SCM | DIRECT
The Investment Family

Investment Proposition Document

OUR MARK OF TRUE FAIR COMMITMENT ©

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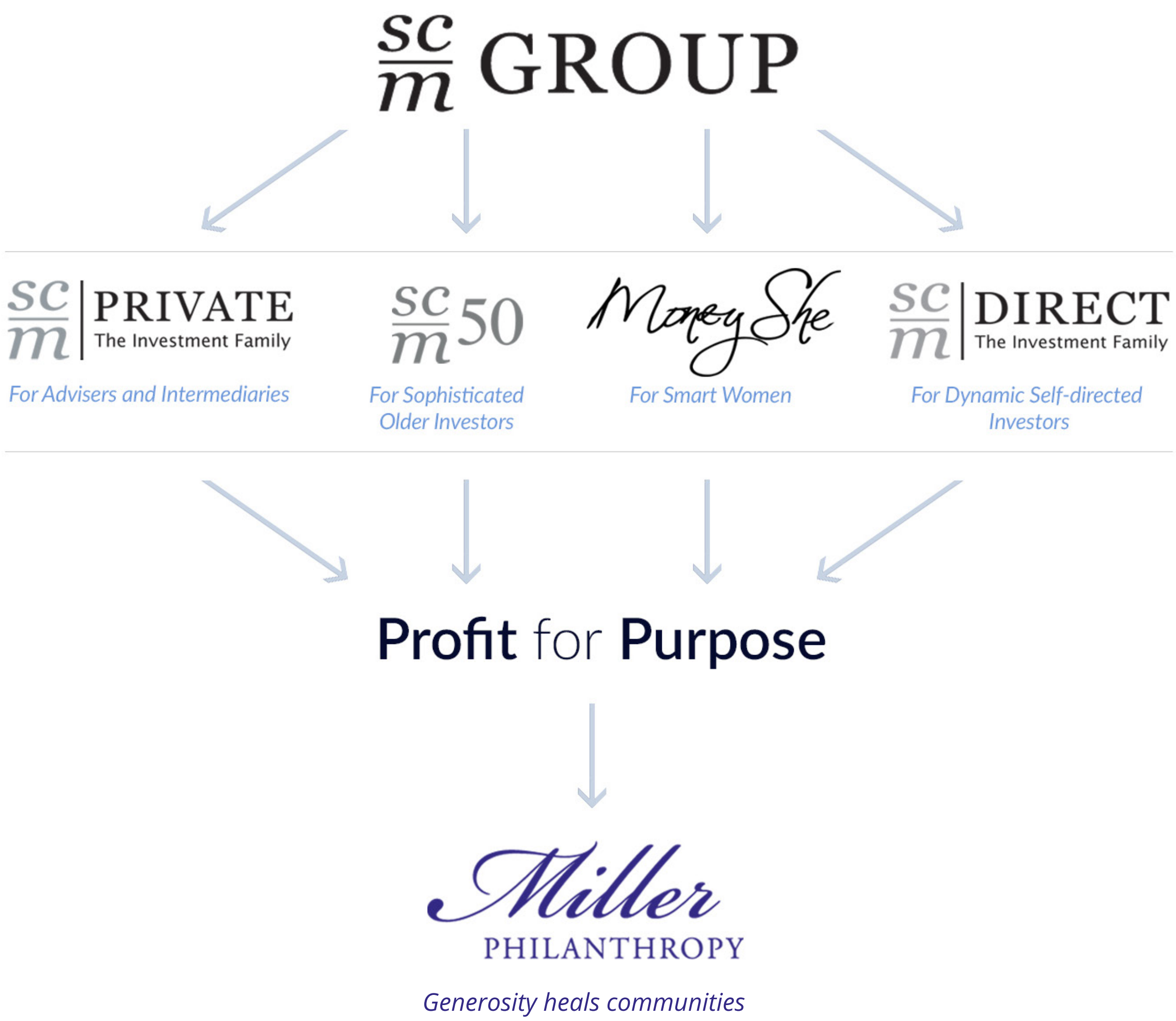


Company Cornerstones

SCM DIRECT The Investment Family

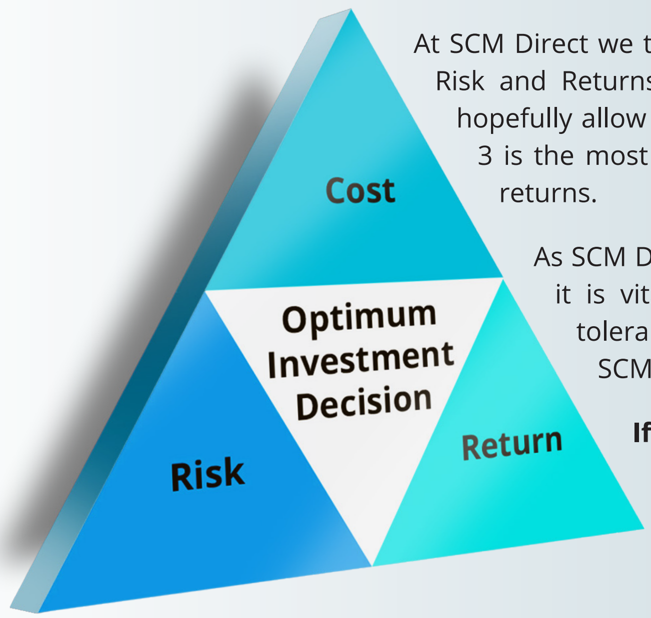
100% transparent - By having three core portfolios, 100% transparency on all our fees and holdings, and explaining all that we do in our business and why - we have no place to hide. We are humble enough to accept when we are wrong, and strong enough to change when necessary.

