



## SCM PRIVATE

Portfolio commenced 8 June 2009

## OBJECTIVE:

To outperform a benchmark of 70% equities, 22.5% bonds and 7.5% cash.

## 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.

## AVERAGE ASSET MIX June 09 – Jan 12:

71.9% Equities  
19.9% Bonds  
3.9% Cash  
2.0% Commodities  
2.3% Property / Private Equity / Other

## RISK – Standard Deviation: \*\*

SCM Long-Term Return 13.4%  
Versus  
IMA UK Gilt Fund 7.3%  
IMA UK Equity Fund 18.2%  
IMA Emerging Equities Fund 23.9%

DIVERSIFICATION – AS AT 31<sup>st</sup> JAN 2012

Underlying number of index holdings:  
2,491 equities  
441 bonds  
1 commodity



SCM ANNUAL CHARGE 0.5% + VAT 0.6  
Custody & Administration Fees 0  
Dealing Costs ((based on last 12m portfolio turnover of 25%, a recent weighted average spread of c. 0.32%, and 42 trades at £1 per trade on a £50,000 portfolio). 0.16  
Underlying ETF Costs (TER as at end Jan 2012) 0.36  
**TOTAL PRODUCER COST 1.12%**  
**This is before platform & adviser fees**

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## LONG-TERM RETURN PORTFOLIO

	January 2012	Last 3 months	Last 12 months	Since Inception 8th June 09
<b>SCM Long-Term Return*</b>	<b>+2.7%</b>	<b>+3.3%</b>	<b>+0.6%</b>	<b>+34.5%</b>
IMA Mixed Investment 40-85% Shares Sector Return	+3.2%	+1.4%	-2.2%	+28.1%
Year on Year % Growth				
	31.01.11 – 31.01.12		31.01.10 – 31.01.11	
<b>SCM Long-Term Return*</b>	<b>+0.6%</b>		<b>+14.6%</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.

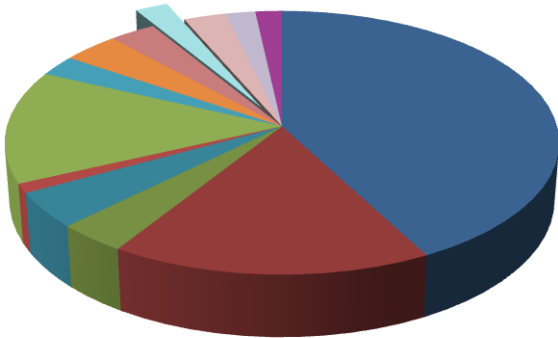
Turning to fixed income markets, Credit was helped by the better sovereign sentiment and dataflow in January with indices producing positive excess returns across the board. Indeed Italian bonds added +5.6% after having lost 5.7% last year. In Europe the best performances came from High Yield (+6.5%) 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 adding to our overall equity exposure. Similarly,

**SCM Private £ Long-Term Return  
Portfolio Asset Allocation  
As at 31.01.12**

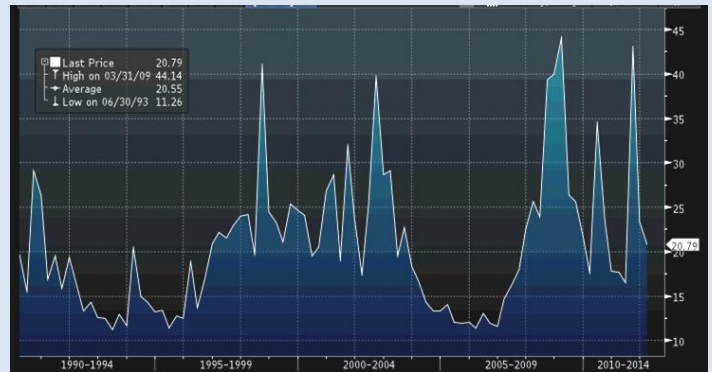


- UK Equities 42.2%
- US Equities 16.7%
- Europe ex-UK Equities 3.6%
- Japan Equities 4.4%
- Natural Gas Commodity 1.1%
- UK Corporate Bonds 13.9%
- Emerging Mkts Sovereign Bonds 2.6%
- UK Index-Linked Bonds 3.7%
- China Equities 3.1%
- £ Cash 2.2%
- UK Property 2.8%
- Private Equity 2.0%

**January 2011 Asset Allocation changes**

- Increased natural gas holding by 0.25% to 1%
- Sold 1% of European equity exposure, reducing EuroStoxx holding to 1.5%

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 Long-Term (£) Benchmark consists of 42% UK Equities, 28% Overseas Equities, 15% UK Gilts, 7.5% Index-Linked, and 7.5% cash.

\*\*Based on 5 year standard deviation of the underlying indices within the SCM Long-Term Return portfolio using average monthly asset allocations from June 2009 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.**

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