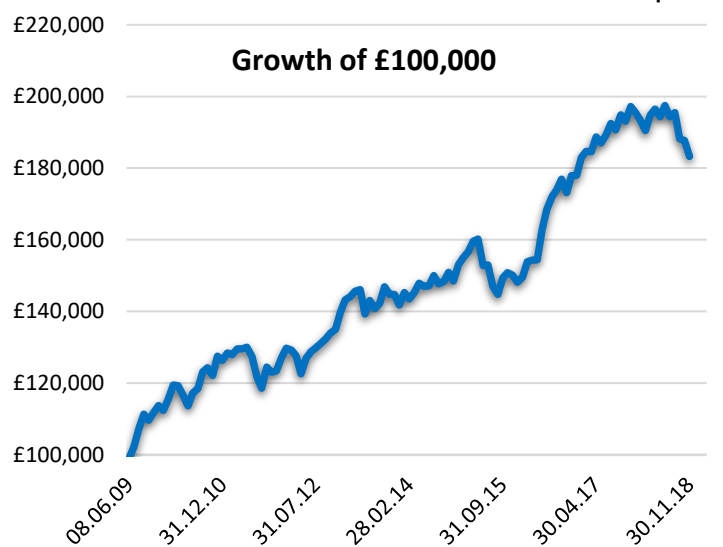
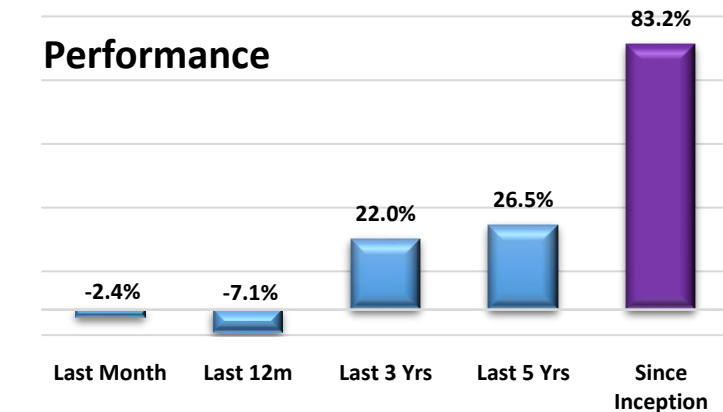
No. Holdings	Yield to Maturity	Maturity (Yrs from Today)	Modified Duration	S&P Rating
677 Govt. Bonds	4.8 %	8.2 Yrs	5.3	BBB+
2,374 Corp. Bonds				

**Equities Component**

No. Holdings	Dividend Yield	Price to Book Ratio	P/E Ratio *	LTG EPS**
4,882 Equities	4.3%	1.2x	10.4x	8.6%

\*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 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	12m to 31.12.12	12m to 31.12.11
-7.1%	10.8%	18.5%	1.1%	2.6%	7.3%	9.4%	-3.2%

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>	0.15%
<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*

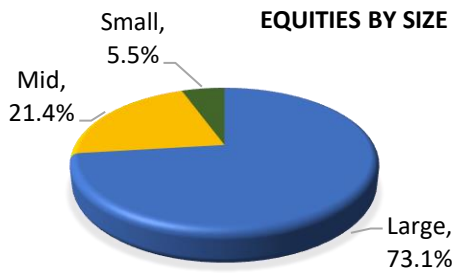
**WINNERS 2015**

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*

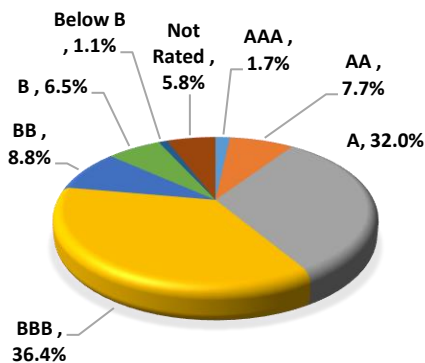
## Underlying Holdings (Source: Bloomberg)



### Equities by Region

United Kingdom	43.4%
Japan	14.5%
Europe dev	14.0%
Asia dev	9.2%
Asia emrg	7.0%
Europe emrg	7.0%
North America	3.9%
Latin America	1.9%
Africa / Middle East	1.3%
Australasia	0.0%

### FIXED INCOME BY CREDIT RATING

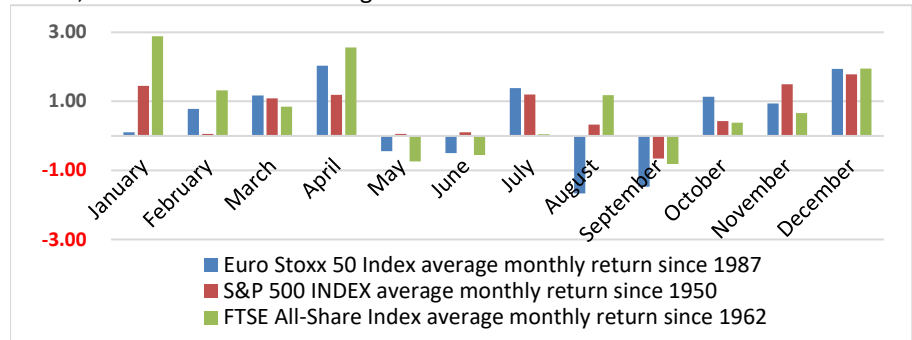


### Last 3 years annualised volatility

SCM Absolute Reserve	6.5%
UK Corp Bonds (iBoxx Large Cap TRI Index)	6.7%
UK Gilts (Bloomberg UK Govt All>1 Yr)	7.0%
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%

## 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. The movements were unprecedented – for example the December fall of 9.2% in the US S&P 500 Index, was the worst since 1950. The UK FTSE All-Share Index, fall of 3.9% was the third worst since the Index started in 1962. As our research below shows, markets tend to be strong rather than weak in December:



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 (3.9% of the portfolio) and a US\$ based Emerging Government Bond ETF (1.6% 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 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.