

2024

sc
m | **DIRECT**
for smart investors


MONEY SHE
smart women invest



SCM
Ethical (ESG)
Portfolio

www.scmdirect.com

AWARDS



Best Online Female Wealth Manager 2024 - *Gina Miller*



UK Financial Services Provider of the Year



Most Outstanding in Long-Term Returns



Most Innovative Online Wealth Management Firm 2024 - *London*

WINNERS 2024



Leading Investment Company - *UK 2023*



Leading Fund Management Firm of the Year - *UK 2021*



Alan Miller - 30 Most Influential in the European ETF Industry List 2020



Most Trusted Online Investment Manager of 2019 - *UK*

WINNERS 2023

WINNERS 2021

WINNERS 2020

WINNERS 2019



Business Woman of the Year
Gina Miller



Online Wealth Manager of the Year



SCM Investment Manager of the Year



Campaigner of the Year
Gina Miller

WINNERS 2018

WINNERS 2017

Contents

Introduction to SCM Direct	2
1. SCM Ethical (ESG) Portfolio (GBP) Investment Objective	3
2. SCM Ethical (ESG) Portfolio (GBP) - Portfolio Construction	3
2.1 Screening of Investment Universe	3
2.2 Fundamental Screening Methodology	4
2.3 ESG Analysis of Underlying Securities	5
3. SCM Ethical (ESG) Portfolio (GBP) Details	5
3.1 Portfolio Holdings	6
3.2 Portfolio Asset Allocation	6
3.3 Key Statistics	7
Stock Analysis	8
4. Performance	9
5. Costs and Charges	10
6. Risk Management	11
7. Value at Risk	13

About SCM Direct

SCM Direct was founded in June 2009 by Alan and Gina Miller as a new type of investment manager that practices the highest standards of transparency, accountability and responsibility; as well as balancing profit and purpose.

We also aspire to use our expertise to benefit not just our clients, but to improve the outcomes of consumers across the UK investment and pension industry.

SCM's passion for treating customers fairly has seen us embrace technology to enhance efficiency but not replace human interactions with our clients.

Our smart hybrid approach has enabled SCM Direct to:

- reduce our investor entry level from £250,000 to £10,000
- reduce our Annual Management Fee to 0.4% per annum (please see our latest factsheet for full fees and charges)
- publish our 100% transparent fees monthly
- be dynamic active managers in volatile markets
- offer a modern direct to investor discretionary portfolio service previous the preserve of traditional high net worth investors
- quick and easy on-line account opening.



TRUE & FAIR

100% transparency of fees and holdings

•

Treat customers with honesty and respect

•

Corporate values : principles, ethics and integrity

•

Caring for our clients' money as if it was our own

1. SCM Ethical (ESG) Portfolio (GBP) Investment Objective

To create a modern, well-diversified, actively managed, low cost ethical portfolio solely utilising **UCITS¹ compliant, Exchange Traded Funds (ETFs)** based on old fashioned fundamentals.

SCM Direct follows a robust due diligence process that evaluates investment opportunities according to various fundamental valuation criteria e.g. its price/earnings ratio, price/book value ratio, price/cash flow ratio, dividend yield, price/earnings growth, and earnings growth, yield to maturity, credit rating, average maturity etc.

The SCM Ethical (ESG) Portfolio (GBP) will have a bias to £ denominated markets e.g. UK equities and bonds, with all the ETFs being listed on the London Stock Exchange.

Our objectives of investment liquidity, flexibility and transparency are satisfied through investing via ETFs which are all UCITS compliant.

As innovative, contrarian discretionary investment managers with one of the longest track records of actively investing via ETFs, SCM Direct has the knowledge and expertise to offer significant value to institutions and individuals seeking solutions or their investment challenges.

2. SCM Ethical (ESG) Portfolio (GBP) - Portfolio Construction

At SCM Direct we describe ourselves as **actively passive** as we undertake both tactical and 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 fulfil our asset allocation decisions. In our view, this offers clients the best of both worlds.

