



General FAQs



CONTENTS

PORTFOLIO RELATED QUESTIONS	1
ACCOUNT OPENING AND EXISTING ACCOUNT RELATED QUESTIONS	7
EXCHANGE TRADED FUNDS (ETF) RELATED QUESTIONS	14
GENERAL QUESTIONS	16
AWARDS	20

PORTFOLIO RELATED QUESTIONS

1. What is the difference between an SCM Direct 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. Clients not investing via an ISA, JISA or SIPP, we provide an annual statement of capital gains and income for clients to enter on their annual tax return.

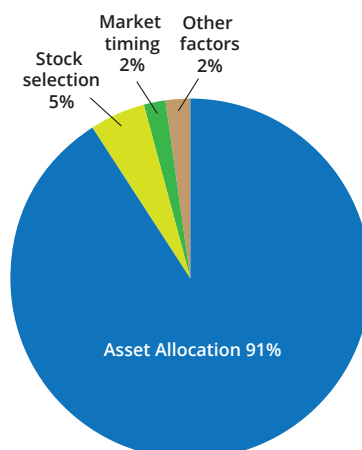
(Please remember that each person's tax situation is unique, that ISAs may not be the most tax efficient approach for everyone and that tax legislation can change in the future. If you are unsure if an investment is right for you, please contact an independent financial adviser).

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

- Lower costs
- Higher diversification
- Focus on fundamentals
- Contrarian approach

The main advantage is that we reduce risk through diversification. It is highly unlikely we will be bottom of any league table as our high levels of diversification, both of assets and securities, should 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.

SCM Direct believes that successful asset allocation relies on a common-sense contrarian approach combined with the application of old-fashioned fundamental investment valuation yardsticks e.g. price/earnings, yield, price/book, price/cash flow.



An empirical study by Ibbotson Associates et al in 2000 showed that 91% of the variance in investment returns derived from asset allocation, 5% from stock selection, 2% from market timing and other factors 2%.

SCM Direct endeavours to invest in markets when they are most out of favour and under-valued in order to reduce the risk of being invested in the latest investment bubble or fund manager fad. Successful asset allocation often relies on being contrarian rather than blindly following the herd of investment professionals.

3. Why does SCM Direct only invest in Exchange Traded Funds (ETF)?

Concentrating on building actively managed portfolios using ETFs allows SCM Direct a wide choice of asset classes combined with very low transactional and fund management costs compared with most traditionally managed active funds.

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.

Cost Effectiveness	Significantly lower costs than other types of investment funds. Unlike UK shares, there is no 0.5% stamp duty paid on buying or selling ETFs in the UK
Efficiency and Liquidity	They are easy to buy or sell throughout the day. Many of the 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. However, they can never fully mitigate against market risks. 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

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\$6.35 trillion at the end of December 2019, which was a 31.9% increase for the year. At the end of December 2019, the Global ETFs/ETPs industry had 7,927 ETFs/ETPs, with 15,875 listings from 436 providers on 70 exchanges in 58 countries.

4. 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.

5. Is there any 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.

6. How are the SCM Direct portfolios managed?

We have 5 core portfolios and 3 blended portfolios that are available in 3 currencies. Moreover, there is an ESG portfolio available in GBP and Euro

The GBP portfolios are also available via an ISA or SIPP 'wrapper'.

The 5 core portfolios are:

- SCM Bond Reserve
- SCM Absolute Return
- SCM Long-Term Return
- SCM Ethical
- SCM Equity

Blended portfolios are a 50/50 allocation of the Bond Reserve, Absolute Return or Long-Term Return portfolios, which are rebalanced subject to relevant parameters on a weekly basis:

- 50/50 Bond Reserve/Absolute Return
- 50/50 Bond Reserve/Long-Term Return
- 50/50 Absolute Return/Long-Term Return

The Bond Reserve, Absolute Return and Long-Term Return portfolios and 3 blended portfolios are available in 3 currencies GBP, EURO or USD. The Ethical and Equity portfolios are only available in GBP.