Co-invested - We put our money where our mouth is by investing significant funds in the SCM portfolios, on exactly the same terms and fees. SCM has no external shareholders or commercial interests that can give rise to conflicts of interest. We are therefore never tempted or pressured into acting against the best interests of our clients; and we pride ourselves on our independence.

Profit for purpose - All the SCM brands are as passionate about giving back as we are about helping investors. We believe the SCM cornerstones of Cost, Risk and Return can also be balanced and applied to our charitable giving. A significant proportion of any profits earned by SCM Direct will be donated to **Miller Philanthropy.**

Manifesto For Business

- We believe we have a duty to provide the best investment solutions to ensure people's financial health.
- We believe in 100% transparency in all we do.
- We believe in simplicity and being understandable.
- We aim to always deliver our best.
- We believe in owning and controlling our business so we are never conflicted.
- We believe in focusing on the things we can control.
- We believe that generosity can heal communities.



At SCM Direct we think the smartest approach is to balance cost, Risk and Returns so we can make investment decisions that hopefully allow you to sleep at night. We believe the Power of 3 is the most sensible approach in the quest for consistent returns.

As SCM Direct does not give any personal finance advice it is vitally important you carefully decide your risk tolerance and understand the risk attached to each SCM Direct portfolio.

If you feel uncomfortable making this decision for yourself, you should seek the advice of an independent financial adviser.

Exchange Traded Funds

"ETFs are simple instruments, but in the hands of a skilled professional they can become sophisticated investment strategies"

Exchange Traded Funds (ETFs) are investment funds that trade on a stock exchange e.g. the London Stock Exchange, and aim to track the performance of a specific index (like the FTSE 100) in order to deliver the same return as that index, less fees. ETFs afford investors the best of both worlds – access to a portfolio of companies (shares), bonds or other asset types (such as commodities or property) as with many investment funds, BUT can be bought and sold on a stock exchange, like a share.

Many ETFs offer the following key advantages:

Cost effectiveness

Significantly lower costs than other types of investment funds. And unlike UK shares, there is no 0.5% stamp duty paid on buying or selling ETFs.

Efficiency and liquidity

They are easy to buy/sell throughout the day. Many leading ETFs are extremely liquid and can be bought and sold with a very small difference between their buying and selling prices, known as the 'spread'.

Transparency

Most ETFs provide full daily visibility as to exactly which securities are held and exactly how much is invested in each.

Extensive choice

ETFs cover most major regions, countries and sectors of equities market. There is also an extensive choice of fixed income ETFs and many other asset categories available ranging from property, private equity, and commodities to even hedge funds.

Diversification

Due to their wide diversification, ETFs can enable investors to spread the risk of individual companies, entire sectors or even whole countries. For example, an ETF with an international focus might be subject to a currency risk whilst an emerging market ETF might be subject to a liquidity risk associated with less liquid securities or markets. However, they can never fully mitigate against market risks.

In view of the efficiency, cost effectiveness and transparency offered by these modern investment instruments, it is no wonder that since the launch of the first ETF in Canada in 1993 and the first European ETF in 2001, the ETF market has grown phenomenally. According to the independent research house ETFGI, the global Exchange Traded Product (ETP) market, which is principally made up by ETFs, was worth US$2.62 Trillion at the end of July 2014, with 5,410 available on 60 stock exchanges across the world.

ETF Providers

There are also many ETF providers. SCM Direct is not tied to any one ETF provider. We use a large number of different ETF providers and look for the best ETFs to fulfill our asset allocation calls. These are just some of the well-known providers that have featured within our portfolios.

iShares®
Deutsche Bank db X-trackers
SPDR State Street Global Advisors
etf Securities
HSBC Global Asset Management
Vanguard®
source

