S W Mitchell Capital LLP

MIFIDPRU 8 Disclosure

31 March 2026

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Section 1

Introduction and Scope

This document sets out public disclosures on risk management and capital adequacy for S W Mitchell Capital LLP ("SWMC"or "Firm").

SWMC is a MIFIDPRU investment firm providing investment management services to its clients. It is authorised and regulated by the Financial Conduct Authority ("FCA") and is subject to the rules set out in the FCA's prudential sourcebook, including MIFIDPRU 8 rules on disclosure.

During the the 2024/2025 financial year the firm has changed its classification from a small non-interconnected firm ("SNI") to a non-small non-interconnected firm ("Non-SNI"), this was been caused by the increase in AUM which, when measured using the definition in MIDIFPRU 4.7.5 took the firm above the threshold to be considered an SNI.

This disclosure has been approved by the Partners Committee and has been produced solely for the purposes of satisfying the MIFIDPRU 8 regulatory requirements and covers governance, risk management, own funds, own funds requirements and remuneration.

Section 2

Risk Management Objectives and Policies

SWMC operates an outsourced business model where many of the key functions of the firm are undertaken by third parties and thus maintains only a small internal workforce. It considers that the first line of defence for risk is the responsibility of all partners, employees and consultants.

The second line of defence is the risk committee which reports directly to the Partners' Committee.

There is a full list of internal policies which are adhered by the firm and are reviewed at least annually and signed off by either the Risk Committee or the Partners' Committee.

The Risk Committee relies upon its risk matrix to review, consider and update policies and procedures and to make any changes to the business to ensure that activities remain with the tolerance levels as set by the Partners Committee.

The Firm uses the annual Internal Capital Adequacy and Risk Assessment process ("ICARA"), the production of which includes an assessment of capital and liquidity adequacy, stress testing and wind-down planning to review and inform the overall risk management process and mitigate risk.

The Firm uses the "overall financial adequacy rule" set out in MIFIDPRU 7, in which each Firm is required at all times to hold own funds and liquid assets which are adequate both in terms of amount and quality so as to ensure that the Firm (i) remains financially viable throughout the economic cycle, with the ability to address any potential harm that may result from its ongoing activities, and that (ii) can be wound down in an orderly manner, minimising harm to clients or to other market participants.

As part of the ICARA process, the Firm identifies risks with potential for material harm to clients and markets in which the firm itself are identified, in order to assess own funds requirements, concentration risk and liquidity, to ensure that adequate own funds and liquid assets are held appropriately. These are assessed on the basis of historic experience and on a forward-looking basis as to the level of own funds and liquidity required to meet the overall financial adequacy rule, taking into account expectations for future changes to the financial profile of the Firm. Stress testing is then undertaken on the basis of varying scenarios in order to ascertain as to whether further allocation of own funds and/or liquid assets should be made in order, from a prudential perspective to comply with the overall financial adequacy rule.

It should be noted that as the Firm does not run a trading book, the application of the rules set out in MIFIDPRU 5 (Concentration risk) largely does not apply, save for a

general obligation to control concentration risk using sound administrative and accounting procedures and robust internal control mechanisms.

The development and implementation of appropriate policies and procedures is a key tool for effective risk management. Whilst the Firm is not involved in trading, investment or similar activities whereby capital is placed at risk in pursuit of speculative gains, there is some potential for loss due to credit risk arising from clients failing to pay invoices for services rendered or banks with which the Firm has placed its funds going insolvent, which in turn may trigger liquidity issues. Such risks can in large part be managed by sensible credit and cash management procedures.

The focus of the Firms' policies to manage risk is therefore more on risks which have been identified as giving rise to an enhanced possibility of causing significant losses. These include business risks (such as loss of key staff which is particularly relevant for SWMC as there few employees due to the outsourced model) or risk of market downturn, operational risk (particularly the management of legal and regulatory risk), reputational risk as well as increased focus on IT and cyber risk.

Risk Statement

SWMC has a relatively conservative outlook when assessing the risks relating to its business and business development strategies. There are no plans for the Firm to change this outlook in the foreseeable future. Any subsequent business development plans will be discussed by the partners and a detailed business plan prepared prior to being undertaken.

Material Risks

Further to the ICARA process, the following principal risks have been identified with the potential to cause harm to clients, markets in which the firm operates and the firms itself:

Risk Categories

• Business risk: is the risk of a decline in operating income due to a change in the business or economic environment leading to a decline in revenue, coupled with an insufficient reduction in expenditure. This is relevant for SWMC as it operates solely as an investment manager in a particular market region, although this is largely off-set as a material proportion of expenditure is directly linked to revenue.

• Credit Risk: As the firm does not offer credit to third parties this risk is limited to the defaulting or reduction of expected revenues. This is a relatively low risk for SWMC as the significant majority of income is derived from UCITS funds and paid directly by the fund administrators.

• Liquidity risk: is the risk that arises from a lack of ability to generate sufficient cash resources to cover daily capital and cash flow requirements as they fall due. The Firm manages liquidity risk through continuous monitoring of future cash needs.

