

General FAQs

The information in this document was last updated on 31 August 2014.

PORTFOLIO RELATED QUESTIONS

1. What is the difference between an SCM discretionary portfolio and a mutual fund?

One of the main differences is that in a discretionary portfolio the holdings are all held in your name, rather than through holding units as happens in a mutual fund.

Investors can go on-line at any time and see the full breakdown of holdings within their account, as well as the actual values of the various holdings as at last night's closing values.

It should be noted that there are tax differences between holding a discretionary portfolio and holding units in a fund and you may wish to get specialist tax advice before investing. For those investors not investing via an ISA or SIPP we will provide an annual statement of capital gains and income for clients to enter on their annual tax return.

2. What are the main advantages and disadvantages of SCM's investment approach?

The main advantage is that it is highly unlikely we will be bottom as our high levels of diversification, both of assets and securities, will often reduce the highs and lows of more traditional, concentrated funds. We believe that our approach of greater diversification, less costs and a focus on fundamentals are the best tools to ensure long term success.

The main disadvantage is that we will almost certainly never be top of any table in terms of performance. Another disadvantage is that our approach is extremely unlikely to help anyone 'get rich quick' as broad market indexes tend to move up or down less than many individual securities.

Please remember that each person's tax situation is unique, that ISAs may not be the most tax efficient approach for everyone, and that tax legislation can change in the future. If you are unsure if an investment is right for you, please contact an independent financial adviser.

3. How often does each portfolio change its asset allocation?

This is not set in stone. We only trade where we see a significant benefit in terms of the likely extra returns less the associated costs. This can mean that in some months we do not make any changes, which can be very counterintuitive.

Typically, we have changed between 30 and 50% of the portfolio's holdings each year; with some of these changes resulting from changing an existing ETF from one provider to another with a newer, cheaper, more diversified alternative.

On the first day business day of each week, we normally rebalance the portfolios to our existing 'models'. But this does not preclude us from dealing on other days should we believe opportunities present themselves or the markets and global environment change.

4. What is the academic or other research supporting your strategy and philosophy?

Many expert research papers and commentaries over several decades have come to the conclusion that statistically it is almost impossible for traditional active management to outperform the markets.

Time and time again they have found that:

- costs matter
- diversification is vital
- index funds tend to beat more concentrated 'active' funds
- investing based on fundamentals on a long term basis tends to beat attempts to 'time' the markets
- over trading tends to produce disappointing outcomes.

When looking at research from traditional active fund managers or trade bodies often aimed at discrediting such conclusions, you should always remember that the academics strive to draw conclusions from data that is selected objectively, rather than the fund manager or trade body that tends to start with a conclusion and work backwards to find selective data to prove it.

Hosted on our Knowledge Centre we have an extensive range of resources to help investors.

5. What are the SCM Direct portfolio choices?

We have 3 core portfolios and 3 blended portfolios that are available in 3 currencies.

The GBP portfolios are also available via a NISA or SIPP 'wrapper'.

The 3 core portfolios are:

1. SCM Bond Reserve
2. SCM Absolute Return
3. SCM Long-Term Return

3 blended portfolios made up of a 50/50 allocation of two of the three core portfolios, which are rebalanced subject to relevant parameters on a weekly basis:

1. 50/50 Bond Reserve/Absolute Return
2. 50/50 Bond Reserve/Long-Term Return
3. 50/50 Absolute Return/Long-Term Return

The 3 core portfolios and 3 blended portfolios are available in 3 currencies - £, US\$ or €.

The minimum investment levels are:

- £15,000 (as of July 2014, the new annual ISA allowance) if you are a UK based investor with a UK bank or building society account investing in a GBP Portfolio.

If you are either outside the UK or do not have a UK bank or building society account, the minimum is £150,000.

- \$150,000 if investing in one of the USD \$ portfolios
- €150,000 if investing in one of the EUR € portfolios

3 ways to invest

- Direct into the portfolios without a tax efficient wrapper
- Via a New Individual Savings Account – NISA (the new name for an ISA since July 2014)
- Via a Self-Invested Personal Pension – SIPP Account (Via Pointon York – SIPP Specialists)

6. How should I choose which portfolio?

SCM Direct does NOT give personal advice so we cannot tell you which portfolio to invest in. If you are unsure or nervous about investing directly, you should seek the advice of an independent financial adviser.

