

Portfolio commenced 8 June 2009
OBJECTIVE:

To outperform inflation.

STRATEGY:

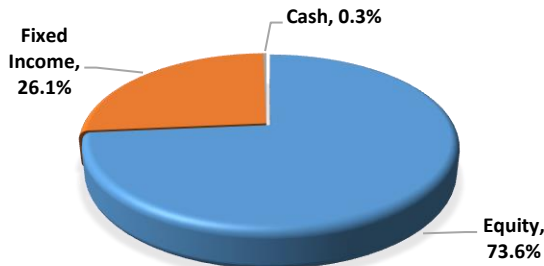
Actively managed with a long-term bias to real assets e.g. equities.

The Portfolio normally invests in a wide range of ETFs to gain significant diversification and exceptional liquidity at very low cost.

Top Holdings as at 31st December 2018

| Top Holdings as at 31 st December 2018 | % |
|---|-----|
| Vanguard FTSE 100 ETF | 9.8 |
| SPDR® FTSE UK All Share ETF Acc | 9.7 |
| UBS ETF Fact MSCI USA PrmVal H GBP A dis | 8.7 |
| iShares Core FTSE 100 ETF GBP Dist | 7.9 |
| iShares Core MSCI EM IMI ETF USD Acc | 7.8 |
| Vanguard Global Value Factor ETF USD Acc | 7.3 |
| iShares Core MSCI Japan IMI ETF USD Acc | 7.2 |
| iShares MSCI EMU ETF GBP H Dist | 4.9 |
| UBS ETF BlombgBarcl USD EM Sovn GBPH A | 4.0 |
| UBS ETF BlombgBarcl US LqCrp1-5Yr GBPH A | 4.0 |

Underlying Holdings Key Statistics (Source: Bloomberg)

OVERALL ASSET ALLOCATION

Underlying Holdings Key Statistics (Source: Bloomberg)

Bonds Component

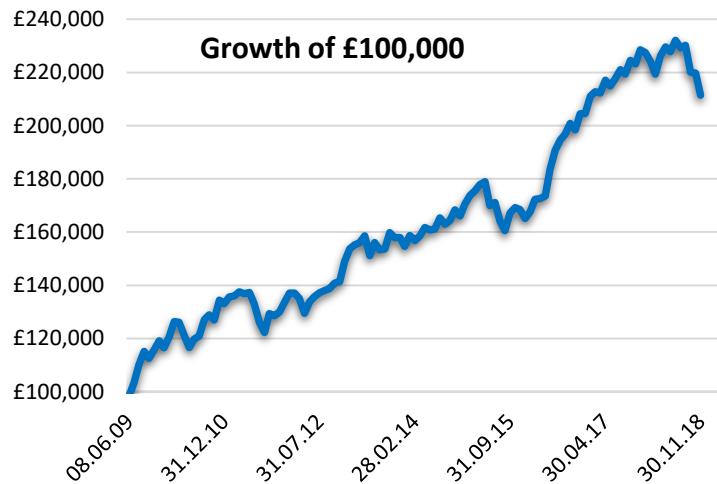
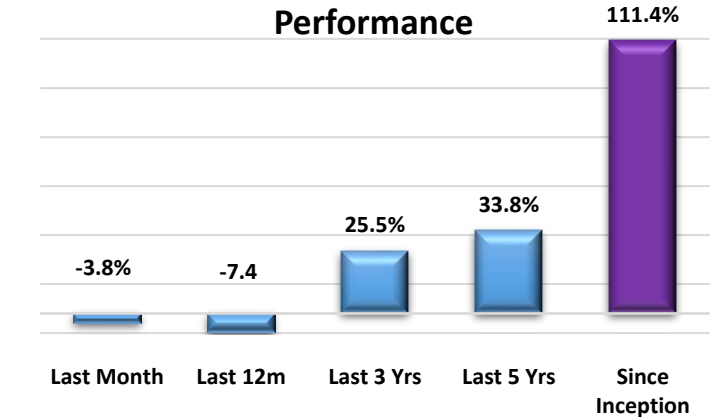
| No. Holdings | Yield to Maturity | Maturity (Yrs from Today) | Modified Duration | S&P Rating |
|-----------------------------------|-------------------|---------------------------|-------------------|------------|
| 677 Gov Bonds 2,374 Corp Bonds | 4.7% | 8.1 Yrs | 5.3 | BBB+ |

Equities Component

| No. Holdings | Dividend Yield | Price to Book Ratio | P/E Ratio * | LTG EPS** |
|--------------|----------------|---------------------|-------------|-----------|
| 4,849 | 4.2% | 1.3x | 10.4x | 8.7% |