The additional positives of only investing in ETFs which are modern, low cost, and highly diversified, contributes to our ability to be extremely nimble, efficient and dynamic when implementing our asset allocation strategy.

2.1 Screening of Investment Universe

The ETFs selected within the SCM Ethical (ESG) Portfolio (GBP) will satisfy the following parameters:

1. All are “physical / optimised” ETFs
2. All categorised as either Environment, Social, Governance (**ESG**) or Socially Responsible Investing (**SRI**)
3. All listed on the London Stock Exchange
4. All UCITS compliant

¹ UCITS are a regulatory framework of the European Commission that creates a harmonised regime throughout Europe for the management and sale of mutual funds (Investopedia.com)

2.2 Fundamental Screening Methodology

Once the investment universe is defined, a fundamental analysis of the various ETFs is undertaken.

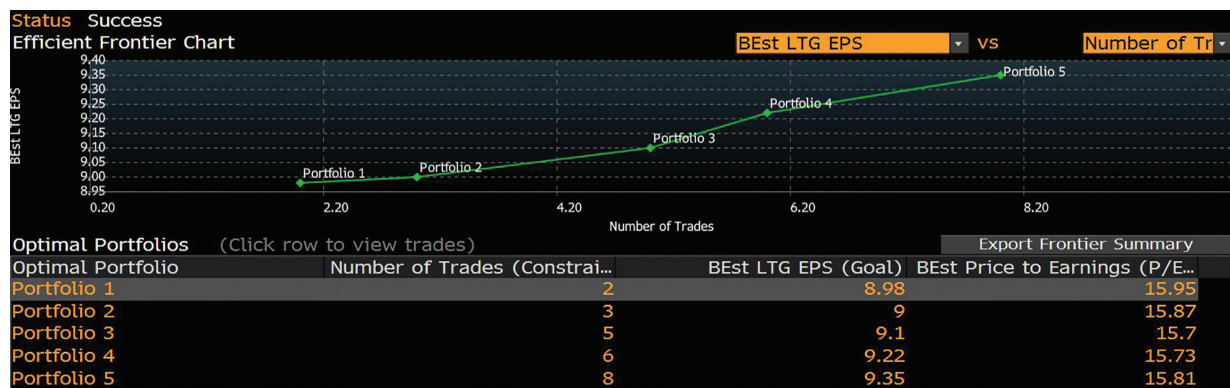
The underlying equities are analysed according to various metrics - e.g. their price/earnings ratio, price/book value ratio, price/cash flow ratio, dividend yield, price/earnings growth, earnings growth.

The underlying fixed income holdings are analysed according to their yield to maturity, duration, maturity, credit quality.

A Bloomberg Portfolio Optimiser tool is used extensively within this process.

The Bloomberg Optimiser is used to identify the best trades from a pre-defined investable universe (as described in 2.1) based on specific investment objective. Real-world constraints such as transaction costs and portfolio turnover are also considered.

The chart below is an example showing the efficient frontier calculated using the Bloomberg Optimiser with the goal to increase long-term earnings growth without giving rise to a significant increase in the P/E ratio. The system was calibrated to generate trade ideas for the portfolios from an extensive ETF investment universe as defined by the screening process mentioned previously. A constraint on the number of trades was made to reduce transaction costs.



Bloomberg Optimiser Efficient Frontier

The Optimiser generates five alternative portfolios based on the selected trade-off constraints, including the number of trades and size of trades.

This process is used to compare a great number of ETFs and can be executed quickly. It considers trade costs, increased risk and correlation within its calculations.

All Optimiser generated analysis and suggestions are then reviewed by the SCM investment team before any actual trades take place.