Our provision of model portfolios does not involve us considering the investment requirements of individual clients. We manage the model portfolios according to their stated objectives of the portfolio(s) and within the various parameters detailed within our Terms and Conditions. If you are unsure or nervous about investing directly, you should seek the advice of an independent financial adviser.

7. How do the USD \$ and EUR € portfolios differ from the GBP £ portfolios?

The asset allocation of each portfolio will have a natural bias to the home currency and markets of the currency selected – i.e. the GBP £ portfolio will normally have a bias to GBP £ denominated markets e.g. UK equities and bonds. These will all be London Stock Exchange (LSE) listed ETFs.

The USD \$ portfolio will normally have a bias to USD \$ denominated markets e.g. US equities and bonds. These will all be NYSE (New York Stock Exchange) listed ETFs.

The EUR € portfolio will normally have a bias to € denominated markets e.g. European equities and bonds. These will all be ETFs listed on a European Stock Exchange.

8. Are there tax implications according to the currency of the portfolio I choose?

Yes. It is important to note that there may be tax differences for UK based investors from investing through either the USD \$ or EUR € portfolios, rather than the GBP £ portfolios since these will be buying US listed and European listed ETFs respectively; rather than UK listed ETFs.

9. What are the benchmarks used across the portfolios?

Each SCM Direct Portfolio has its own comparative benchmark.

We believe that many investors are looking for their portfolios to either outperform cash or the inflation rate, so we have used these as our benchmarks.

Portfolio	Benchmark
Bond Reserve Portfolio GBP	LIBOR GBP Total Return 1 Month
50/50 Bond Reserve / Absolute Return GBP	LIBOR GBP Total Return 1 Month
50/50 Bond Reserve / Long-Term Return GBP	Average of LIBOR GBP Total Return 1 Month & UK RPI All Items Index
Absolute Return Portfolio GBP	LIBOR GBP Total Return 1 Month
50/50 Absolute Return / Long-Term Return GBP	Average of LIBOR GBP Total Return 1 Month & UK RPI All Items Index
Long-Term Return Portfolio GBP	UK RPI All Items Index
Bond Reserve Portfolio USD	LIBOR USD Total Return 1 Month
50/50 Bond Reserve / Absolute Return USD	LIBOR USD Total Return 1 Month
50/50 Bond Reserve / Long-Term Return USD	Average of LIBOR USD Total Return 1 Month & US CPI Urban Consumers NSA
Absolute Return Portfolio USD	LIBOR USD Total Return 1 Month
50/50 Absolute Return / Long-Term Return USD	Average of LIBOR USD Total Return 1 Month & US CPI Urban Consumers NSA
Long-Term Return Portfolio USD	US CPI Urban Consumers NSA
Bond Reserve Portfolio EUR	LIBOR EUR Total Return 1 Month
50/50 Bond Reserve / Absolute Return EUR	LIBOR EUR Total Return 1 Month
50/50 Bond Reserve / Long-Term Return EUR	Average of LIBOR EUR Total Return 1 Month & Eurozone CPI
Absolute Return Portfolio EUR	LIBOR EUR Total Return 1 Month
50/50 Absolute Return / Long-Term Return EUR	Average of LIBOR EUR Total Return 1 Month & Eurozone CPI
Long-Term Return Portfolio EUR	Eurozone CPI

10. Are there tax implications according to the currency of the portfolio I choose?

Yes. It is important to note that there may be tax differences for UK based investors from investing through either the USD \$ or EUR € portfolios rather than the GBP £ portfolios since these will be buying US listed and European listed ETFs respectively, rather than UK listed ETFs. We will, wherever possible, select ETFs for the GBP £ portfolios that have 'reporting status' as these tend to be advantageous for many GBP taxpayers over those without 'reporting status'.