7. What are the investment levels?

The minimum investment levels are:

- For direct clients our minimum investment level is £10,000 investing in one of our GBP portfolios (£1,000 JISA)

If you are either outside the UK or do not have a UK bank or building society account, the minimum is £100,000.

- €100,000 if investing in one of the EUR € portfolios
- \$100,000 if investing in one of the USD \$ portfolios

4 ways to invest

- Direct into the portfolios without a tax efficient wrapper
- Via an Individual Savings Account – ISA
- Via a Junior Individual Saving Account - JISA
- Via a Self-Invested Personal Pension - SIPP Account (through SS&C Hubwise Securities Ltd).

8. Does SCM Direct give advice on which product or portfolio to choose?

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. If you do not have an adviser or accountant, we work with trusted independent advisers that we can connect you with.

9. How are the SCM Direct portfolios managed?

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 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 (IFA).

10. How do the EUR € and USD \$ 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 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.

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.

11. Can SCM Direct run a bespoke portfolio for clients or let them choose specific ETFs funds they like?

No. To keep our business efficient and performance driven, we do not do bespoke portfolios but concentrate on conserving capital and achieving consistent returns.

12. 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	Barclays Benchmark Overnight GBP Cash Index
50/50 Bond Reserve / Absolute Return GBP	Barclays Benchmark Overnight GBP Cash Index
50/50 Bond Reserve / Long-Term Return GBP	Average of Barclays Benchmark Overnight GBP Cash Index & UK RPI All Items Index
Absolute Return Portfolio GBP	Barclays Benchmark Overnight GBP Cash Index
50/50 Absolute Return / Long-Term Return GBP	Average of Barclays Benchmark Overnight GBP Cash Index & UK RPI All Items Index
Long-Term Return Portfolio GBP	UK RPI All Items Index
Ethical Portfolio GBP	UK RPI All Items Index
Equity Portfolio GBP	UK RPI All Items Index
Bond Reserve Portfolio USD	Barclays Benchmark Overnight USD Cash Index
50/50 Bond Reserve / Absolute Return USD	Barclays Benchmark Overnight USD Cash Index
50/50 Bond Reserve / Long-Term Return USD	Average of Barclays Benchmark Overnight USD Cash Index & US CPI Urban Consumers NSA
Absolute Return Portfolio USD	Barclays Benchmark Overnight USD Cash Index
50/50 Absolute Return / Long-Term Return USD	Average of Barclays Benchmark Overnight USD Cash Index & US CPI Urban Consumers NSA
Long-Term Return Portfolio USD	US CPI Urban Consumers NSA
Bond Reserve Portfolio EUR	Barclays Benchmark Overnight EUR Cash Index
50/50 Bond Reserve / Absolute Return EUR	Barclays Benchmark Overnight EUR Cash Index
50/50 Bond Reserve / Long-Term Return EUR	Average of Barclays Benchmark Overnight EUR Cash Index & Eurozone CPIA
Absolute Return Portfolio EUR	Barclays Benchmark Overnight EUR Cash Index
50/50 Absolute Return / Long-Term Return EUR	Average of Barclays Benchmark Overnight EUR Cash Index & Eurozone CPI
Long-Term Return Portfolio EUR	Eurozone CPI

13. Are there tax implications according to the currency of the portfolio?

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

14. What is excluded in your Ethical portfolio?

The SCM investment team goes beyond just investing in a wide range of ETFs with an ethical fund label (ESG or SRI). We conduct robust 'under the bonnet' due diligence and analysis to exclude particular 'sin' securities and sectors. This analysis focuses on screening 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.

15. How do you select investments in your Ethical portfolio?

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

1. All are "physical / optimised" ETFs
2. All positive selections are from a basket of either Environment, Social, Governance (ESG) or Socially Responsible Investing (SRI) funds
3. All listed on the London Stock Exchange
4. All UCITS compliant

16. Is there Interest on Accounts?

Interest is paid on cash held in the Client Account and Cash Reserve Account and will be credited at rates received by SS&C Hubwise, calculated daily and applied half yearly in June and December. The interest received from the banks in which cash is deposited on your behalf is paid out in full.