• Conduct risk: is the risk that actions (or omissions) of a Firm or individuals within a Firm causes detriment to clients or other parties or has an adverse effect on market stability causing, inter alia, reputational damage to that Firm. In order to address this risk, a specific element of strategy focuses on conduct (both professional and personal) and a healthy compliance culture as a critical component of business success. As well as seeking to align with the FCA's stated determination to create a culture of good conduct at all levels within regulated firms, other key elements include ensuring that employees understand clients' needs and act in their best interests, respect market integrity, comply with applicable laws and do not permit the possibility of financial crime, and generally act with integrity and respect towards colleagues and other individuals in their business dealings.

• Operational risks: represent a significant risk potential for the firm due to their business activities. In principle, they can occur in all business areas. Operational risks are defined as the risk of negative business development because of internal or external influences. An operational risk is therefore the risk of losses that may occur because of the inadequacy or failure of internal processes (including outsourced processes), systems, employees and/or because of external events (including legal risk). By their very nature, operational risks are present in every business and cover a broad spectrum of matters. In order to provide definition and focus, the following key elements of operational risk as impact the Firms' businesses have been identified:

Reputational risks: risks that the Firm might be perceived in an adverse manner by clients, employees, business partners and/or the public to the extent that doubts as to its competence and integrity and/or those of persons involved with it were to arise, whether due to matters such as errors in business process, poor advice and financial and non-financial misconduct.

Process risks: relate to the risk of loss that may arise due to interruption or failure of business processes due to inadequate organisation and/or functionality of business processes. In order to minimise risk of disruption in business processes the firm has adopted a comprehensive set of policies and procedures

External influences: external operating risks can originate outside the firm which may not be controlled directly or only to a limited extent including, for example, business interruption due to force majeure type events and use of outsourcing arrangements or third party consultants. Various risk mitigation techniques have been adopted to manage these risks, such as use of insurance, as well as appropriately due diligence and monitoring of third-party contractors

• Personnel risks: risks in this area relate to the quality as well as quantity of staff resourcing available to the firm in order to enable effective functioning. The hiring,

retention and motivation of appropriately skilled staff into an appropriate environment is conducive to the success of the firm.

• Legal and regulatory risks: The firm operates in a highly regulated environment and failure to comply with laws or otherwise meet regulatory requirements may result in an adverse financial or non-financial impact. The firm has numerous policies and procedures in such regard with which their staff members are required to comply (and in relation to which training is provided).

• IT risks: over recent years as IT has become ever more central to the functioning of modern business and complex in nature, the risks associated with its functioning have increased. IT risks include all possible losses related to the availability, integrity, authenticity and confidentiality of the data necessary for the Firm's operations. This applies to IT systems (e.g., network, telephony and hardware), IT processes and software applications as well as the processed information and data. The firm's business model outsources the IT function, both hardware and software to a third-party IT specialist Company.

Corporate functions

The firm's business model is to outsource all support functions and maintain internal oversight of third parties by due diligence and regular service update meetings. The internal team providing this oversight meet weekly to discuss issues arising and internal processes. This covers corporate functions such as Finance, Legal & Compliance, Operations and office management.

Directorships

The Firm maintains records of all Directorships held by Partners, employees and consultants to the Firm ensuring that they are consistent with the rules as set out in MIFIDPRU 8.3.1 and 8.3.2.

Section 3

Governance Arrangements

SWMC is governed by a Partners Committee consisting of the members of the LLP and a senior non-executive business adviser which meets quarterly. In addition to this there are three further governance committees which meet quarterly.

1. Risk Committee consisting of the Head of Compliance and Operations, the Head of Investor Relations and three non-executives.
2. Pricing Committee consisting of a partner, the Head of Compliance and Operations and a non-executive.
3. Investment Committee consisting of both partners, one fund manager and four non-executive investment consultants.

Section 4

Own Funds

Own funds (also referred to as capital resources) are the type and level of regulatory capital that must be held to enable the firm to absorb losses.

During the year, the primary objective of the firm with respect to capital management was to ensure that it complied with the required capital requirements with respect to its own funds and that it maintained healthy capital ratios in order to support its business. The firm, as a non-SNI investment firm, is required at all times to have own funds of at least an amount which is the greater of the following:

• Permanent Minimum Capital Requirement

• Fixed Overheads Requirements

• K-Factors Requirement

Throughout the period under review each Firm has managed its capital above regulatory requirements, whilst keeping under review changes in economic and business conditions, and the risk characteristics of its activities.

	Item	£'000
1	**Own Funds**	1,116
2	**Tier 1 Capital**	1,116
3	**Common Equity Tier 1 Capital**	1,116
4	Fully paid-up capital instruments	1,465
5	Share premium	-
6	Retained earnings	(349)
7	Accumulated other comprehensive income	-
8	Other reserves	-
9	Adjustment to CET 1	-
10	Other Funds	-
20	**Additional Tier 1 Capital**	-
25	**Tier 2 Capital**	-

The Capital Instruments balance is made up of partnership member contributions.