ACCOUNT OPENING AND EXISTING ACCOUNT RELATED QUESTIONS

11. Can I invest the £15,000 minimum for a GBP £ portfolio via an ISA (also known as a NISA) or SIPP?

Yes, there is a £15,000 minimum for the GBP Portfolio which applies to UK investors, over the age of 18, living in the UK with a UK Bank or Building Society Account, allowing investment in three ways:

- Direct into the portfolios without a tax efficient wrapper
- Via a New Individual Savings Account – NISA (the new name for an ISA since July 2014)
- Via a Self-Invested Personal Pension – SIPP Account (Via Pointon York – SIPP Specialists)

Additional information about these two services can be found within the Important Documents section of the www.scmdirect.com website. If you want to invest via an existing SIPP, this may be possible if we have an existing agreement with your existing SIPP provider or if you are able to connect us with them – if this is the case, please contact us at enquiries@scmdirect.com

12. Can I use your services if I am not a UK resident or do not bank in the UK?

Yes, as long as you are not a US citizen or resident in the US or have an obligation to pay tax to the US authorities on any of your worldwide income.

We will have to conduct thorough due diligence and money laundering checks, which would require you to send us documentation prior to investment. There is no guarantee that the very strict rules by which we operate will allow us to accept your investment.

The minimum initial investment for those outside the UK or who bank outside the UK are:

- £150,000 if investing in one of the GBP £ portfolios
- \$150,000 if investing in one of the USD \$ portfolios
- €150,000 if investing in one of the EUR € portfolios

NISAs or SIPPs are not available outside the UK.

Please contact us at enquiries@scmdirect.com if you require further information.

13. Can I use your services if I am a Charity, Company or Family Office?

Yes - we will have to conduct thorough due diligence and money laundering checks, which will require you to send us documentation prior to investment. Due to the very high standards and checks we operate, there is no guarantee that we will be able to accept your investment.

The minimum initial investment for Company, Family Office, Charity or Institution is as follows:

- £150,000 if investing in one of the GBP portfolios
- \$150,000 if investing in one of the USD portfolios
- €150,000 if investing in one of the EUR portfolios

Please contact us at enquiries@scmdirect.com if you require further information.

14. Can I invest monthly?

Yes. The minimum is £250 per month but only when you have set up your account and funded it with the minimum investment level or above. You can then make additional monthly investments by direct debit.

This service is only available for UK residents with UK bank accounts, already invested in one of the GBP portfolios.

15. What are the principal fees and how are they charged?

0.4% + vat annual management fee (charged monthly)

0.2% per annum custody and administration fee (charged monthly)

0.07% commission rate on transactions based on the overall size of each transaction

Other fees and charges may apply. All the fees and charges are disclosed within our Terms and Conditions.

16. How do I close my account and are there any penalties if I choose to do so?

No. Simply send us a secure email via your on-line account.

We believe it is your money, and as such you should not be penalised for changing your mind or if your circumstances change. Of course, the normal market-maker spreads, 0.07% commission rate and other dealing related charges will apply.

As long as we receive your instruction by the close of business on the Thursday of any week, we will endeavour to close the account, on the first business day of the following week.

The monies will then ONLY be transferred to the account from which you funded your account.

The whole process from you sending the instruction, to receiving the cash back into your account, will normally take less than two weeks.

17. What happens if I want to add more money or withdraw money or change portfolio?

You can add money or make a regular investment to your account via direct debit. In order to make any other payment, please ensure this is made by bank transfer with notification to us via a secure message.

In order to make withdrawals from your account/s, subject to the minimum daily withdrawal of £ 5,000 (or the equivalent in USD or EUR if investing in a USD or EUR portfolio) and the relevant minimum balances being kept within the account, please give us details of your request via a secure message.

In order to change the portfolio in which you are invested please send us a secure message detailing your required changes.

18. Can I add to my investments using a debit or credit card?

Not at present.

19. Can I invest via a Junior Individual savings Account (JISA)

Not at present.

20. Is everything managed via an online platform?

Yes. Clients are able to send secure emails to SCM Direct, view portfolios and have full transparency of holdings online.

21. Are there any documents I will need to complete offline?

This will vary from person to person. If you are resident and bank in the UK it may not be necessary to send any further documentation. However you may be asked to provide further evidence of your identity or bank details.

Any investors choosing a USD\$ Portfolio will be required to complete a W8 - the W8 form is provided by the Internal Revenue Service (IRS) to allow non-US persons to receive a reduced rate of taxation on any US-sourced income (including dividends, interest etc.) received from businesses registered or incorporated within the US.