ACCOUNT OPENING AND EXISTING ACCOUNT RELATED QUESTIONS

17. Can I invest the £10,000 minimum for a GBP £ portfolio via an ISA or a SIPP?

Yes, there is a £10,000 minimum for the GBP Portfolio (£1,000 for JISA) 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 four ways:

- A General Investment Account (GIA) into the portfolios without a tax efficient wrapper
- An Individual Savings Account – ISA
- A Junior Individual Saving Account – JISA (minimum investment £1,000)
- A Self-Invested Personal Pension - SIPP Account (Via SIPP administrator Hartley Pensions Ltd)

Additional information about these services can be found within the 'Ways to Invest' 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

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

No, please contact us at enquiries@scmdirect.com if you require further information.

19. 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 on the corporate entity which will require you to send us documentation prior to invest. 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 a Charity, Company, Trust or Family Office are:

- £100,000 if investing in one of the GBP portfolios
- €100,000 if investing in one of the EUR portfolios
- \$100,000 if investing in one of the USD portfolios

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

20. 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 (provided we have your Direct Debit mandate). This service is only available for UK residents with UK bank accounts, already invested in one of the GBP portfolios.

21. What is included in the SCM Direct Annual Management Charge (AMC) of 0.4%?

The value clients get for the annual management charge is a dedicated professional asset manager team led by our highly respected Chief Investment Officer (CIO), Alan Miller, who has over 35 years investment experience and possesses a long track record of outperformance. Our investment team constantly review and assess the portfolios and aim to react quickly to volatile or changing market conditions. They are your “investment team in your top pocket”.

22. What are all the fees and how are they charged?

Unlike many of our competitors, we believe in showing all the costs including the hidden dealing related costs and then add these costs together.

SCM ANNUAL MANAGEMENT CHARGE (0.4%)	0.40% p.a.
Estimated ETF Charges (Ongoing Charge)	0.24% p.a.
Estimated Trading Costs of Buying and Selling ETF's	0.12% p.a.
Estimated Transaction Costs Within the ETF's	0.05% p.a.
Custody & Administration Fee	0.12% p.a.
Typical TOTAL COST of INVESTING	0.93% p.a.

You can find the full fee disclosure on our [latest monthly factsheet](#).

You should be aware of the possibility that other costs or taxes relating to the services that we provide for you may exist even though they are not paid through us or imposed by us. For example, third-party firms used by SS&C Hubwise in connection with the processing and payment of dividends within the USD and EUR portfolios may make administrative charges for such services.

23. How do I close my account and are there any penalties?

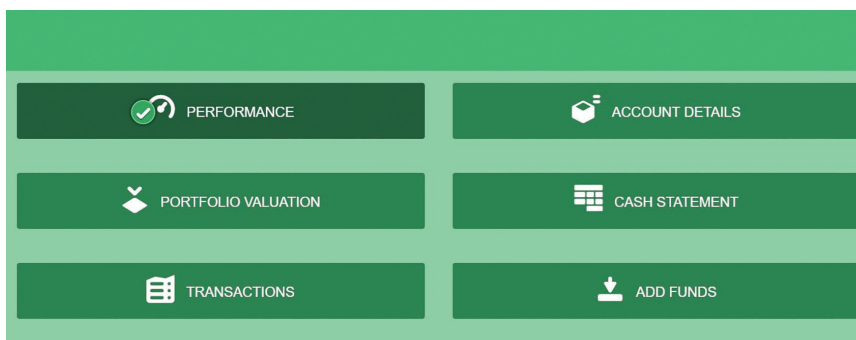
There are no penalties, minimum holding period or entry/exit fees with SCM Direct. Simply send us an email and a member of our team will call you to confirm your instructions to liquidate all or part of your account.

