



## SCM PRIVATE

Portfolio commenced 8 June 2009

**OBJECTIVE:**

To substantially outperform cash whilst aiming to reduce downside risk.

**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.

**AVERAGE ASSET MIX June 09 – January 12**

49.3%	Equities
30.4%	Bonds
13.5%	Cash
2.7%	Commodities
3.0%	Property
1.1%	Private Equity/Other

**RISK – Standard Deviation: \*\***

SCM Absolute Return	10.2%
Versus	
IMA UK Gilt Fund	7.3%
IMA UK Equity Fund	18.2%
IMA Emerging Equities Fund	23.9%

**DIVERSIFICATION – AS AT 31 JANUARY 2012**

Underlying number of index holdings:  
1,589 equities  
548 bonds  
1 commodity



<b>SCM ANNUAL CHARGE</b> 0.5% + VAT	<b>0.6%</b>
Custody & Administration Fees	0
Dealing Costs (based on last 12m portfolio turnover of 39%, a recent weighted average spread of c. 0.33%, and 49 trades at £1 per trade on a £50,000 portfolio).	0.23
Underlying ETF costs (TER as at end Jan 2012)	0.37
<b>TOTAL PRODUCER COST</b>	<b>1.2%</b>

**This is before platform & adviser fees**

**CONTACT:**

Gina Miller - [gina@scmprivate.com](mailto:gina@scmprivate.com)  
0207 838 8650

## ABSOLUTE RETURN PORTFOLIO

	January 2012	Last 3 months	Last 12M	Since Inception 8th June 09
<b>SCM Absolute Return*</b>	<b>+3.0%</b>	<b>+2.2%</b>	<b>+0.9%</b>	<b>+28.1%</b>
HFR £ Hedge Fund Index Return	+1.7%	+0.4%	-7.4%	+5.7%
IMA Absolute Return Sector Return	+0.8%	+0.4%	-0.3%	+10.8%

## Year on Year % Growth

	31.01.11 – 31.01.12	31.01.10 – 31.01.11
<b>SCM Absolute Return*</b>	<b>+0.9%</b>	<b>+12.7%</b>

**Past performance is not a guide to future returns.**

**Market Commentary**

January was clearly a good month for risky assets with equities, credit, emerging market bonds and commodities all enjoying solid positive returns. Emerging market strength was a main theme with key benchmarks in Brazil, India, and Russia up +11%, +13% and +8% respectively after having declined -18%, -24% and -15% last year. Emerging market currency strength also played a role here – this benefited our investment late last year into local currency emerging market bonds.

In the Developed Market world, the European Stoxx600 and the American S&P 500 were +4.2% and +4.5% respectively on a total return basis with notable strength in Financials. The European Stoxx600 Bank index added nearly 10% in January after having lost 30% in 2011. The US S&P 500 Financials index is up 8% after a 17% decline last year.

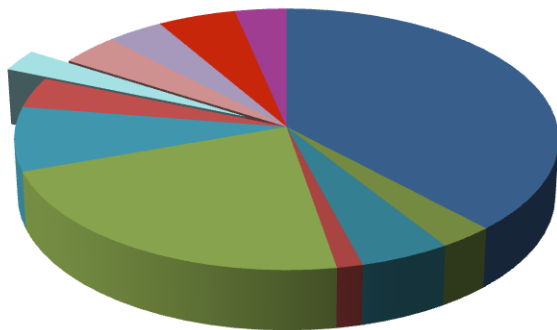
Turning to fixed income markets, Credit was helped by the better sovereign sentiment and dataflow in January with indices producing positive excess returns across the board. Indeed Italian bonds added +5.6% after having lost 5.7% last year. In Europe the best performances came from High Yield (+6.5%) and Financials (+8.6%) while the performance in US High Yield (+2.7%) was relatively subdued. Not surprisingly it was a less impressive month for core government bonds given the 'risk on' trade. Bunds, Gilts, and Treasuries were +0.1%, +0.5%, and +0.4% for the month after having gained +9.7%, +16.6% and +9.9% last year.

The Dollar was weaker against major currencies which partly reflect a renewed pledge from the Fed to keep rates lower for longer.

**Commentary on Asset Allocation Changes**

Equities have risen strongly since their August lows of last year, at which time we added to our overall equity exposure. Similarly,

**SCM Private £ Absolute Return  
Portfolio Asset Allocation  
As at 31.01.12**

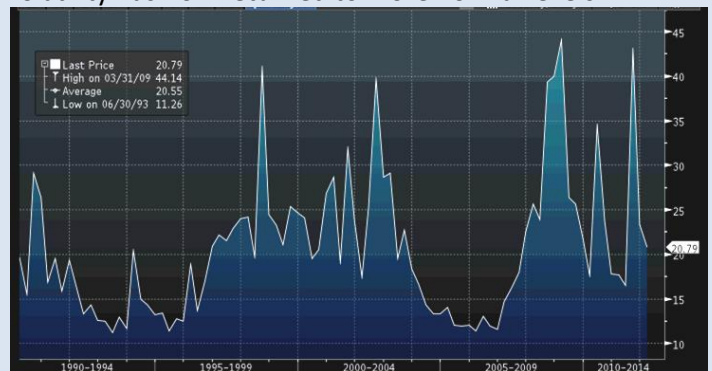


- UK Equities 38.0%
- Europe ex-UK Equities 3.0%
- Japan Equities 4.9%
- Natural Gas Commodity 1.4%
- UK Corporate Bonds 22.3%
- Emerging Mkts Sovereign Bonds 7.9%
- China Equities 3.8%
- £ Cash 2.7%
- UK Property 3.8%
- Private Equity 3.7%
- £ Short-Dated Fixed Interest 5.1%
- Emerging Markets Equities 3.4%

**January 2011 - Asset Allocation changes**

- Increased natural gas holding by 0.25% to 1.3%
- Sold 1.5% of European equity exposure, reducing EuroStoxx holding to 3%

market nervousness as measured by the VIX measure of volatility has now returned to more normal levels.



Source: Bloomberg

We have taken advantage of this rally, particularly in financials to reduce the EuroStoxx 50 holding within the portfolio as this has benefited more than most indices from the rally in European banks from their lows.

One of the few assets to test new lows has been natural gas prompted by mild weather in the US and a continued glut of supply as a result of increased production of shale gas. However, the current price is estimated to be substantially less than production costs, leading to at least one major producer to finally bow to the inevitable and cut back production by 8% this year.



Alan Miller, 12<sup>th</sup> February 2012

**Notes**

\*\* Performance is based on the monthly performance of the first client discretionary portfolio after the SCM Private annual management fee of 0.5%+vat pa and associated dealing costs but does not take into account wrap platform costs or IFA fees where applicable. Individual client portfolios may differ due partly to differences in the timing of initial investment or withdrawals or rebalancing and differences in dealing costs charged by the various wrap platforms where applicable. The SCMP Absolute Return (£) Benchmark is cash (the return of LIBOR 1 month £ cash).

\*\*Based on 5 year standard deviation of the underlying indices within the SCM Absolute Return portfolio using average monthly asset allocations from June 09 to January 12.

**Past performance should not be seen as a guide to future returns. The value of investments and the income from them can go down as well as up and investors may not recover the amount of their original investment.** SCM Private is authorised and regulated by the Financial Services Authority. Risk and performance can change over time. 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. Performance can be affected by currency fluctuations. All opinions are correct as of the date of this release and are subject to change without notice. Please note that nothing in this document should be interpreted as financial advice.