22. How do I transfer my ISA or SIPP to SCM Direct?

SCM Direct takes cash transfers into each tax wrapper. There is an online application process to create the SCM Direct wrapper and account information will be sent to your current provider for transfer to your required portfolio. Once funds have been transferred, they will be invested at the next allocation (normally, the first business day of every week).

23. How do I contact you and can I ask you questions before investing?

SCM Direct can be contacted at enquiries@scmdirect.com

24. How can I contact SCM Direct regarding my account?

Requests should be sent to us via the secure messaging directly from the website. Go to "Manage my account" and select the Message option. Then select 'Create new message' where you will have a formatted message.

25. Can I open additional accounts?

Yes.

You can open additional accounts and once opened they are accessible via your existing log in. To open an additional account, select 'Apply for a new account' under 'Manage my account'.

As your personal details are already in our systems, you will only need to enter specific details relating to the additional account that you wish to open e.g. the portfolio model you wish to invest into.

26. How can I withdraw cash from my account?

You must send us a message detailing how much money you wish to withdraw expressed either as a percentage or the amount you wish to withdraw from your account via the 'Messages' screen under the 'Manage my account' tab.

The minimum daily withdrawal is £5,000 (or the equivalent in USD or EUR if investing in a USD or EUR portfolio) although no partial withdrawal is permissible where this would take your portfolio account below the Minimum Investment set out below.

The Minimum Investment amounts are - £15,000 for a GBP portfolio (unless you are outside the UK or who bank outside the UK in which case it is £150,000), \$150,000 for a USD portfolio and €150,000 for a EUR portfolio.

If you wish to close your account and withdraw the full amount, there is no penalty or lock-in clause or period. All normal dealing related costs would apply. ***Please remember, however, that you may not get back the full amount you invested due to market fluctuations.***

27. When instructing to withdraw a cash amount, can I choose which specific ETFs to sell?

No.

We will sell the various holdings within your portfolio pro-rata in order to ensure that your remaining portfolio follows the strategy and asset allocation of the particular portfolio in which you are invested.

28. How long will it normally take to receive the cash from any withdrawals?

After we receive your secure mail, we will normally deal on the first business day of the following week. ETFs normally settle three business days later for a GBP or USD portfolio or two business days for a EUR portfolio.

We then arrange to make a transfer to the **nominated bank account** with which you set up the account. This will normally take an additional two to three business days.

Should you require a quicker transfer, we can arrange to execute a CHAPS transfer at an extra charge of £25.

29. Can I set up regular payments into my account?

Yes.

Simply select the 'Regular Investment' option, on the left hand menu, under the 'Manage my account' tab at the top of the screen. The 'Regular Investment' screen will take you to the bank details form, and then select 'Invest into Model' in the first available drop down box.

Next enter the amount and select the frequency (monthly, quarterly annually). Select 'Add' and the regular investment instruction will be set up. The date of the next payment is shown by the 'Next collection' date on the bank details portion of the screen.

The minimum monthly investment for a GBP portfolio is £250 monthly, or £750 if you select the quarterly option.

30. How do I set up a Direct Debit Instruction?

Direct debits can be created for any GBP accounts that you have (they cannot be set up against a USD or EUR account).

To set one up, select the 'Set up Regular Investment Direct Debit' option under the 'Manage my account' tab at the top of the screen. If you have more than one account, select the account against which you wish to create the DDI.

The bank details will be displayed on screen, along with the Direct Debit Guarantee. If you still wish to proceed, select the continue button where you will be presented with the final screen where you can submit the DDI to the system.

31. Can I change the portfolio in which I am invested?

Yes.

You will need to send us a secure message instructing the portfolio to be sold and the new portfolio you wish to invest in.

You must ensure that the amount to be invested exceeds £15,000 for a GBP portfolio (if you are a UK investor with a UK bank account) otherwise it is £150,000, and it is \$150,000 for a USD portfolio and €150,000 for a EUR portfolio.

32. Can I change my password online?

Yes.

You can change your password via the 'Change password' screen under the 'Manage my account' tab.

Any new password must adhere to the following rules:

1. The minimum length must be 8 characters, with no limit on the maximum number of characters.
2. Your password must contain at least 3 of the following: upper case, lower case, number and special characters.

33. How do I change my postal address?

If you wish to change your address details, please send us a request via a secure message. We may need you to send further documentation as proof of a change of address following this request. We will notify you if this is required.

