



## SCM PRIVATE

Portfolio commenced 1st June 2011

**OBJECTIVE:**

To outperform cash.

**STRATEGY:**

Actively managed. This is a well-diversified portfolio made up entirely 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.

**YIELD STATISTICS** as at 31<sup>st</sup> January before all fees and associated costs of the portfolio:

<b>Distribution Yield</b>	<b>4.6%</b>
<b>Yield to Maturity</b>	<b>4.1%</b>
<b>Av Number of Years Duration</b>	<b>10.6</b>

**DIVERSIFICATION** – As at 31<sup>st</sup> January 2012

Underlying number of holdings:

538 Corporate Bonds  
308 Government Bonds

**RISK** – Standard Deviation: \*\*

SCM Bond Reserve	5.6%
Versus	
IMA £ Corporate Bond Fund	6.7%
IMA £ Strategic Bond	7.4%
IMA UK Gilt Fund	7.3%
IMA Global Bond Fund	7.4%
IMA UK Index-Linked Fund	9.0%



**SCM ANNUAL CHARGE 0.3% + VAT** **0.36%**

Custody & Administration Fees **0**

Dealing Costs (based on annualised turnover since inception of 19%, a recent weighted average spread of c. 0.31%, and 14 trades at £1 per trade on a £50,000 portfolio). **0.09**

Underlying ETF costs (TER as at end Jan 2012) **0.26**

**TOTAL PRODUCER COST** **0.71%**

**This is before platform & adviser fees**

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## BOND RESERVE PORTFOLIO

\*We are not permitted to publish the performance of the portfolio as it was launched 1<sup>st</sup> June 2011 and it does not yet have a 12 month record.

**Market Commentary**

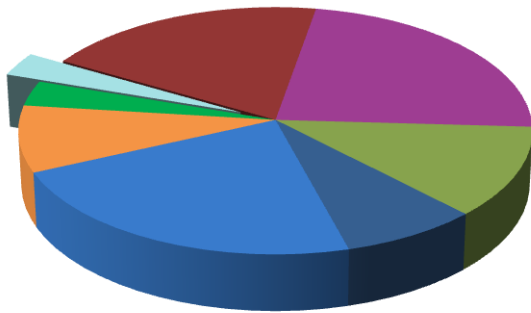
The US economy continues to surprise on the upside with the January US non-farm payrolls reporting a solid 243,000 increase in jobs, led by a 257,000 rise in private sector jobs—the fastest pace since April 2011. This was accompanied by another surprising drop in the unemployment rate, which fell 0.2% to 8.3%. The ISM Non-manufacturing index also jumped up 3.8 points in January to 56.8, reaching the index's highest level since February 2011.

Despite the lengthy Greek debt discussions, now once again resolved (for the moment), the strengthening of the general economic outlook has prompted the European Central Bank (ECB) to offer no clear sign of further cuts. The bank has now left rates alone for two straight meetings while it waits to see whether the eurozone economy needs more help from further reductions. Many economists predict at least a mild recession in the eurozone, which policymakers expect will push inflation below the central bank's 2% target.

In 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. Financials have been the biggest driver of both fixed and floating market performance as receding concerns about Europe and global liquidity have contributed to investors' willingness to hold these bonds.

**SCM Private £ Bond Reserve Portfolio  
Asset Allocation  
As at 31.01.2012**



- UK Corporate Bond Long Duration 19.4%
- UK Corporate Bond 1-5 Years 23.2%
- UK Corporate Bond Ex-Financials 11.9%
- UK Government Bonds Long Duration 8.0%
- Emerging Market Sovereign Bonds 22.4%
- UK Index-Linked Bonds 8.7%
- £ Short-Dated Fixed Interest (Normally <3 Months) 3.3%
- Cash/Money Market 3.1%

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.

This increased willingness to bear risk is evident in record inflows into Emerging Market bonds in recent weeks and a significant strengthening of many of these currencies. This has benefitted the SCM Bond Reserve holding of a local currency emerging debt Exchange Traded Fund acquired in November last year.

The SCM Bond Reserve portfolio continues to focus its exposure to corporate rather than government bonds, with the exception of emerging markets.

**January 2011 - Asset Allocation changes**

- No changes for the month



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

**Notes**

\* All SCM Private clients follow the same model portfolios. 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.

\*\*Based on 5 year standard deviation of the underlying indices within the SCM Bond Reserve portfolio asset average monthly asset allocations from June 2011 to January 2012.

**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.