Hosking Partners®

Prudential Sourcebook for MiFID Investment Firms (MIFIDPRU) 8 Disclosure

As at 31 December 2024

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Introduction

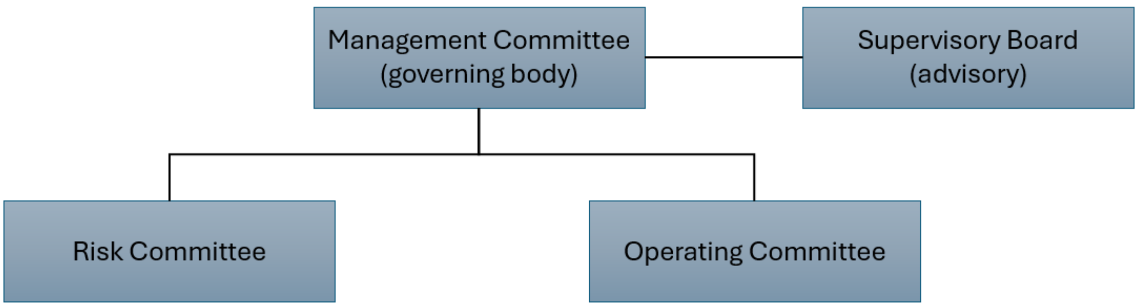
The Investment Firms Prudential Regime ("IFPR") is the Financial Conduct Authority's ("FCA") prudential regime for MiFID investment firms. IFPR, which came into effect in 1st January 2022. Under IFPR, Hosking Partners ('Hosking Partners' or the 'Firm') is categorised as a non-small and non-interconnected ("Non-SNI") MIFIDPRU investment firm.

The FCA sets out the detailed prudential requirements that apply to Hosking Partners in the Prudential sourcebook for MiFID Investment Firms in the ("MIFIDPRU"). The public disclosure rules and guidance with which Hosking Partners must comply are set out in Chapter 8 of MIFIDPRU ("MIFIDPRU 8") as follows;

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

Disclosures will be made at least annually and this document has been prepared in accordance with the requirements of MIFPRU 8. Unless otherwise stated, all figures are as at the 31 December 2024 financial period-end.

Governance Arrangements



The Firm is a Limited Liability Partnership, and each Member of the Firm has delegated exclusive responsibility for the day-to-day management and control of the business and affairs of the Firm to the Management Committee. The Management Committee meets monthly and is chaired by the Senior Partner. The day-to-day management and control of the affairs of the Firm includes;

- Developing and implementing the strategy, objectives, plans and budgets for the Firm;
- Defining and setting the culture of the Firm;
- Allocation and management of resources of the Firm; and
- Assessment and management of the material risks of the Firm;
- Ensuring compliance with all relevant regulation, law and client requirements; and
- The Governance arrangements of the Firm.

The Supervisory Board is an advisory board comprising two independent advisors (who are not Members of the Firm). The Supervisory Board meets every 6 months and provides advice to the Management Committee on the following;

- The strategy of the Firm;
- The Terms of Reference of the Management Committee and the Supervisory Board;
- The performance and management of the Firm, including the extent to which goals and objectives are met;
- The present and future availability and use of resources; and
- Standards of conduct, compliance risk and controls in the Firm.

The Operating Committee is responsible for reviewing operational performance of the Firm, considering new operating requirements and managing initiatives for improvement. The committee meets monthly (or as required) and is chaired by the Managing Director, who is a member of the Management Committee. Regular reports are made to the Management Committee.

The Risk Committee is responsible for monitoring, mitigating and reviewing the risks facing the Firm. The committee meets monthly (or as required) and is chaired by the Managing Director, who is a member of the Management Committee. Regular reports are made to the Management Committee.

At the heart of any successful company lies an engaged, diverse and vibrant workforce and our owner-managed business supports an inclusive culture that ensures that all individuals that work at

Hosking Partners are encouraged to share ideas, support diversity of thought and challenge our operating practices.

Information detailing the number of directorships held by each member of the Management Committee can be found in Appendix 1.

Risk Management Objectives and Policies

Business Strategy

The Firm's business strategy is the provision of discretionary investment management services to predominantly institutional clients. The Firm maintains one single investment strategy in Global Equities and clients invest through individual segregated accounts or within one of four pooled funds including an Irish UCITS fund, an Irish QIAIF, a Delaware LLC and an Australian unit trust. As of 31st December 2024, Hosking Partners had USD $5.5 billion in assets under management ("AUM").

The investment strategy follows the 'Capital Cycle' approach and seeks long-term capital appreciation by investing in a diversified portfolio of global equities.

All revenues are derived from the management of client portfolios. The Firm grows its revenues by growth in the underlying asset base on which it charges a management fee and (in some instances) a performance fee. This is achieved through the combination of natural asset growth (both market growth, and outperformance) of existing client's assets and seeking additional asset inflows from existing and new clients. Costs are controlled carefully to ensure long-term profitability and the Firm aims to continuously improve its control environment.