34. How do I change my bank account details?

If you wish to change your bank account details, please send us a request via a secure message. We may need you to send further documentation following this request.

35. Will I have an electronic record of any correspondence or documents that I have previously received?

Yes.

Within the website you have the ability to view and print electronic copies of letters we have sent you (e.g. welcome letters, change of address letters).

Select 'Documents', on the left hand menu, under 'manage my account'. You will be able to filter documents based upon a number of criteria such as document type (e.g. a valuation). You will then have the option to view or download the document.

36. How often do you rebalance portfolios?

All the portfolios including the various portfolio mixes are rebalanced weekly.

37. When do you normally trade and when will my money be invested?

Most trades whether it be investing, rebalancing or selling a portfolio will take place on the first business day of every week. However, portfolio asset allocation or other changes may take place on other days as we seek to retain full flexibility to take advantage of exceptional opportunities.

38. How do I see the details of any transactions that have taken place against my account?

Under the 'Manage my portfolio' tab at the top of the screen, select ETF history. This will provide a summary view of transactions.

To see the full details, click on the reference number and another window will open with the full details.

39. What prices are used on the website to value my portfolio(s)?

Your portfolio is valued using end of day prices for the last working day.

40. Can I extract data from the website into another application such as Excel?

Yes. It is possible to download ETF or cash history. Select either of these menu items under 'Manage my portfolio' and select the 'Download CSV' button. This will open the transaction data in Microsoft excel. It is important to note that SCM Direct is not responsible for the security of any information or data which you choose to extract and store yourself.

ETF RELATED QUESTIONS

41. What are ETFs and what's the difference between an ETF and a traditional mutual fund?

ETF stands for Exchange Traded Fund. These products trade throughout the business day on stock exchanges like individual company shares. The ETFs within the GBP portfolios are all UCITS IV regulated thereby providing investors with a high level of regulatory protection.

ETFs track the performance of their benchmark index, thus the performance of a FTSE 100 ETF for example, will normally closely follow the performance of the underlying FTSE 100 benchmark index, less its fees. In contrast, a mutual (non-index) fund often invests in a much more concentrated range of securities resulting in its performance often being markedly different (either positively or negatively) to its benchmark.

The main advantages of ETFs over many traditional 'active' mutual funds is that they can be traded on a stock exchange throughout the business day rather than just once a day, they tend to charge significantly lower fees, trade their underlying holdings much less thereby saving trading costs, tend to be much more diversified and are normally much more transparent as they normally disclose all their holdings daily.

An excellent guide can be found at the [London Stock Exchange ETF Guide](#)

42. Which ETF providers do you use to invest?

SCM Direct only invest in UCITS IV ETFs for its GBP portfolios.

In all portfolios, we NEVER invest in any ETF that is either leveraged (i.e. which aim to magnify the movements in markets through borrowing) or inverse/short ETFs (that aim to make money when the benchmark being tracked falls in value).

SCM Direct is not biased towards any one ETF provider. We seek out 'best of breed' for all the ETFs we select for our portfolios.

43. How safe are ETFs and what are the risks?

SCM Direct only invests in ETFs. We do NOT invest in any ETNs (Exchange Traded Notes) as we believe the risks associated with such products as being much too high. SCM Direct only invests in UCITS IV ETFs for its GBP based portfolios to provide additional investor protection.

The price of the ETF depends on the value of the underlying investments and the demand for the ETF shares in the market, and the share price may therefore be at a discount or premium to the fund's asset value. Some ETFs are more thinly traded than others, which may affect their liquidity, especially in a market downturn. Although ETFs normally have a low tracking error i.e. a measure of how consistently it follows its benchmark, during times of market volatility the tracking error of an ETF may increase.

The value of the investment may rise or fall in value and neither the capital nor income is guaranteed.

Typically, ETFs try to replicate a stock market index such as the FTSE 100 or the Hang Seng Index, a market sector such as energy or technology, or a commodity such as gold or petroleum. Accordingly, if such index, sector or commodity price fluctuates, so will the value of the ETF.