Balance Sheet Reconciliation

Item	**£'000**
Tangible Assets	37
Debtors	2,063
Cash in hand and at bank	1,554
Total Assets	**3,617**
Current Liabiities	(2,538)
Total Liabilities	**(2,538)**
Assets less Liabilities	**1,116**
Loans and other debts due to members within one year	(349)
Member's Capital recognised as equity	1,465
Total Members Interests	**1,116**

Section 5

Own Funds Requirement

As noted above the firm, as a non-SNI investment firm, is required to have at all times own funds of at least an amount which is the greater of the following:

• Permanent Minimum Capital Requirement

• Fixed Overheads Requirements

• K-Factor Requirement

Item	MIFIDPRU Investment Firm OFR	£'000
1	Permanent Minimum Capital Requirement	75
2	Fixed Overhead Requirement – identified through the ICARA process	783
3	K Factors Requirement, being the sum of a, b and c	321
a	Sum of K-AUM, K-CMH and K-ASA	321
b	Sum of K-DTF and K-COH	-
c	Sum of K-NOR, K-CMG, K-TCD and K-CON	-
	Own Funds Requirement being the higher of 1,2 or 3	783

Permanent Minimum Capital Requirement

For a MIFIDPRU investment firm which is authorised to offer any of the following services but is not permitted to hold client money or client assets in the course of its MiFID business, the applicable Permanent Minimum Capital Requirement ("PMCR") is £75,000:

• reception and transmission of orders in relation to one or more financial instruments

• execution of orders on behalf of clients

• portfolio management

• investment advice

• placing of financial instruments without a firm commitment basis.

Therefore, the firm's PMCR is £75,000 based on the investment services which it is authorised by the FCA to offer.

Fixed Overheads Requirement

The fixed overheads requirement ("FOR") applies to all MIFIDPRU investment firms. The FOR is intended to calculate a minimum amount of capital that a MIFIDPRU investment firm would need available to absorb losses if it has cause to wind-down or exit the market. It is calculated as one-quarter of the fixed overheads of the preceding year in

accordance with the provisions of MIFIDPRU 4.5. When calculating its' FOR, a firm must use figures resulting from the accounting framework applied by the firm in accordance with MIFIDPRU 4.5.2R. The FOR is an amount equal to one-quarter of the firms' expenditure, net of certain non-fixed expenditure items, from the most recent audited financial statements. However, if a firm experiences a material change in its forecasted fixed expenditure, the projected amounts are used instead.

K-Factor Requirement

We have considered the K-factor capital requirements and determined only the K-AUM calculation to be relevant for the firm. This calculation is 0.02% of investment assets managed calculated as using the average AUM from the last business day of months 1-12 of the last 15 months. In the event that the firms were to expand its' portfolio of activities or receive additional MiFID permissions, other K-factors may become relevant, and the impact of those activities would be assessed with additional K-factor requirements.

Liquidity Requirements

The Basic Liquid Assets Requirement ("BLAR") is based on a proportion of a MIFIDPRU investment firm's FOR and any guarantees provided to clients. The purpose is to ensure that investment firms have an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets into cash to meet their liquidity needs. Each Firm is required to comply with its BLAR, which is an amount of liquid assets that is at least equal to the sum of the following:

• one-third of the amount of its FOR

• 1.60% of the total amount of any guarantees provided to clients (not applicable).

The Firms hold liquid assets primarily in the form of short-term deposits at a UK bank.

Other forms of liquid assets are acceptable under MIFIDPRU but not utilised by the firm at this time. The core liquid assets of the firm were in excess of the BLAR requirement of one third of the FOR as indicated above.

Overall Financial Adequacy Rule (OFAR)

As a minimum to comply with the Overall Financial Adequacy Rule ("OFAR"), according to MIFIPDRU 7.4.7R a firm must, at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

• the firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities, and

• the firm's business can be wound down in an orderly manner, minimising harm to clients or to other market participants. In addition to the OFR and BLAR requirements, all firms are required to perform an internal assessment through the Internal Capital Adequacy and Risk Assessment (ICARA) process to establish any additional own funds

and liquid assets that are required to support their ongoing operations and/or an orderly winddown as described above. This assessment allows each Firm to derive its Own Funds Threshold Requirement ("OFTR") and Liquid Assets Threshold Requirement ("LATR") where it exceeds its OFR and BLAR respectively. The assessment of own funds and liquid assets against the OFTR and LATR ensures full compliance with OFAR.

The firm maintained own funds and liquid assets which were sufficient to ensure that OFAR was met in all cases as at the relevant balance sheet date.

Section 6

Remuneration

The remuneration structure and process is overseen by the Partners Committee and is designed to provide an appropriate level of compensation enabling the recruitment and retention of suitable employees, whilst ensuring that incentives are also linked to client interests and long-term sustainability.

Due to the low number of employees (excluding members) quantitative information is only provided on a completely aggregate basis.

Fixed wages and salaries	£616,803
Variable pay	£13,378,159
Total Compensation	£13,994,962

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