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, rate and other dealing related charges will apply.

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 between 5 and 10 business days.

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

- If you want to add more money you can do so through your online account under the 'Add Funds' functionality. The system will guide you through the preferred method of payment: electronic transfer or cheque. If we have already collected your initial contribution via Direct Debit, this option will be available as well.



- In order to make withdrawals from your account/s, subject to the minimum daily withdrawal of £5,000 (or the equivalent in EUR or USD if investing in a EUR or USD portfolio) and the relevant minimum balances being kept within the account, please give us details of your request via email at enquiries@scmdirect.com, a member of our team will call you to confirm your instructions
- You can also change the portfolio in which you are invested by sending an email to enquiries@scmdirect.com

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

Not at present.

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

Yes. Only parents or guardians with parental responsibility can open a JISA for a child under 16 years old and the JISA will be in child's name. The parent or guardian will be the 'registered contact' and will be the only person who can change the account (from cash to stocks), change the account provider and report for changes of circumstances. Your child can only have one cash JISA and one stock & shares JISA at any time. Children over 16-year-old can become the 'registered contact' or open their own JISA until they turn 18-year-old when they will be able to open an adult ISA. JISA automatically turn into adult ISA when the child turn 18 years old.

The minimum investment is **£1,000** and the child must be under 18 years old and living in the UK.

If you want to open a JISA with SCM Direct please write us at enquiries@scmdirect.com and we will send you the relevant forms and instructions.

27. Is everything managed via an online platform?

Yes. Clients can view their portfolios and have full transparency of holdings online.

28. 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.

There may also be other paperwork because of the FATCA requirements (Foreign Account Tax Compliance ACT).

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

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

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

SCM Direct can be contacted at **enquiries@scmdirect.com**. The team is happy to help you with all questions as we do not want anyone to invest unless they are confident of their decision.

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

SCM Direct can be contacted at **enquiries@scmdirect.com**

32. Can I open additional accounts?

Yes. You can open additional accounts and once opened they are accessible via one log in. To open an additional account, select 'Create Account' under the Menu on the top right corner.



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.

33. How can I withdraw cash from my account?

Requests should be sent to us via email to this address - enquiries@scmdirect.com and a member of SCM will contact you to confirm your instructions

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

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.

34. 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.

Should you require a quicker transfer, we can arrange to execute a CHAPS transfer at an extra charge of £30.

35. 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.

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

Yes. Simply send us the instruction on enquiries@scmdirect.com. Regular payments can be set on a monthly, quarterly, half-yearly and yearly basis. The collection date is the 18th of the first suitable month.

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

37. 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, please write us on **enquiries@scmdirect.com** and we will send you the relevant forms.

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

Yes. You will need to send us an email instructing the portfolio to be sold and the new portfolio you wish to invest in and a member of our team will call you to confirm your instructions. You must ensure that the amount to be invested exceeds £10,000 for a GBP portfolio (if you are a UK investor with a UK bank account) otherwise it is £100,000, and it is €100,000 for a EUR portfolio and \$100,000 for a USD portfolio.

39. Can I change my password online?

Not at present, requests to reset your password should be directed to **enquiries@scmdirect.com**

40. How do I change my postal address?

Requests should be sent to us via email to this address enquiries@scmdirect.com. We will require an original proof of address or a verified copy from the list below (to comply with regulatory guidelines, **all documents must not be greater than three months old**):

- Bank Statement from your Nominated Bank Account
- Utility Bill (gas, electric or water)
- Tax Demand
- Telephone Bill (must be a landline telephone)

41. How do I change my bank account details?

Requests should be sent to us via email to this address enquiries@scmdirect.com. We will require an original bank statement or a verified copy (not older than three months) together with an original ID or verified copy from the list below:

- Passport
- Driving License
- Birth Certificate
- National ID Card

Originals will be returned, copies destroyed.