2.3 ESG Analysis of Underlying Securities

The SCM investment team goes beyond just investing in a wide range of ETFs with an ethical fund label (ESG or SRI). The way these funds select and exclude particular securities or sectors will vary from fund to fund, but our analysis goes ‘under the bonnet’ in order to screen out any fund with significant exposure to securities (be it shares or bonds) involved in:

- the tobacco industry
- nuclear weapons (<https://www.icanw.org/action/these-28-companies-are-building-nuclear-weapons/>) or Antipersonnel Mines (<https://www.hrw.org/reports/1997/gen2/General2.htm>)
- adult entertainment
- gambling
- civilian firearms

All underlying securities are published on our website and updated monthly.

3. SCM Ethical (ESG) Portfolio (GBP) Details

Portfolio commenced 5 August 2019.

Objective

To outperform inflation.

Strategy

Actively managed with an ethical objective investing in a wide range of either ESG or SRI Exchange Traded Funds (ETF) to produce significant diversification and exceptional liquidity at very low cost.

Investments within the portfolio

The asset allocation is not fixed but is typically c. 75% equities, 25% bonds/commodities/cash/other assets. This portfolio is normally invested in a wide spread of Ethical ETFs and is typically invested in a combination of UK and global equities together with investments in bonds and other assets. The portfolio is benchmarked against inflation.

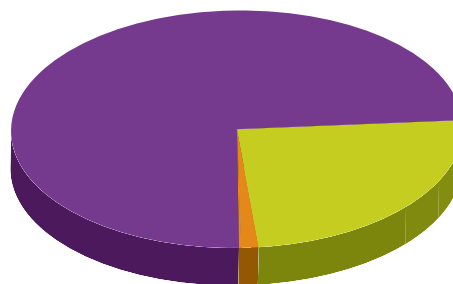
3.1 Portfolio Holdings

Top Holdings as at July 2021

Name	% Allocation	FUND GEO. FOCUS	ASSET CLASS FOCUS
UBS ETF MSCI UK IMI SRI GBP A dis	21.8	UK	Equity
Xtrackers MSCI EUROPE ESG ETF 1C	17.9	EUROPE	Equity
iShares MSCI EM SRI ETF USD Acc	15.8	Emerging Markets	Equity
iShares MSCI USA SRI ETF USD Acc	13.6	US	Equity
UBS ETF BlombgBarclMSCI USLqCpSu £H Adis	10.3	US	Bonds
UBS ETF MSCI Japan SRI JPY A dis	7.7	JAPAN	Equity
iShares \$CorpBd 0-3y ESG UCITS ETF£H Dis	6.4	US	Bonds
Invesco GBP Corporate Bond ESG ETF Dist	6.3	UK	Bonds
Cash	0.3		

3.2 Portfolio Asset Allocation

Asset Allocation



* As at July 2021

Equity	75.1
Fixed Income	24.7
Cash	0.3
<hr/>	
TOTAL	100.00

3.3 Portfolio Asset Allocation

Bonds Component

No. Holdings	Yield to Maturity	Maturity (Yrs from today)	Modified Duration	S & P Rating
985	1.5%	9.7	7.2	A-

Stock Analysis

No. Holdings	P/E*	LTG EPS**	Dividend Yield	Price to Book Ratio
2,121	16.7	12.0%	2.2%	2.1