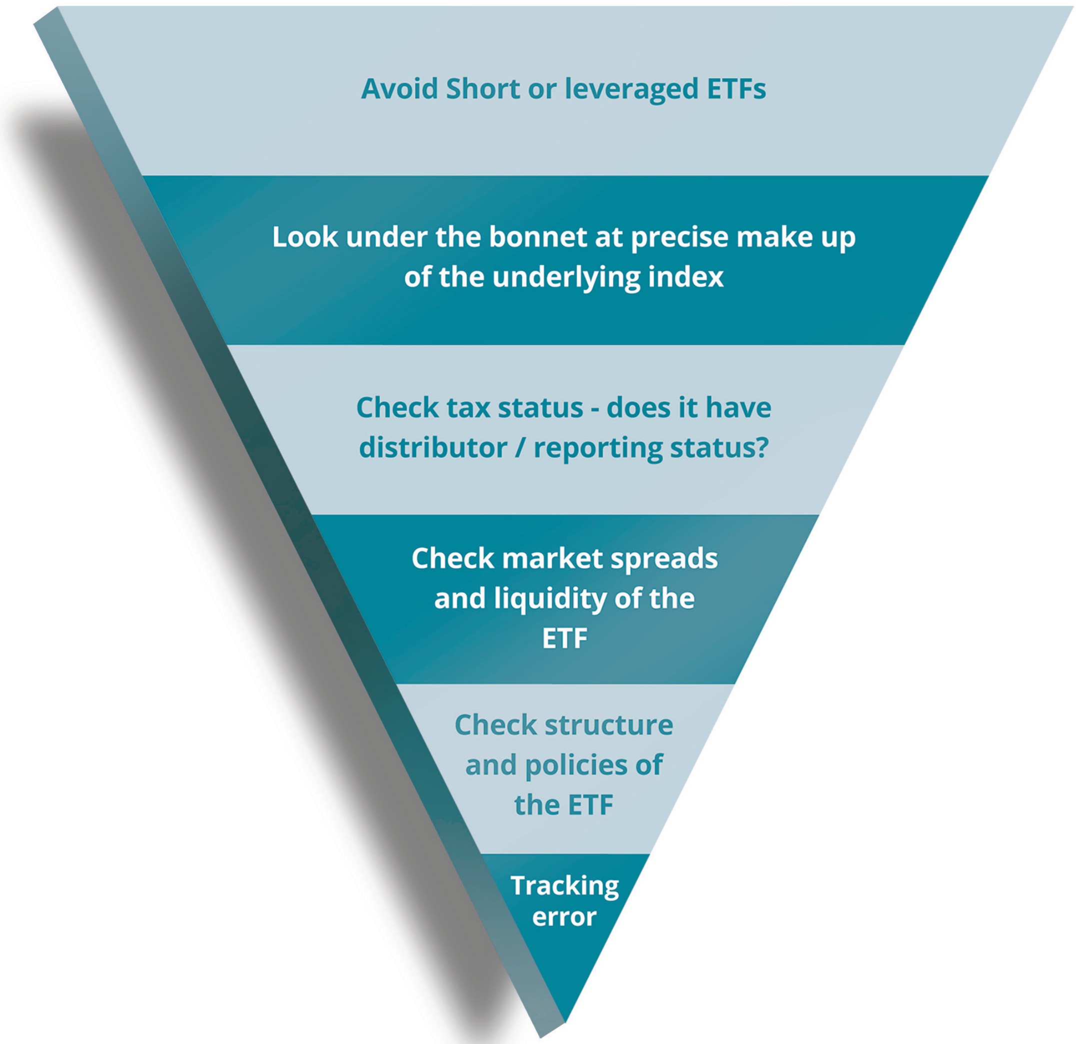
The Devil is in the Detail

When people say that the devil is in the detail, they mean that small things that are often overlooked can cause serious problems later on.

This is especially true in investments. For this reason we operate an extremely strict and robust ETF filtering process that looks under the bonnet of all the ETFs we identify as being possible investments for our asset allocation decisions, to see exactly what they are holding and how they are constructed.

Only after this comprehensive process do we buy an ETF for our portfolios.

SCM Direct ETF Filtering Process



An excellent guide to ETFs can be found at the [London Stock Exchange.]

3 Core Portfolios • 3 Blends • 3 Currencies

3 Core Portfolios:

SCM Bond Reserve portfolio

100% fixed income cash

This portfolio is invested in fixed income ETFs typically invested in a combination of developed and emerging corporate and government fixed income products together with cash.

The portfolio is benchmarked against cash.

SCM Absolute Return Portfolio

Akin to a modern day hedge fund

The asset allocation is not fixed but is typically 50-60% equities, 40-50% bonds / commodities / cash / other assets but will be flexible rather than fixed in its allocations. This portfolio is normally invested in a wide spread of ETFs and is typically invested in a combination of equity ETFs together with investments in bonds and other ETFs.

The portfolio is benchmarked against cash.

Please note that whilst we aim to achieve positive returns over three year rolling periods, there is no guarantee that such a return will be achieved over this or any other period.

SCM Long-Term Portfolio

Based on an old fashion pension fund

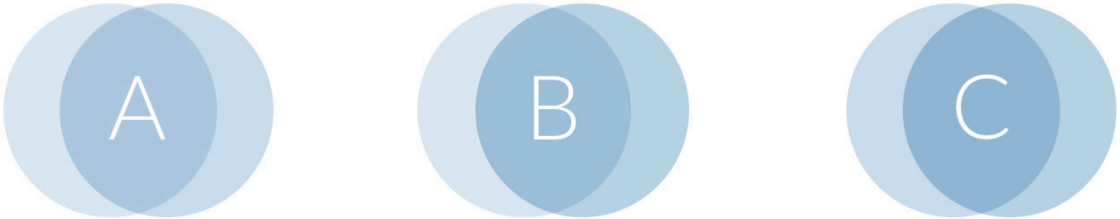
The asset allocation is not fixed but is typically 70-80% equities, 20-30% bonds / commodities / cash / other assets but will be flexible rather than fixed in its allocations. The Long-Term Return portfolio tends to hold bonds/commodities/cash/other assets but will be flexible rather than fixed in its allocations. The Long-Term Return portfolio tends to hold more in equities and less in bonds than the Absolute Return portfolio, be more diversified in terms of the equity part of its portfolio and tends to be less active.

The portfolio is benchmarked against inflation.

All the SCM portfolios are discretionary portfolios rather than funds.

3 Blended Portfolios:

To give clients a wider choice of investment options without diluting our focus, clients have access to three blended portfolios to fine tune and match their investment objectives. Each blended portfolio represents a 50/50 mix of two portfolios.



Bond Reserve + Absolute Return

Bond Reserve + Long-term Return

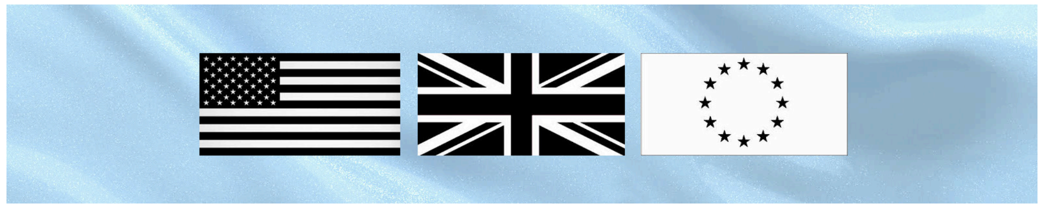
Bond Reserve + Long-term Return

3 Currencies:

The SCM portfolios are available in three currencies (£, $, €)

The various currency portfolios follow the same broad asset allocation as the UK £ portfolios – For example if a £ portfolio for a given strategy has 50% in equities, you should expect the $ or € portfolios, to also have 50% in equities. The main difference is that the central bias of each portfolio will be to those equities or bonds that are geographically based in that portfolio's home currency.

