



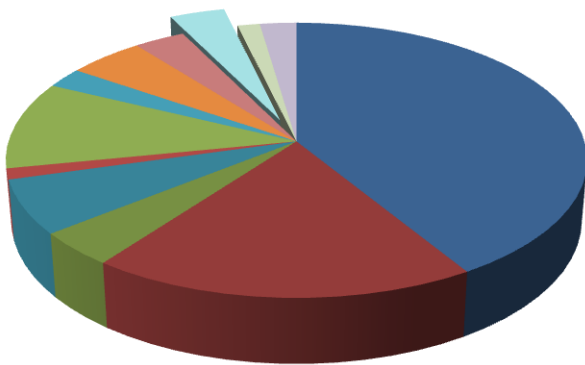
SCM PRIVATE

Monthly Newsletter – June 2011

SCM Private Long-Term Return £ Portfolio

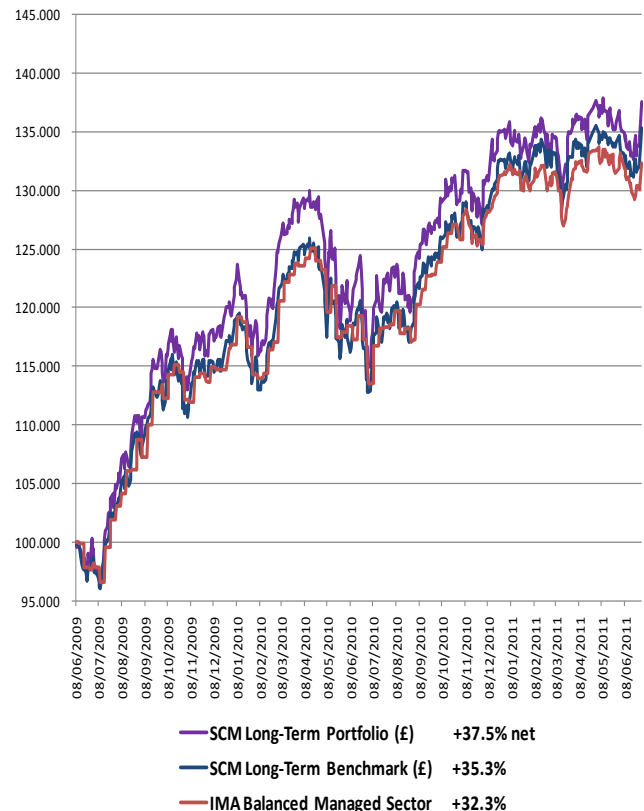
	June 2011	YTD	Last 12M	Since Inception (08/06/09-30/06/11)
SCM Long-Term Return £ Portfolio (After 0.75%+vat AMC)*	+0.4%	+2.2%	+17.9%	+37.5%
Long-Term Benchmark**	+0.02%	+2.5%	+17.8%	+35.3%
Average IMA Balanced Managed Fund Return	+0.3%	+0.6%	+12.8%	+32.3%
UK Equities (All Share Index)	-0.5%	+3.0%	+25.6%	+46.9%
World Equities (MSCI £ World X-UK)	+0.9%	+2.5%	+21.2%	+43.3%
UK Government Bonds (FTSE All Gilts Index)	-0.6%	+1.7%	+3.1%	+11.4%
UK Index Linked Bonds (Barcap Index Linked Index)	+0.7%	+4.4%	+9.2%	+21.9%
Cash (1 Month LIBOR)	+0.05%	+0.3%	+0.6%	+1.2%

**SCM Private £ Long-Term Return Portfolio
Asset Allocation as at 30.06.11**



- UK Equities 41.2%
- US Equities 18.9%
- Europe ex-UK Equities 4.1%
- Japan Equities 6.4%
- Natural Gas Commodity 1.3%
- UK Corporate Bonds 10.3%
- Emerging Mkts Sovereign Bonds 2.4%
- UK Index-Linked Bonds 4.8%
- China Equities 3.3%
- £ Cash 3.6%
- Turkey Equities 1.4%
- Private Equity 2.3%

SCM Long-Term Portfolio (£) performance since inception



June 2011 Asset Allocation changes

- Increased holdings of Private Equity ETF by 0.35%, taking total exposure to 2.3%

Comment on Recent Exchange Traded Fund Publicity

We believe there has been an orchestrated attack on Exchange Traded Funds over the last few weeks where many comments have been either taken out of context or simply do not match industry best practice. There is a definite undercurrent from competitors fearful of the continued loss of market share to ETFs.

The reason for the growth in ETFs worldwide is that they normally offer higher transparency as they show EVERY investment held, and normally have lower fees, higher performance as most active managers under-perform. They are also less volatile as the index tends to be less volatile than individual stocks or bonds; and enable extremely easy and exceptionally low cost asset allocation changes to be made.

As ETF specialists, we act as a gatekeeper for clients. We take this position of responsibility seriously – there are 2,747 Exchange Traded Funds listed around the world but each of our portfolios just invests in typically 10-15 of these. We are not wedded to any particular ETF manufacturer or earn any commissions; we simply aim to invest in the highest standard ETF within each asset category we choose. For example when investing in bonds, many of the physical-based ETFs are preferable whilst for many equity ETFs, synthetic ETFs are often preferable as they may have lower costs, lower tracking errors and greater performance.

We operate under rigorous controls, in particular:

1. **We have never bought a short or leveraged ETF** – these carry significant extra risks and costs as they are rebalanced daily which can significantly erode returns especially when markets are volatile.
2. **We closely review all documentation in respect of physical ETFs** to review policies, payments and procedures regarding the lending out of securities within these ETFs – such risks do not apply to synthetic ETFs as any securities lending takes place outside the ETF. These stock lending risks are prevalent within the whole investment industry – e.g. unit trusts, hedge funds, and pension funds.
3. **We are generally wary of all commodity ETFs or ETCs** due to the often significant costs of physically holding a commodity or the implicit costs within commodity futures contracts. For these reasons we have never invested more than 6% of any portfolio in commodity ETFs or ETCs.
4. **We only invest in synthetic ETFs with over 100% collateral** – In fact the weighted average collateral backing within our synthetic ETFs held within the Long-Term portfolio is currently 112.9% compared to the regulatory minimum of just 90%. Every single synthetic ETF we hold publishes its collateral in full and online daily to enable easy review by ourselves.

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 performance of the first client discretionary portfolio. SCM Private performance calculations are based on quarterly returns provided by Financial Software Ltd. 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 asset allocation of the SCM Absolute return (£) discretionary portfolio has been within the relevant IMA sector guideline parameters. Discretionary portfolios are not subject to the same regulatory constraints as UCITS and other regulated funds. Performance can be affected by currency fluctuations.

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

Past performance is not a reliable indicator of future performance and values of investments can go down as well as up. SCM Private is authorised and regulated by the Financial Services Authority. Risk and performance can change over time. Up-to-date information can be obtained from SCM Private at the address below. 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.