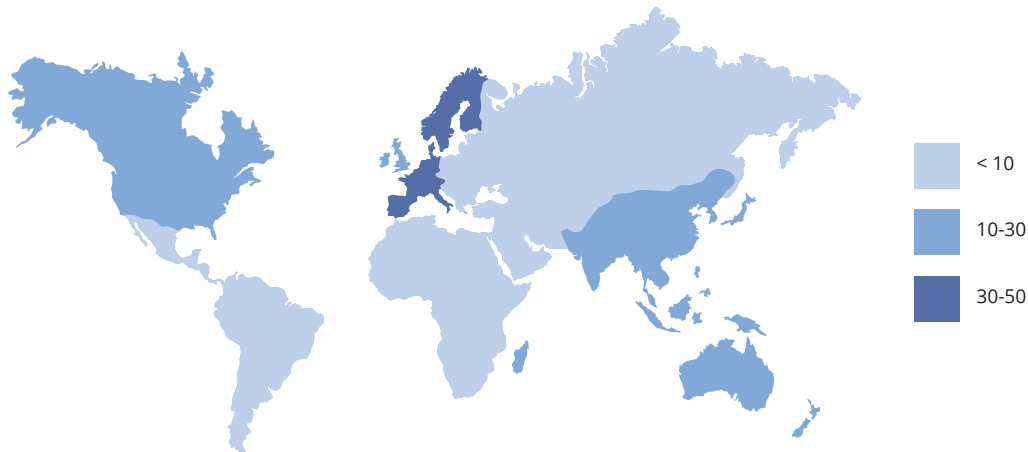
* Price/projected earnings for a stock is the ratio of the company's most recent month-end share price to the company's estimated earnings per share (EPS) for the current fiscal year.

** The estimated earnings growth over the next 5 years

*** As at July 2021

Stock Analysis

Stock Regions



Geography Region

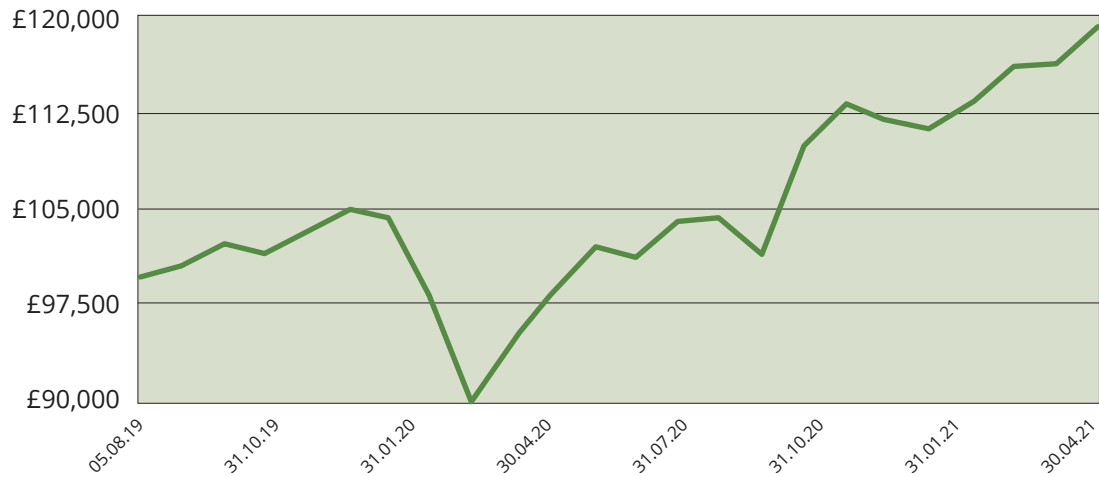
Equity	
	Weight %
Western Europe	39.1
United Kingdom	26.1
Asia Pacific	24.9
Japan	10.3
North America	13.6
US	13.1
Africa/Middle East	2.7
Central Asia	1.9
South & Central America	1.6
Eastern Europe	0.7

Stock Sectors

	Weight %
Financials	21.84
Industrials	13.79
Consumer Discretionary	12.04
Health Care	10.89
Information Technology	9.43
Consumer Staples	7.79
Not Classified	6.38
Communication Services	6.22
Materials	4.82
Utilities	2.82
Real Estate	2.57
Energy	1.42

Source Bloomberg (July 2021)

4. Performance



12m to 31.06.21

Rolling Returns	16.7%
-----------------	-------

05.08.19 to 31.06.21

Since Inception	19.2%
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The value of investments can go down as well as up and investors may not recover the amount of their original investment.

5. 100% Transparent Costs and Charges

The SCM Ethical (ESG) Portfolio has a weighted estimated ETF charge of 0.25% pa and an estimated underlying transaction cost of 0.05% pa. for a total ETF cost of 0.30% pa.