However, there may be times when this differs according to our views of the home markets and their currency, as we look at each portfolio from the viewpoint of the home currency and the home markets when determining the particular asset allocation.



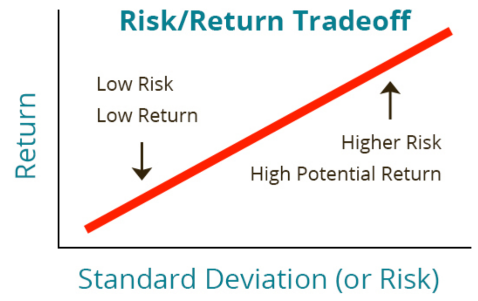
It is important to note that there may be tax differences for UK based investors from investing through either the USD $ or EUR € portfolios rather than the GBP £ portfolios since these will be buying US listed and European listed ETFs respectively, rather than UK listed ETFs.

We will always wherever possible for the GBP £ portfolios endeavour to select ETFs that have 'reporting status' as these tend to be advantageous for many GBP taxpayers over those without 'reporting status'.

Risk

Our experience over the last five years has confirmed our belief that most people broadly want the same things from their investments. They want to preserve their wealth/money, earn more than they would at the bank, beat inflation, and not pay excessive fees. The broad differences are the amounts they have to invest and the amount of risk they are willing to take. A very important rule to understand is that all investments carry risk although the level varies form investment to investment. If you are not willing to take some level of risk to earn a return then you should not be investing.

The general principle is that the higher the likely return, the higher the likely risk. This is known as the 'risk-return trade off'



Source: Investopedia

Apart from assessing your own personal attitude to risk, there are other types of risk to consider. When you make an investment, it can be difficult to know exactly what will happen due to factors such to fluctuations in share prices, interest rates and inflation

Risk	Considerations & Management Techniques
Longevity The risk you'll outlive your money	Consider the genetic life span within your family, and any genetic pre-dispositions to illnesses. Assess what you need for big expenses and for basic expenses.
Liquidity Risk that you won't have the cash on hand when you need it, forcing you to sell assets in a down market	Plan a cash rainy day pot outside your savings and investment pot. Advisers commonly say this should cover outgoings and expenses for three years. With your investment, it is important to invest in large, liquid instruments such as those that often sit within ETFs to reduce the risk that your investment might be either closed or extremely illiquid in certain adverse market conditions.
Inflation Risk that inflation will be higher that the return on your investments	UK inflation has averaged 3.8% over the last 10 years. For your money to have the same purchasing power in the future as it does today, it will need to earn at least as much as inflation. Investors therefore will often want an investment strategy that sets out to beat inflation or at least match it. Having all your savings in cash alone may not buy you the things you need in the future.
Market Risk that stock and bond markets as a whole will fall	By having a mix of different assets and invested in well diversified portfolios can help in managing market risk. Asset classes tend not to fall all at the same time except in extraordinary global circumstances or crises.
Manager Risk that you pick the wrong investment manager, or the manager leaves, or your actively managed fund has such high fees that it eats away the returns, or your manager is not aligned with investors	It can help to choose a manager that is aligned with clients, who has 'skin in the game'. Make sure you know the true total costs – remembering that as much as 50% of fees can be hidden, and look for a manager who gains consistent returns rather than being up one year and down the next.

Our investment strategy is based around three principles:

Smart | Contrarian | Modern

Smart

Based on Solid Academic Research

Having a blank piece of paper gave us the freedom to question and assess accepted norms and to ask the difficult and often common sense questions. At SCM Direct we engage a hybrid investment strategy that combines our learning, experience and knowledge into a modern approach that we believe will be resilient in today's increasingly volatile and uncertain investment environment.

We have been extremely careful in putting in place an investment and business strategy that we believe will be more efficient, smart and lead to better outcomes for our clients. In addition our solid foundations stand on the teachings and experience of three fathers of investing.

Three Fathers of Investing

Benjamin Graham
The world of investing changed dramatically in the post-Depression 1930s. At this time Benjamin Graham was evaluating the systems and trying to understand how ordinary people could rebuild their decimated finances. The result was a book he published in 1949 entitled 'The Intelligent Investor' which Warren Buffet read in 1950 at the age of 19. Years later in 2003 Buffet declared that this was still his favourite book.

Harry Markowitz
As a student at the University of Chicago, Markowitz was especially interested in the philosophers he read in a course called 'Observation, Interpretation, and Integration'. This led him to question economic and market theories in his dissertation that formed the basis of his Portfolio Theory. In 1952, Markowitz published his breakthrough work on the modern portfolio theory that later won him a Nobel Prize. His theory stated that it was possible for investors to construct efficient portfolios that would offer maximum possible returns for a given level of risk.

William Sharpe
William Sharpe built on Markowitz's work. Sharpe's prize-winning work changed the way professional investors think about stocks. While much of it is technical, his capital asset pricing model (CAPM), focused on the relationship between risk and reward in the context of the entire market. As Sharpe says: "Some investments have higher expected returns than others. And they are the ones that will do the worst in bad times." In other words, if you want higher returns, you've got to take some of the market's overall risk.