*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 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| -7.4% | 11.8% | 21.4% | 1.5% | 5.0% | 11.7% | 8.9% | -3.3% |

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


| | |
|---|--------------|
| ANNUAL MANAGEMENT CHARGE: 0.4% +VAT | 0.48% |
| <i>Underlying ETF costs (KIID Ongoing Charge)</i> | 0.24% |
| <i>Est. Dealing Costs (transaction costs of buying & selling ETFs of 0.10% pa + underlying transaction costs within ETFs of 0.06% pa)</i> | 0.16% |
| <i>Custody & Administration fee</i> | 0.12% |
| TOTAL COST OF INVESTING | 1.00% |

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 • Brummell
 UK Leading Fund Management Firm of the Year • ACQ5
 UK Game Changers of the Year (FM) - Alan & Gina Miller • ACQ5

WINNERS 2015

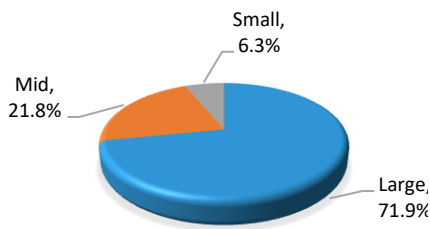
 Best Long-Term Returns • Wealth & Money Management
 UK Game Changers of the Year (FM) - Alan & Gina Miller
 Most Innovative Fund Management Firm UK • Wealth & Money Management

WINNERS 2014

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

Underlying Holdings (Source: Bloomberg)

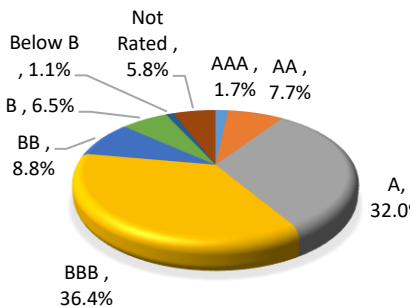
EQUITIES BY SIZE



Equities by Region

| | |
|----------------------|-------|
| United Kingdom | 39.1% |
| North America | 19.2% |
| Europe dev | 12.8% |
| Japan | 10.7% |
| Asia dev | 7.4% |
| Asia emrg | 5.2% |
| Europe emrg | 3.2% |
| Latin America | 1.4% |
| Africa / Middle East | 1.0% |
| Australasia | 0.0% |

FIXED INCOME BY CREDIT RATING

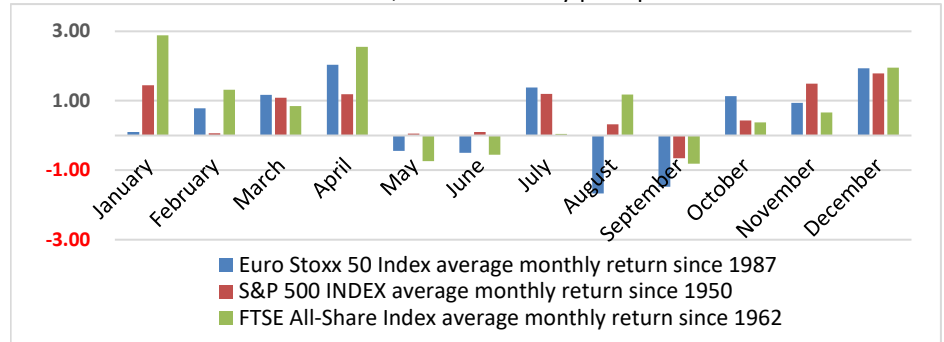


Last 3 years annualised volatility

| | |
|--|-------------|
| UK Corp Bonds (iBoxx Large Cap TRI Index) | 6.7% |
| SCM Long-Term Return | 7.3% |
| 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 global equity markets, because of escalating fears on the US/China trade talks and recent poor economic stats. For example, in December the US S&P 500 Index fell by 9.2%, the worst December since 1950. The UK FTSE All-Share Index fell by 3.9%, the third worst December since the Index started in 1962. As our research below shows, such seasonally poor performance is unusual:



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\$ EM Corporate Bond ETF (3.9% of the portfolio) and a US\$ EM Government Bond ETF (1.6% of the portfolio) into a shorter maturity, GBP hedged, EM Government Bond ETF. The new ETF invests in a diverse range of Bonds, that currently yield 6.2% pa, before costs, with an average maturity of 3.3 years. We also switched a value based, US Equities ETF (8.2% of the portfolio) and part of a global equities ETF, into a GBP hedged US equities, value ETF (9% of the portfolio).

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, 23rd 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 SCMP Long-Term Return (£) Benchmark is inflation (the return of the UK RPI All Items 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.