The portfolio should continue to benefit from the continual price war within ETFs in which the range of ETFs available is growing significantly year by year, whilst the costs are continuing to fall year by year.²

	SCM Ethical (ESG) (GBP)
SCM Annual Management Charge	0.40%
Estimated ETF Charges (Ongoing Charge)	0.25%
Estimated Trading Costs of Buying and Selling ETFs	0.11%
Estimated Transaction Costs Within the ETFs	0.05%
Administration & Custody Fee	0.12%
TOTAL COST OF INVESTING per annum	0.93%*

* As at July 2021

NO HIDDEN FEES

We have set fees at a level that offers our clients exceptional value for money, whilst also ensuring our corporate sustainability



TRUE & FAIR

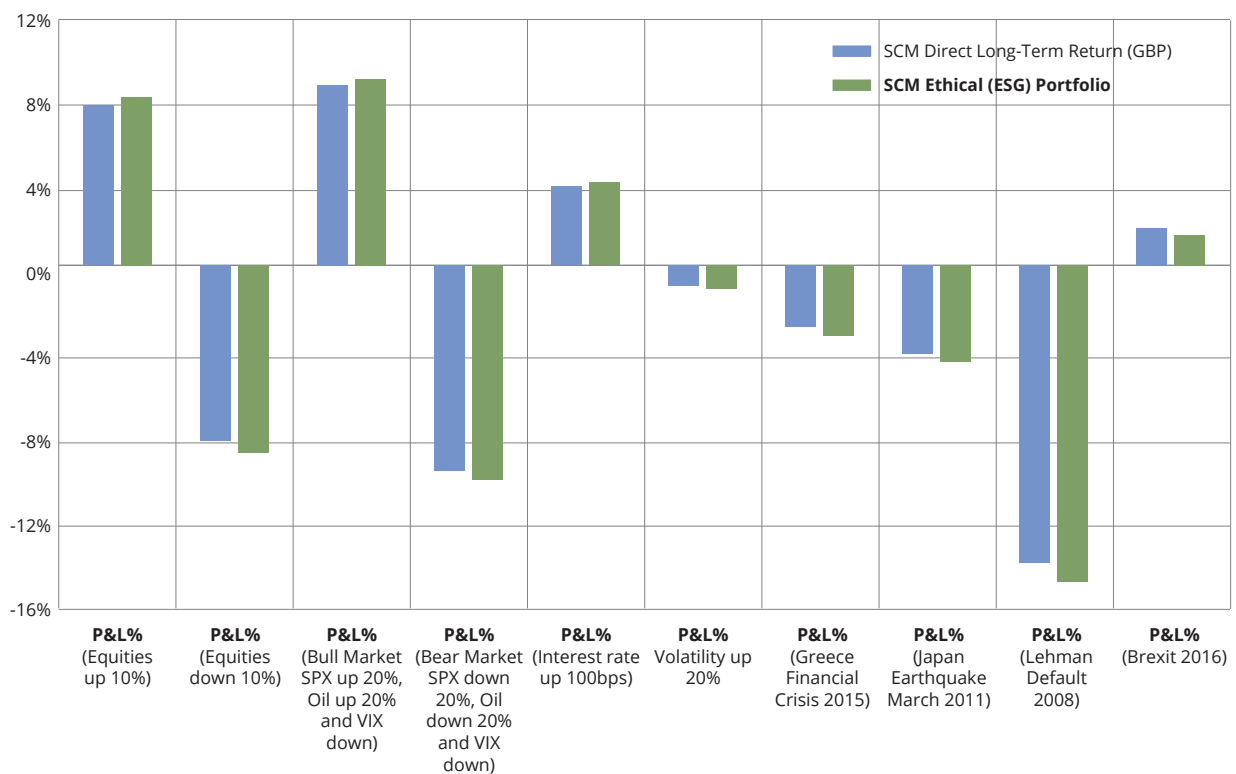
² ETF price war extends to new corners of the market, FT - <https://www.ft.com/content/4bf1fe0a-6b55-11e8-b6eb-4acfb08c11>

6. Risk Management

Regular stress test analysis is carried out on all SCM portfolios. The graph below shows the performance through a variety of scenarios and their predicted outcomes for both the SCM Ethical (ESG) portfolio against the core SCM Long-Term Return portfolio.