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

Yes. Within the website you will have the ability to view and print electronic copies of correspondence we have sent you. These can be located via your existing log in under the 'Documents' Section.

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

Portfolio asset allocation or other changes may take place on any day as we seek to retain full flexibility to take advantage of exceptional opportunities.

Monies will be invested within one day of cash clearing.

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

These can be located via your existing log in under the 'Transactions' (stock) and 'Cash Statement' pages.

45. 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.

EXCHANGE TRADED FUNDS (ETF) RELATED QUESTIONS

46. What are ETFs and what is the difference between an ETF and a traditional mutual fund?

ETF stands for Exchange Traded Fund. 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.

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.

An excellent guide to ETFs can be found at the **London Stock Exchange ETF Guide - <https://scmdirect.com/wp-content/uploads/2017/02/ETF-for-Private-Investors.pdf>**

47. Which ETF providers does SCM Direct use?

SCM Direct only invests in UCITS IV ETFs for its GBP portfolios. We use the whole market and are not tied or have any special arrangement with any ETF provider.

SCM Direct NEVER invests in any ETF that is leveraged (i.e. which aims 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 also not biased towards any one ETF provider. We seek out 'best of breed' for all the ETFs we select for our portfolios. We constantly review new ETFs product launches to ensure we are fully up to date with all product innovations and take advantage of any price competition.

48. 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 are 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.**

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

Whichever is best for the 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, conducting robust due diligence and assessing each structure and underlying index as part of a thorough ETF filtering 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'.

50. 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 ETFs roll any dividends up inside the ETF, so the price of the ETF reflects a total return.

Distributing ETFs 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.

Should you wish to have dividends paid into your account please let us know writing at **enquiries@scmdirect.com**

GENERAL QUESTIONS

51. Is SCM Direct regulated and registered 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, FCA Registration 497525, Company Registration OC342778 (https://register.fca.org.uk/ShPo_FirmDetailsPage?id=001b00000NMPo4AAH).

52. Does SCM Direct give 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.

53. 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.

54. What makes SCM Direct different from other wealth managers/online platforms?

- ✓ SCM Direct believes on 100% transparency on fees and holdings
- ✓ Common sense approach to everything we do
- ✓ The founders being invested in all the portfolios on exactly the same terms
- ✓ Fees and track record combined to set us apart.

Our levels of highly liquid and highly diversified portfolios at a very attractive cost 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 infect so many financial organisations.

SCM Direct is not marketing driven so it does not 'flog' anything. SCM Direct is not a trader and does not make extra revenues or take cuts from any of its activities.

55. 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 Tortoise and the Hare, the tortoise wins the race even though the hare got off to a great start! We are happy to be the tortoise.

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

SCM Direct does not hold, and is not allowed to hold, any client money. SS&C Hubwise Securities Ltd is responsible for custody and administration.

SS&C Hubwise Securities Ltd is a 100% owned subsidiary of SS&C Technologies, managing \$2 trillion in assets with a team of 25,000+ professionals in 35+ countries. The company's strengths

include a strong asset base, skilled personnel, global reach, cutting-edge technology, and strict security and compliance standards, providing clients with confidence in achieving their financial objectives.

SS&C Hubwise Securities Limited is authorised and regulated by the Financial Conduct Authority - Registration Number 502619. It has permission to hold client money and to safeguard and administer (provide custody for) assets for professional and retail customers.

57. 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.

58. If I have an existing Financial Adviser can I access SCM Direct's portfolios rather than use SCM Direct services?

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 three SCM core portfolios are available via independent financial advisers if the adviser uses one of the following platforms; **M&G**, **7IM** and **Transact**. You just need to ask your adviser to contact us at SCM Direct at **enquiries@scmdirect.com** or call **020 7838 8650** and ask for a member of the investment team.

59. 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 available via the secure client online account showing the annual income and capital gains for each portfolio.

60. 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 three core GBP portfolios and have added further significant amounts since the business started in June 2009.

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

Using your existing log in, your holdings are displayed under the 'Portfolio Valuation' heading.

