DIRECT CLIENT UPDATE JANUARY 2012

SCM PRIVATE

LONG-TERM RETURN PORTFOLIO

	January 2012	Last 3 Months	Last 12 Months	Since Inception 8th June 09
SCM Long-Term Return*	+2.7%	+3.2%	+0.3%	+33.5%
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
SCM Long-Term Return*	+0.3%	+14.3%

Past performance is not a guide to future returns.

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 31st JAN 2011
Underlying number of index holdings:
2,491 equities
441 bonds
1 commodity

OUR MARK OF TRUE FAIR COMMITMENT ©

SCM ANNUAL CHARGE **0.75% +VAT**	**0.9%**
Custody & Administration Fees	0
Dealing Costs (based on last 12m portfolio turnover of 25%, a recent weighted average spread of c. 0.32%, and a dealing commission rate of 0.05%).	0.11
Underlying ETF costs (TER as at end Jan 2012)	0.36
Any other charges - initial fees, advice etc.	0
TOTAL COST OF INVESTMENT	1.37%

SECURITY
All investments are held in the client's own name through Pershing Securities Ltd, a wholly owned subsidiary of Bank of New York Mellon.

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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.

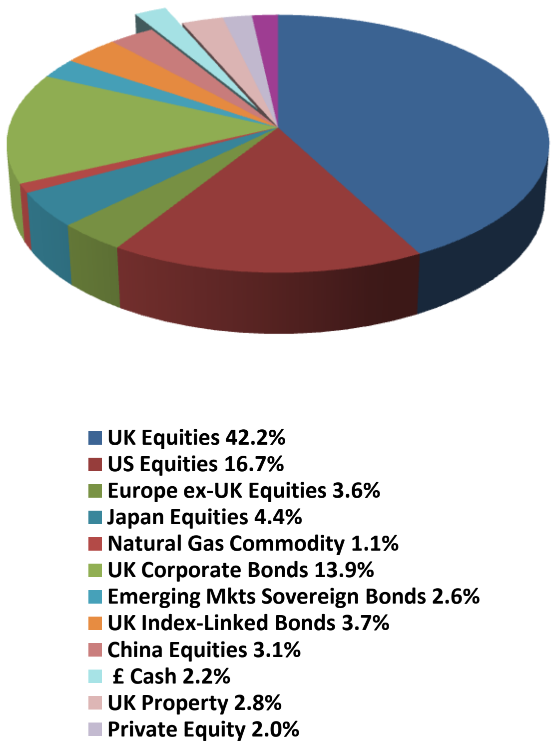
Turning to fixed income markets, Credit was helped by the better sovereign sentiment and dataflow in January with indices producing positive excess returns across the board. Indeed Italian bonds added +5.6% after having lost 5.7% last year. In Europe the best performances came from High Yield (+6.5%)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

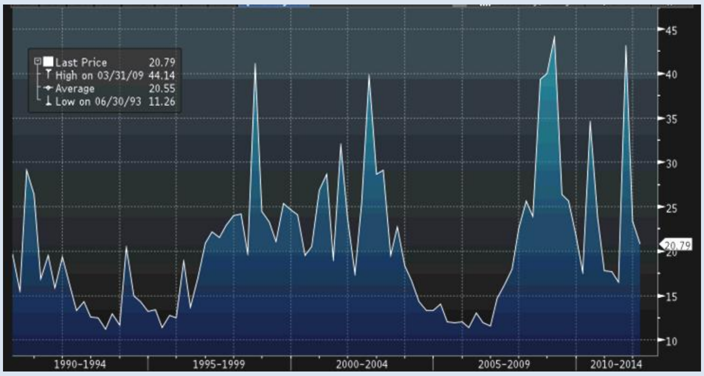
SCM Private £ Long-Term Return Portfolio Asset Allocation As at 31.01.12



January 2012 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, 12th February 2012

Notes
*Performance is shown after all fees and deductions including SCM Private annual management fee of 0.75% +vat pa and is based on the monthly performance of the first client discretionary portfolio. All SCM Private clients follow the same model portfolios. Individual client portfolios may differ principally as a result of the timing of cash flows in or out of each portfolio.
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.
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.