There may also be a counterparty risk as some ETFs generate additional revenue by lending out some of their investments. Similarly, some ETFs seek to achieve their objectives through the use of derivatives, which carry counterparty risk. In either case if the counterparty defaults, the investor may see a reduced return regardless of the performance of the underlying assets. To mitigate the counterparty risk providers or lenders post collateral by setting aside a pool of assets that the investor can claim on in the event of the issuer or lender's default. SCM Direct only invests in those ETFs that hold a minimum of 100% collateral posted daily.

Leveraged and Short ETFs can often be more complex financial instruments that may significantly amplify volatility and therefore risk. For this reason, **SCM Direct does not invest in any leveraged or short ETFs.**

If the ETF's underlying investments are in a currency different to the ETF's denominated currency (i.e. portfolio exposure to Sterling but ETF denominated in Euros), there will be an additional currency risk to consider when making the investment as **exchange rates may cause the value of overseas investments and the income arising from them to rise or fall.**

In the case of foreign ETFs, sometimes there may be a tax advantage by opting to invest in an international portfolio. Tax laws vary from country to country, so it may be beneficial for your tax return to find other foreign investments. Tax is subject to change, which could affect your investment in the future.

44. There are different types of ETF; which types does SCM Direct invest in?

Whichever is best for the particular market. There are two main types of ETF - physically backed and synthetic ETFs.

Physical ETFs invest in the actual underlying securities to replicate the underlying index (sometimes this process is 'optimised' whereby not every single index constituent is held to reduce overall costs).

Synthetic ETFs use an investment product known as a swap to replicate the underlying index and may directly hold a different portfolio of securities to the index being tracked.

SCM Direct invests in both types of ETFs, assessing each structure and underlying index as part of a thorough due diligence process. SCM Direct only invests in a synthetic ETF when its third party 'counterparty risk' is 100% collateralised through the fund holding a basket of liquid securities to mitigate this 'counterparty risk'.

45. What happens to any income received from dividends and interest on cash balances?

There are two forms of ETF with regards to dividends; accumulating and distributing funds.

Accumulating funds roll any dividends up inside the ETF so the price of the ETF reflects a total return.

Distributing funds pay dividends out to investors at regular intervals (monthly, quarterly, semi-annual or annual).

Where dividends are paid out to investors, this additional income is paid into the cash component of the portfolio and reinvested into the portfolio.

GENERAL QUESTIONS

46. Is SCM Direct regulated by any organisation?

SCM Direct is a trading name of SCM Private LLP, which is authorised and regulated by the UK's Financial Conduct Authority (FCA) to carry out investment business.

47. Does SCM Direct give any advice?

No.

If you need any advice regarding the suitability of the various portfolios or any other advice specific to yourself and your personal financial needs, **you need to seek advice from an Independent Financial Adviser.**

We can answer general questions regarding the various investments within the portfolios but we cannot under any circumstances recommend the suitability of our portfolios.

48. We strongly recommend that you should NEVER invest in anything that you do not understand and with which you do not feel entirely comfortable.

We do not bombard anyone with daily reminders to invest or daily views of the markets as we think people should invest when it best suits them, if at all, rather than being bamboozled by sales calls.

49. What makes SCM Private different from other wealth managers/online platforms?

We believe our 100% transparency on fees and holdings, common sense approach to everything we do, the founders' alignment with clients by being invested in all the portfolios on exactly the same fees and terms, and track record combine to set us apart.

Our levels of highly liquid and highly diversified portfolios at a very attractive cost are add to our individuality as modern investment managers. The company is 100% owned by the founders and as one of the largest clients within the SCM portfolios they do not have many of the conflicts of interest that are infect so many financial organisations.

SCM does not 'flog' anything and we are not 'traders' so we do not make extra revenues or take cuts from any of our activities.

50. If SCM is so sensible and straightforward, why doesn't everyone do it?

The way SCM operates is extremely efficient and cost effective. This model doesn't allow for high fees, bonuses, or commissions to be charged.

In addition some fund management organisations run a scatter gun approach. By running many different funds, there will always be one or more that are doing well and then can be aggressively sold to investors. Meanwhile those that do badly will often retain their clients as there tends to be great inertia in finance. Heads the fund manager wins. Tails the client loses.

51. Do I really need to diversify my investments?

It depends. Of course if you are looking to make huge returns, it is very unlikely you will ever achieve this through high levels of diversification but in the same way, high levels of diversification can help reduce economic and market shocks. In the famous story about the Turtle and the Hare, the Turtle wins the race even though the Hare got off to a great start! We are happy to be the turtle.