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

Just login to your online account to view your portfolio's performance and valuation using the previous business day's closing prices. We also provide a pie chart of investment allocation by sector and performance graphs over different dates for each product you have with SCM Direct.

63. 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 their secure online account.

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

Client Money

All client cash is held in client bank accounts (Client Accounts) with FCA authorised UK Banks, Building Societies or other institutions. SS&C Hubwise Securities Limited may choose from these but currently use Bank of Scotland, NatWest Bank and Barclays Bank.

Client bank accounts are designated as trust accounts and are segregated from SS&C Hubwise Securities Limited's own monies. They may include the balances of other clients but are operated and administered in accordance with FCA CASS (Client Money) Rules.

If one of those Banks fails or becomes insolvent, the client may be entitled to claim compensation under the FSCS up to £75,000 of any loss. The level of compensation will be reduced if the client already holds an account with the Bank.

Asset Protection

SS&C Hubwise Securities Limited is responsible for the safe custody of all assets held in Client Accounts. Such investments are registered in the name of a nominee company which will normally be SS&C Hubwise Securities Limited's wholly owned subsidiary SS&C Hubwise Nominees Limited. Occasionally, as may be required for certain customers and certain asset classes, another nominee company may be selected in accordance with the FCA rules and with the agreement of the introducing intermediary. SS&C Hubwise Nominees Limited is a non-trading "dormant" company set up to hold investments on behalf of Investors.

SS&C Hubwise Securities Limited are responsible and liable for its nominee to the same extent as for its own acts, including for the avoidance of doubt, losses arising from fraud, wilful default or

negligence. Investors' investments will be registered in the same name as those of other investors (pooled together with other investor investments).

SS&C Hubwise Securities Limited have insurance in place for Professional Indemnity and Crime as well as an agreement between SS&C Hubwise Securities Limited and SS&C Hubwise Nominees Limited to further strengthen asset security. The FSCS also provides compensation of up to £50,000 per investor for eligible claimants in respect of UK Securities and Funds held in custody. SS&C Hubwise Securities Limited has never had an FCA action or investigation taken or carried out against it or its employees since incorporation.

SS&C Hubwise Securities Limited is authorised by the FCA as a BIPRU €125k limited licence firm and, as the only regulated company within the group, is the only group entity subject to the ICAAP process. SS&C Hubwise Securities Limited has no trading-book exposure as it acts only as agent in order to place aggregated deals with Fund Managers for collective investments and market counter-parties to place deals in securities. SS&C Hubwise Securities Limited does not provide investment advice or deal as principal at any time.

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

Important Notices and Risk Warnings

SCM Direct is a trading name of SCM Private LLP which is authorised and regulated by the Financial Conduct Authority to conduct investment business No. 497525. Registered in England and Wales No. OC342778.

This document is provided for information and does not constitute professional advice. It provides information in summary form and does not purport to contain all relevant information about the matters discussed. It does not offer tax advice. Not all Exchange Traded Funds are suitable for all investors. You should not act upon any of the information contained in this document without obtaining specific professional advice. Please note that nothing in this document should be interpreted as financial advice.

This document has been prepared in good faith. The information contained in it has come from sources that we believe to be reliable but we have not independently verified this information. No representation or warranty (express or otherwise) is given as to the accuracy or completeness of the information contained in this document and SCM Private LLP and its employees accept no liability for the consequences of acting or not acting solely upon the information contained in this document. Opinions expressed in this publication are solely the opinions of SCM Private LLP. All expressions of opinion are subject to change without notice. This document is intended for UK residents only. It may not be reproduced or distributed in any format without the written consent of SCM Private LLP.

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.



TRUE & FAIR

SC
m | **DIRECT**
for smart investors


MONEY SHE
smart women invest

50 Sloane Avenue, Chelsea, London SW3 3DD
+44 (0)20 7838 8650 • enquiries@scmdirect.com

www.scmdirect.com