UK Academics

Elroy Dimson Emeritus Professor of Finance at London Business School

Much of modern investing thinking has emanated from the US but there have been some thought leaders in the UK. Our co-founder and Chief Investment Officer (CIO) Alan Miller had the honour of being taught by one, Professor Dimson at the London Business School.

Professors Elroy Dimson and Paul Marsh of the London Business School wrote in their 1998 paper entitled 'Murphy's Law and Market Anomalies' that:
"Many researchers have uncovered empirical regularities in stock market returns. If these regularities persist, investors can expect to achieve superior performance. Unfortunately, nature can be perverse. Once an expected anomaly is publicised, only too often it disappears or goes into reverse".

In the Professor's joint presentation in 2013 entitled 'Investing in a Low Return World', they conclude:

• We are in a low return world

• Investing has become more challenging

• Need to search for rewards that go beyond just the equity premium

• Need to control risks, and to diversify across assets, markets and premia

Alan Miller Founding Partner & Chief Investment Officer

Our CIO, Alan Miller, wrote a prize-winning dissertation in 1985 comparing Active with Passive Portfolio Management in the light of the Efficient Markets Hypothesis, which concluded there were very few anomalies left in fund management.

Nearly 30 years later he finds himself in the fortunate position to co-own an investment business that can turn this abstract thesis into practice.

At SCM Direct, we continue to monitor research from around the world, conduct our own, listen to our clients, look at economic and market trends and combine our day to day investment activity with a thirst for improving our clients' outcomes.

Smart People Diversify

Many researchers have found that asset allocation has a significant positive impact on overall portfolios returns.

Asset allocation is an investment technique used to spread investment pots across asset categories. Equities, bonds, commodities and cash are the most common component, however there are others e.g. private equity and property.

By using asset allocation to invest in different assets that respond differently to the same market forces, helps to smooth investment returns, as some assets will be performing well when others perform badly, and vice versa. Making smart asset allocation decisions allow us to blend the different asset classes to weather market storms when they occur. But it is important to remember that all investing involves risk, and that there can be no guarantees.

It is often more productive to select diversified mixes of assets rather than risk the yearly highs and lows of individual assets.

Ten-year snapshot of asset class returns, January 2004 - December 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Best Asset*	Mid Cap +22.9%	Emerging Markets +50.5%	Mid Cap +30.2%	Emerging Markets +37.4%	Government Bonds +13.6%	High Yield +59.5%	Mid Cap +27.4%	Government Bonds +16.9%	Small Cap +27.8%	Small Cap +32.8%
Average Weighted Portfolio**	Average Weighted +11.7%	Average Weighted +19.3%	Average Weighted +11.7%	Average Weighted +5.9%	Average Weighted -20.0%	Average Weighted +31.6%	Average Weighted +14.5%	Average Weighted –2.2%	Average Weighted +14.1%	Average Weighted +12.3%
Worst Asset*	Cash +4.7%	High Yield +4.8%	Government Bonds +0.5%	Small Cap –10.55%	Small Cap –43.9%	Government Bonds –0.8%	Cash +1.0%	Emerging Markets –17.6%	Cash +1.4%	Government Bonds –4.1%

** Asset Categories analysed - Large Cap (FTSE 100 Index), Mid Cap (FTSE 250 Index), Small Cap (FTSE Small Cap Index), International (MSCI World Index), Emerging Markets (MSCI emerging Markets Index), Government Bonds (Citigroup World Government Bond Index), Corporate Bonds (iBoxx £ Corp Index), Cash (JPM UK Cash 3 Months Index), High Yield (Bank of America Merrill Lynch Global High Yield Index)*

***The Average Weighted Portfolio is for illustration purposes only to show the effect on returns of investing in a combination of asset classes, rather than a single asset class. It is not a recommendation for diversified portfolio construction.*

Source: Blackrock, Datastream. Data as at 31 December 2013. Data from January 2004 to December 2013. Total Return Indices shown.

There is a myth that academic research by Roger Ibbotson and Paul Kaplan found that more than 90% of the variation in portfolio returns is explained by asset allocation decisions. They actually found that only about 40% of the return variation between funds was due to asset allocation, with the balance due to other factors, including asset-class timing, style within asset classes, security selection, and fees.

> “***But the average of all investors is the market itself, with good managers and bad ones cancelling each other out, so Ibbotson and Kaplan concluded that asset allocation ultimately accounts for 100% of the absolute level of returns***”

Tactical Strategic Asset Allocation

Tactical asset allocation is when an investor believes that they can get better risk-adjusted returns by dynamically changing asset allocations rather than following a rigid, fixed ‘buying, holding and hoping’ method of asset allocation.

At SCM Direct we describe ourselves as ***actively passive*** as we undertake tactical strategic asset allocation i.e. we believe in being active in our asset allocation, but use passive index funds called Exchange Traded Funds (ETFs), to fulfill our asset allocation decisions; offering clients the best of both worlds. By only investing in ETFs, which are modern, low cost, and highly diversified, we are able to be extremely nimble and efficiently implement our tactical asset allocation decisions.

We do not buy, hold and hope. The SCM Direct team constantly monitors the portfolios against the overall economic and market environment. We concentrate on various tried and tested, long-standing fundamental valuation criteria to assess if the potential rewards from owning a particular asset exceed its potential risks.