52. Can my investment lose money?

Yes.

Nothing is guaranteed and markets and the income derived from investing can (and often do) go down as well as up. This is why we always recommend that you take at least a 5-year time horizon when investing, so you can ride the highs and lows without being forced to panic and sell at precisely the wrong time.

Our portfolios offer extensive diversification, which can reduce the overall volatility and downside associated with narrow, concentrated funds or portfolios.

53. What does SCM Direct NOT provide?

SCM Direct does not provide any financial advice whatsoever or offer sole investment products outside the portfolios described on our website. Our provision of model portfolios does not involve us considering the investment requirements of individual clients. We manage the model portfolios according to the stated objectives of the portfolio(s) and within the various parameters detailed within our Terms and Conditions. **If you are unsure of the suitability of any investment contained in this website, please contact an independent financial adviser.**

SCM Direct also does not hold any client monies or any assets whatsoever. Société Générale, as part of the custodial relationship with all SCM Direct clients, are responsible for holding all assets (including the ETFs) on your behalf.

54. Should I use an adviser to help me rather than use a service such as SCM?

This is completely your choice. There are normally extra costs associated with using advisers but you might feel that the extra financial advice, which they may offer you, makes their fees worthwhile.

The 3 SCM core portfolios are available via independent financial advisers if the adviser uses one of the following platforms; Ascentric, Novia, Nucleus, Platform One, Praemium and Transact. You just need to ask them to contact us at SCM Private which is our intermediary business - enquiries@scmprivate.com

55. What are the tax implications of investing with SCM Direct and will I receive tax statements?

The tax implications will vary according to your own personal financial circumstances. If you want any further guidance you should speak to an Accountant or independent financial adviser.

Annual UK tax packs will be produced for clients at the end of each tax year and will be via the secure client online account showing the annual income and capital gains for each portfolio.

56. What am I getting for the SCM Direct annual management fee of 0.4% + vat?

Professional fund management led by our highly respected Chief Investment Officer (CIO), Alan Miller who has over 25 years investment experience and possesses a long track record of outperformance.

57. How much have the founders of SCM Direct personally invested in the portfolios?

The founders originally invested seven figure sums (i.e. £1m or more) in each of the 3 core GBP portfolios and have added further significant amounts in the summer of 2014.

58. Can I see all the holdings in my portfolio online (PC/tablet/smartphone)?

Yes.

Just login into your account via <https://secure.scmdirect.com> and see your portfolio as at last night's close. This works with most of the most widely used internet platforms.

59. How do I monitor my investments and your success or otherwise?

Just login into your account via <https://secure.scmdirect.com> and see your portfolio as at last night's close. Later in 2014, we aim to provide an easy to understand pie chart of your investments together with a performance graph over various periods, updated weekly.

60. Why Are There No Questions on Attitude to Risk?

We believe most of these risk questionnaire tools to be pure nonsense as they are mechanically generated. It is our view that they either give misleading outcomes or simply classify everyone as being in the middle, balanced. Fundamentally, such analysis requires face-to-face contact and discussion to gauge individual nuances, which no automated decision tool can ever detect. For these reasons we are sceptical of any company operating automated guidance, which then go on to tell you which particular fund or strategy to follow.

61. I want to compare SCM Direct portfolio performance using other online tools – is this possible?

The SCM Direct investments are segregated portfolios, not listed funds, and performance is not available via third-party websites.

Monthly performance is published through the portfolio factsheets, and clients are able to monitor their portfolio via the secure online account.

Please remember that the performance we show is after ALL costs and charges. You can therefore not compare this with many platforms that will show the performance of a fund BEFORE their charges.

62. What is your record personally and for similar portfolios?

This is all detailed within the track record of the www.scmdirect.com website.

63. What financial security do I have? Where are my investments kept? Who is the custodian?

All ETFs are traded on Recognised Investment Exchanges which themselves have to satisfy the requirements detailed in the Financial Conduct Authority's RIE and RCH Sourcebook. Orderly markets are maintained via rules, guidance and through the monitoring of trading and market activity.

No money is held at SCM Direct. We are not allowed to hold any client monies whatsoever. Société Générale holds it prior to the money being invested at the next available dealing date.