Important: These are not forecasts of returns but external (Bloomberg) analysis of SCM portfolios based on the Bloomberg Risk Model (Regional) as at July 2021 and various standard Bloomberg risk scenarios detailed below.

Stress Test



All Risk Scenarios

Equities up 10%

Global/US/Europe/Asia & Japan market factors up 10% and propagate shock using correlations defined within the Bloomberg Factor Models.

Equities down 10%

Global/US/Europe/Asia & Japan market factors down 10% and propagate shock correlations defined within the Bloomberg Factor Models.

Bull Market - SPX Up 20%, Oil Up 20% and VIX Down 40%

From Macro Factor, Macro Factors S&P500 up 20% and VIX down 40% and from Model Factor Commodity Based Crude level up 20% and propagate shock using correlations defined within the Bloomberg Factor Models.

Bear Market - SPX Down 20%, Oil down 20% and VIX Up 150%

From Macro Factor, Macro Factors S&P500 down 20% and VIX up 150% and from Model Factor Commodity Based Crude level down 20% and propagate shock using correlations defined within the Bloomberg Factor Models.

Interest rates up 100 bps

This scenario shocks the 5-year point on the US Treasury curves up 100 bps, and uses the Bloomberg Multi-Asset Factor Model to propagate that shock to other asset classes (Equities, Bonds, CDS, IRS etc.)

Volatility up 20%

This scenario shocks VIX Index up 20%, and uses the Bloomberg Multi-Asset Factor Model to propagate that shock to other asset classes (Equities, Bonds, CDS, IRS etc.)

Brexit 2016

The British public voted to exit the European Union in June 2016. Uses historical risk factor returns from 22/06/2016 to 22/7/2016.

Greece Financial Crisis - 2015

Athens's resistance via referendum and ultimately agreement to rush through long-resisted economic reforms, imposed by its creditors, in a bid to stay in the eurozone. Use Historical risk factor returns from 22/06/2015-08/07/2015.

Japan Earthquake in Mar 2011

On March 11th a 9.0 magnitude earthquake occurred off the coast of Japan which also triggered a major tsunami. Use Historical risk factor returns from 09/03/2011-15/03/2011.

Lehman Default - 2008

Historical returns over the month immediately following default of Lehman Brothers in 2008. Use Historical risk factor returns from 14/09/2008-14/10/2008.

6. Value at Risk (VaR)

Value at Risk (VaR) estimates the maximum loss expected (or worst-case scenario) on an investment, over a given period and given a specified degree of confidence. This degree of confidence refers to the statistical probability that the mark to market risk on a portfolio will be within a chosen threshold on a normal distribution curve.

VaR (% Return)			
Methodology	95% VaR	97.5% VaR	99% VaR
Monte Carlo Simulation VaR	18.80	23.71	30.61
Historical 1 Year Simulation VaR	15.25	18.99	23.96
Historical 2 Year Simulation VaR	22.05	33.63	52.73
Historical 3 Year Simulation VaR	19.93	30.57	44.99
Parametric VaR	20.77	24.75	29.38

* SCM Ethical (ESG) Portfolio As at July 2021

Important Notices and Risk Warnings

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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. The value of investments and the income from them can go down as well as up and you may not recover the amount of your original investment. The sterling value of overseas investments, and the income from them, will fluctuate as a result of currency movements. Past performance is not necessarily a good indication of likely future performance. The tax treatment of investments depends on each investor's individual circumstances and is subject to changes in tax legislation.

SCM Private does not give personal advice



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