Our disciplined investment approach involves careful research and a determination not to blindly follow the herd. Some of the best decisions can be counterintuitive and an independent mind-set is vital in our view to successful asset allocation. Our Chief Investment Officer, Alan Miller has 25 years of investment experience and is one of the UK’s most successful fund managers.

SCM Direct’s asset allocation strategy aims to

- ✔ Reduce the impact of individual ‘shocks’ on our portfolios.
- ✔ Be more logical and less emotional so we can achieve our goals of long-term consistent performance based on fundamentals rather than fashions.
- ✔ Make asset allocation changes to portfolios when opportune rather than via a rigid, fixed approach that may work in some market conditions but not in others.
- ✔ Not make changes to portfolios just for changes sake or to earn higher fees. This can result in over-trading, carrying large extra hidden costs at the client’s expense.
- ✔ Learn from our experience and never be afraid to admit when we have got it wrong.

Highly Diversified Portfolio

Diversification goes hand in glove with asset allocation. It means spreading your investment pot around different investments to reduce risk. When buying a house the experts advise you to think location, location, location; in investments it's diversify, diversify, diversify.

Diversification serves as a safety net but cannot guarantee to reduce risk completely. It's a fundamental tool, which helps us address our clients concerns around risk. Coupled with our tactical asset allocation decisions, it means we never have all our eggs in one basket.

We choose different asset classes that often fluctuate independently of each other as we aim to reduce the volatility of the SCM Direct portfolios.

Baskets of Baskets

ETFs can Enhance Diversification

A well-diversified portfolio should be diversified at two levels: **between** asset categories and **within** asset categories. Therefore in addition to investing the portfolios amongst equities, bonds, cash, and possibly other asset categories, we also spread our investments within each asset category by investing through well-diversified index funds, ETFs.

We believe ETFs are ideal, as they are highly diversified index products that fulfill sophisticated investment strategies in an efficient, fully transparent and low cost manner.

Traditional active equities or bond funds will often hold between 80 - 120 different stocks or bonds. But via ETFs the SCM Direct Bond Portfolio, for example typically invests in 10 - 15 ETFs providing an underlying diversification of more than 1,000 bonds. The SCM Direct Absolute Return and Long-Term Return Portfolios typically invest in 10 - 15 ETFs with an underlying diversification of over 2,000 individual securities; making the SCM Direct portfolios in effect baskets of baskets.

Diversification Reduces Risk and Volatility

Average Monthly Asset Allocation from Inception to End August 2014

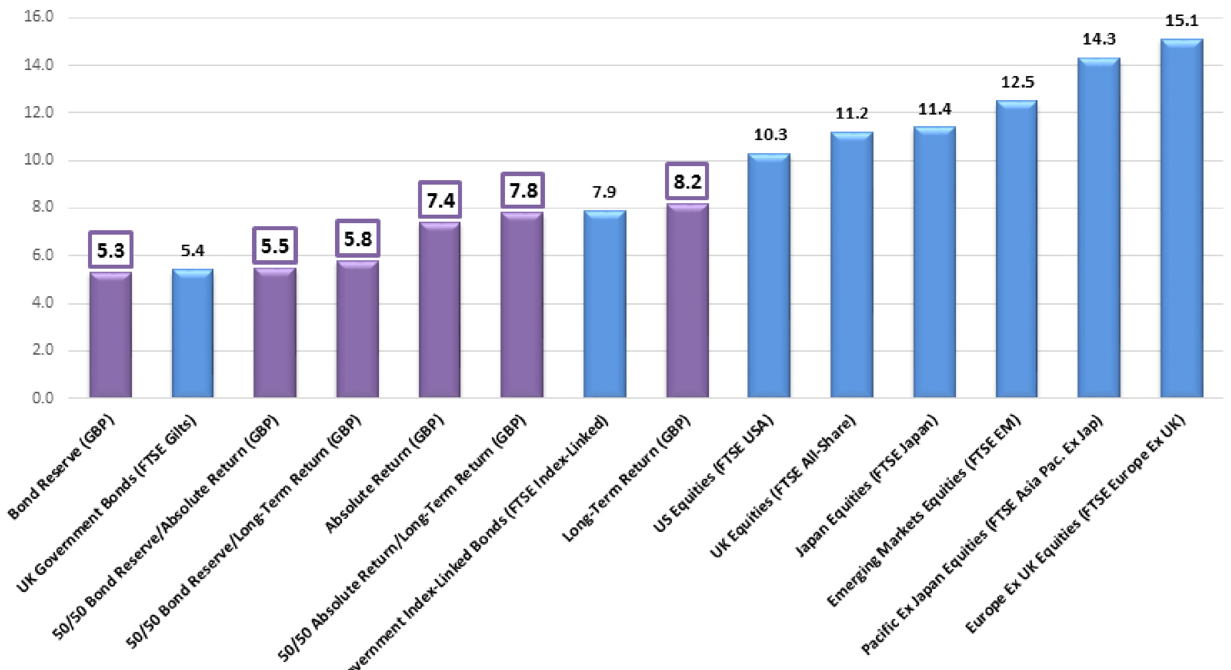
Asset Class	Bond Reserve Portfolio % (GBP)	50/50 Bond Reserve / Absolute Return Portfolio % (GBP)	50/50 Bond Reserve / Long-Term Return Portfolio % (GBP)	Absolute Return Portfolio % (GBP)	50/50 Absolute Return / Long-Term Return Portfolio % (GBP)	Long-Term Return Portfolio % (GBP)
Equities	0	29	37	58	66	74
Bonds	97	66	59	35	28	21
Other*	0	2	1	3	3	2
Cash	3	3	3	4	3	3
Total	100	100	100	100	100	100

***Other includes Real Estate, Commodities and Private Equity ETFs**

The Absolute Return and Long-Term Return (GBP) portfolios commenced on 8th June 2009. The Bond Reserve (GBP) portfolio commenced on 1st June 2011.