Société Générale, as part of the custodial relationship with all SCM Direct clients, are responsible for holding all assets (including the ETFs) on your behalf.

Société Générale, London Branch is the London-based branch of Société Générale, which is a French legal entity. Société Générale operates in the United Kingdom under its EEA passport, and is a bank and not an investment firm. As a French bank, the manner under which assets are held differs from how they would be held if held at a UK bank. We would like to highlight how your assets are protected.

Client Money or Deposit?

As a bank, the money that Société Générale holds for you is treated as deposit monies. It is not held under the Financial Conduct Authority's client money rules. In terms of regulatory oversight and protection, because the activities Société Générale are performing are covered by their EEA passport, the deposit monies they hold for you will fall under the French regulatory regime. Cash held as deposit monies is held on a debtor-creditor basis (your right to be repaid is a debt owed to you by the bank) and your funds are not ring-fenced from other deposit monies held by the bank in any way. Funds held under the client money rules would be held on trust for you by the investment firm and ring-fenced from other funds held by the investment firm. This is a difference between the regulation of banks and investment firms rather than between French and UK banks.

Asset Protection

Société Générale's activities are covered by the French Deposit Guarantee Scheme (*Fonds de Garantie Des Dépôts*) (the French 'Deposit Guarantee Fund'). The Financial Services Compensation Scheme ('FSCS') does not cover Société Générale's UK activities.

In the event of default of Société Générale, a "legal person" may benefit from two protections provided by the Deposit Guarantee Fund: (i) a guarantee corresponding to the value of the Securities deposited with Société Générale that become unavailable (up to €70,000 per Underlying Customer) and (ii) protection for the Cash deposits relating to the Securities and all other deposits of the Underlying Customer with Société Générale (up to €100,000 per Underlying Customer). A "legal person" is either an individual or a corporate entity, but excludes credit institutions, payment institutions, insurance companies and collective investment undertakings. By comparison, the FSCS claim limit is up to £50,000 per "eligible person" based on the fact that the services are investment related rather than pure banking. The FSCS also apply eligibility criteria, which is different to that of the French Deposit Guarantee Fund. Details on the FSCS can be found on their website at www.fscs.org.uk or by post at the following address: Financial Services Compensation Scheme, 10th Floor, Beaufort House, 15 St Botolph Street, London EC3A 7QU.

For a fuller description of the French Deposit Guarantee Fund (including the amounts covered and eligibility to claim) please consult the relevant website which is available in English at www.garantiedesdepots.fr/en The Deposit Guarantee Fund can also be contacted by post and email at the following addresses: 4 rue Halévy, 75009 Paris, France; e-mail: contact@garantiedesdepots.fr

The eligibility criteria for the French Deposit Guarantee Fund are defined by French law and regulation and are different to those that apply to the FSCS. If you are in any doubt, you should consult your relationship manager and/or take your own independent legal and other advice as to whether your assets are eligible for the purposes of the French Deposit Guarantee Fund.

SCM Direct is covered by the **Financial Services Compensation Scheme**, which means you may be entitled to compensation should SCM Direct be unable to fulfill its obligations.

64. SCM Direct says it operates a Profit for Purpose Model – What Does That Mean?

A significant percentage of profits generated by SCM Direct will go to the **Miller Philanthropy Foundation** which supports small dynamic charities doing transformational work in their fields; primarily in the UK.

Important

The value of investments can go down in value as well as up, so you could get back less than you invest. Exchange rates may cause the value of overseas investments and income from them to rise and fall. It is therefore important that you understand that past performance is not a guide to future returns.

SCM Direct does not give personal advice.

We aim to provide investors with simple, understandable information so they can make fully informed decisions. If you are unsure about the suitability of our investment portfolios please contact an independent financial adviser.

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. There are many different types of Exchange Traded Funds; each carrying different levels of risk as openly traded securities e.g. high volatility, counterparty risk or currency risk.

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.



www.moneyshe.com



www.scmdirect.com



www.scm50.com

SCM Direct is a trading name of SCM Private LLP which is authorised and regulated by the Financial Conduct Authority to conduct investment business.

Company registered in England and Wales, no. OC342778.

2 Eaton Gate, Westminster, London SW1W 9BJ