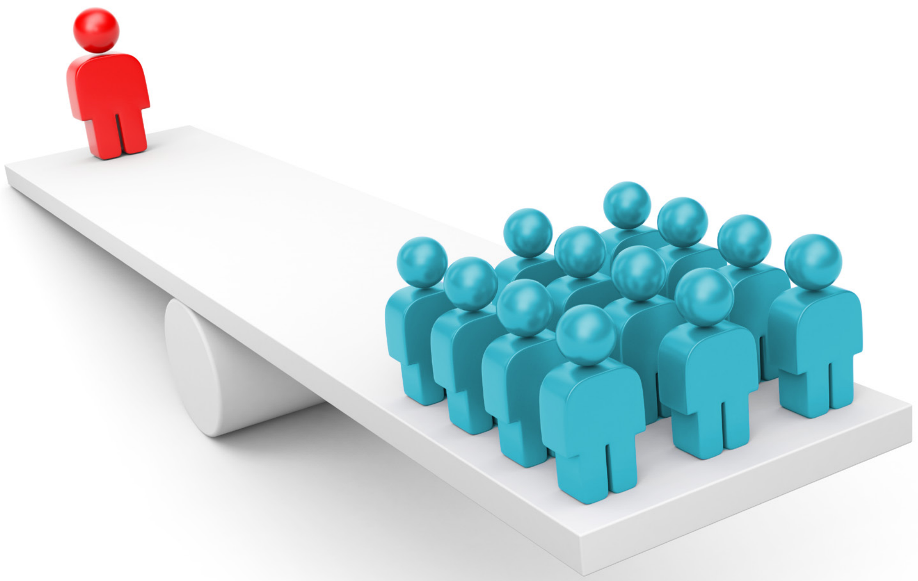
The SCM Direct portfolios tend to sit in the lower bands of risk in terms of volatility, due to their exceptionally high levels of diversification. Based on the average monthly asset allocation and diversification over the last 3 years to end of August 2014, the risk as measured by the Standard Deviation (also known as volatility) is as follows:

Last 3 years annualised volatility to end August 2014
(a lower volatility is generally considered to indicate lower risk)



Source: SCM Private / Morningstar

Contrarian



Be a voice,
not an echo

According to the Oxford English dictionary, a contrarian is a person who opposes or rejects popular opinion, especially in stock exchange dealing. We would add to this, someone that is also principled.

A Contrarian is willing to be different and doesn't worry even when they are the only person thinking their way. In terms of investing, this means going against the herd, buying out-of-favour investments, often cheaply, then selling them at higher prices when they become fashionable.

A contrarian may seem foolish but there tends to be method in their madness. As Mark Twain once said,

> “ ***Whenever you find yourself on the side of the majority, it is time to pause and reflect*** ”

This is very true in investments, but due to peer pressure, human nature and egos, most investment managers find contrarian investing hard to sustain.

Questioning Convention

Alan Miller is our Captain Contrarian and uses his knowledge and insight gained over 25 years. In addition he adheres to the advice of two investment superheroes, Warren Buffet and Donald Rumsfeld.

Mr. Buffett advises investors “to be fearful when others are greedy and greedy when others are fearful”, i.e. buy when everyone else is desperate to sell, and don't fall for the hype of the herd.

Mr. Rumsfeld said that “There are known knowns... But there are also unknown unknowns. There are things we don't know we don't know”, i.e. buy the things you can interrogate, know and understand rather than speculate on the things you don't know and can't predict.

Being contrarian also means questioning research and reports from highly paid analysts and big research houses. Opinions are like belly buttons, everyone has one but if you spend too much time naval gazing you end up with a very warped view.

> “ ***At SCM Direct we focus on making the best decisions we can, and defending our clients' hard earned money whilst aiming to grow it with the lowest possible costs and risk.*** ”

Fundamentals Not Fashion

We understand that many people are cautious and nervous about investing and in many ways they are justified. The financial crisis, banking bailouts, scandals and mis-selling have significantly damaged the sector. But even in uncertain times, we believe sitting in cash or not investing is a road to ruin.

To make the most of the investment opportunities we believe still exist, we invest in a disciplined, diversified and cost-efficient manner, concentrating on fundamental value so our clients actually benefit from the "fearful".

The old fashioned fundamentals we use to evaluate an investment opportunity and see how it measures up before deciding to invest include price/earnings ratio, price/book value ratio, price / cash flow ratio, dividend yield, price / earnings growth, and earnings growth.

Once we make an asset allocation decision, we apply fundamental analysis to the ETFs in that particular asset class / sector, look under the bonnet of the ETFs and choose the best one overall.

Modern

Discretionary Investment Managers

As more and more people turn away from the more traditional high cost ways of investing and consider doing it themselves (DIY investing), they often discover it is more challenging than anticipated. Most people are looking for a safe pair of hands, but even finding a professional investor you trust and have confidence in can be daunting. As discretionary investment managers SCM Direct aims to offer investors a simple, understandable, fair fee way of investing money that avoids layers of intermediaries and conflicts of interest.

By giving us discretion to look after your investments, we do all the legwork for creating and maintaining portfolios that help clients achieve their investment goals.

The SCM Direct Portfolios are managed using model portfolio strategies. This 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 or nervous about investing directly, you should seek the advice of an independent financial adviser.

Our portfolios may appeal to those who simply do not have the time to run their own portfolio or are unsure how to create a balanced spread of asset classes and review them regularly.

Of course, this means you have to put your faith in us to make the investment decisions that we believe will enhance your returns. To reassure clients, we believe actions speak louder than words so we have significant sums of our own money invested side by side with clients.

Portfolios Not Funds

Most investors invest via mutual funds which are professionally managed collective investment schemes that pool money from many investors to purchase whatever the fund is investing in. The first mutual funds were established in Europe around 1774 but little has changed since then.

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.

Discretionary portfolios have in the past been the preserve of wealthy individuals and large institutional investors but today's modern technology allows SCM Direct to offer portfolios to investors with much smaller amounts to invest.

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 UK tax return.

Actively Passive Strategy

In investment management the term 'active' normally describes a fund manager that takes a more concentrated investment strategy which is changed often – for example instead of buying every UK share weighted by its market value, an active fund manager might select 80 - 120 stocks for their strategy and then change or trade these.

A 'passive' fund would simply buy the whole market at a much lower cost, and often with lower volatility since it tends be better spread. If you believe that markets are generally efficient and that minimising cost is of paramount importance, a passive manager may be right for you.

This approach allows us to avoid the pitfalls of many traditional 'active' funds, which can be high cost, highly concentrated, and have volatile performance. We have the flexibility to grab opportunities as and when they come along rather than having our hands tied to a once a month or once a year asset allocation review, which may result in lower performance.

> ***"At SCM Direct we have taken the strengths from each of the active and passive strategies and combined them into an approach we feel is more robust, modern and flexible in today's more challenging investment environment."***

Track Record

SCM
5 Year Track Record

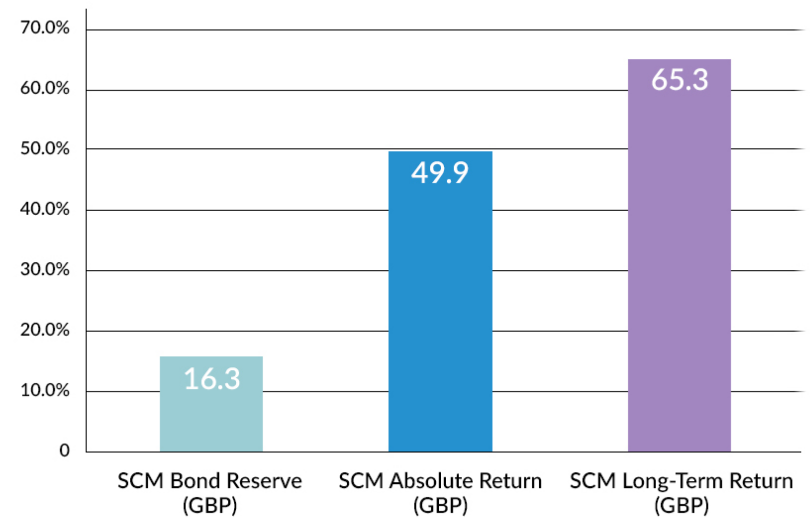
Borne out of the 2008 financial crisis and a desire to offer UK investors simple, modern, low risk, fair fee and transparent investment solutions, SCM was launched in 2009 and has a five year track record of managing ETF portfolios.

The simple fact is that many of the brightest academic minds, experts, analysts and fund managers did not predict the double-digit losses of the last financial crisis.

So we started with a blank sheet, reviewed everything afresh and concluded that the most common-sense way to invest involves a belt and braces approach that balances Cost, Risk and Returns.

We concluded that concentrating on one of these important factors without considering the other two results in outcomes that are skewed against investors.

Performance Since Inception to 31/08/2014



Investment	12 months to 31/08/2014	12 months to 31/08/2013	12 months to 31/08/2012	12 months to 31/08/2011	12 months to 31/08/2010
SCM Bond Reserve (GBP)	4.5	-0.3	11.3		
SCM Absolute Return (GBP)	6.5	8.5	6.6	2.8	10.6
SCM Long-Term Return (GBP)	7.8	11.8	8.7	4.3	9.6

The SCM Absolute Return and Long-Term Return portfolios commenced on the 8th June 2009.
The SCM Bond Reserve portfolio commenced on the 1st June 2011.

Source: SCM Private LLP based on third party performance data from Investment Software Ltd

Alan Miller
25 Years Investment Experience

Our Chief Investment Officer (CIO) and founding partner, Alan Miller has 25 years investment experience and a strong performance track record.

He is amongst a handful of highly respected UK fund managers and has managed money for a wide range of clients – retail, institutional, charity and private clients; across a wide range of asset classes – equities, bonds, property, alternative investments and ETFs.

	12m to June 06	12m to June 05	12m to June 04	12m to June 03	12m to June 02	12m to June 01
New Star Investment Trust	+29.5%	+20.2%	+21.8%	-4.8%	-12.8%	-5.5%
FTSE All Share	+19.8%	+17.8%	+15.9%	-9.7%	-14.8%	-6.7%

Source: Bloomberg, Morningstar

	12m to June 06	12m to June 05	12m to June 04	12m to June 03	12m to June 02	12m to June 01	12m to June 00	12m to June 99	12m to June 98
New Star Hedge	+4.3%	-0.5%	+10.0%	+15.3%	-7.9%	+6.2%	+30.6%	+37.4%	+60.8%
FTSE All Share	+19.8%	+17.8%	+15.9%	-9.7%	-14.8%	-6.7%	+5.3%	+9.3%	+27.8%

Source: New Star UK Hedge Fund Manager's report June 2006

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.

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.

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