Given the Firm's business model, controls, and controls assessment, the Firm has concluded that its overall potential for harm is low. The Firm maintains a sufficient surplus above the own funds requirement, this is carefully monitored to ensure it is at least 110% of the own funds requirement.

Risk Appetite

The Firms appetite for risk is generally low. The Management Committee are committed to:

- ensuring all business activities are conducted with a clear understanding of risks;
- maintaining a robust risk management framework;

- ensuring transparent disclosure;
- treating customers fairly; and
- meeting the expectations of major stakeholders, including clients, employees, and regulators.

Liquidity Risk

The Firm maintains core liquid assets (cash deposits) at all times equivalent to the Basic Liquid Asset Requirement, being at least one third of its FOR.

In addition to the above, in accordance with IPRU-INV 11 the Firm to holds "liquid assets" (assets readily convertible to cash in thirty days) equal to the higher of the Funds Under Management Requirement ("FUM") and the FOR, plus the PII capital requirement.

As part of the Internal Capital Adequacy and Risk Assessment ("ICARA"), the Firm maintains own funds and liquidity to satisfy the overall financial adequacy rule ("OFAR"). This ensures the Firm maintains sufficient assets and liquidity to support the ongoing business activities of the Firm and fund its net wind down costs, if needed.

Concentration Risk

The Firm has a number of segregated mandates which make up the majority of assets under management. A more diverse client base are investors in our pooled funds. The Management Committee and Risk Committee monitor client concentration risk regularly and a core business objective is a diverse client base.

The Firm does not conduct any principal trading and therefore is not exposed to any significant counterparty risk. investments are in listed equities or equity-like instruments which are settled delivery versus payment, thereby minimising counterparty risk. Middle office services are outsourced to Northern Trust. Custody of assets is spread across a number of custodians. The Firm has a counterparty risk policy and monitors credit ratings and CDS pricing (where available) for brokers and custodians. Regular due diligence is part of monitoring broker and counterparty risk.

The Firm holds cash balances away from any client or fund custodians, in an institutional bank with a AA- credit rating. Some cash may be held in fixed deposits and cash levels are monitored to ensure sufficient amounts are available on demand.

Own Funds

Composition of Regulatory Own Funds

The Firm is a Limited Liability Partnership, and its capital arrangements are established in its Partnership deed. Tier 1 capital consisted of partners' capital, satisfying all the criteria for a Tier 1 instrument as set out in MIFIDPRU 3.3.17. All regulatory capital is Tier 1 in nature.

Composition of regulatory own funds			
	Item	**Amount (GBP thousands)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	2,623	
2	**TIER 1 CAPITAL**	2,623	
3	**COMMON EQUITY TIER 1 CAPITAL**	2,623	
4	Member Capital Accounts	1,865	5
5	Share premium	-	
6	Retained earnings	758	6 / 7
7	Accumulated other comprehensive income	-	
8	Other reserves	-	

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross-reference to template OF1**
		As at period end 31 Dec 2025 (GBP 000s)		
Assets				
1	Non-current assets	100	N/A	
2	Debtors	13,806	N/A	
3	Cash and cash equivalents	1,782	N/A	
	Total Assets		N/A	
Liabilities				
4	Current liabilities	1,766	N/A	
	Total Liabilities		N/A	
Net Assets Attributable to Members				
5	Members' capital classed as equity	1,865	N/A	4
6	Other reserves classed as equity	595	N/A	6
7	Loans and other debts due to Members	11,462	N/A	6
	Total Net Assets Attributable to Members	13,922	N/A	

Own funds: main features of own instruments issued by the firm
The LLP's own funds consists solely of Common Equity Tier 1 Capital, being fully paid up LLP Partnership capital plus audited profits less partner drawings.

Own funds requirements

When assessing the adequacy of the Own Funds Requirement, Hosking Partners has considered the key risks to the Firm's operating model. Due to our prudential classification as a Non-SNI, the Firm's MIFIDPRU own funds requirement is based on the higher of the Permanent Minimum Requirement ("PMR"), the Fixed Overheads Requirement ("FOR") or the K-Factor Requirement ("KFR").

As a CPMI Firm, Hosking Partners is also required under IPRU-INV 11 to hold own funds equal to the higher of the Funds Under Management Requirement ("FUM") and the FOR, plus the PII capital requirement.

A summary of the Own Funds Requirement is shown in the table below:

	£000s
Permanent Minimum Requirement	**75**
Fixed Overheads Requirement	**1,692**
K-Factor Requirement:	
K-AUM (asset management activity)	**847**
Total K-Factor Requirement	**847**
Base own funds requirement	**1,692**

The total capital requirement for Hosking Partners is made up of the Own Funds Requirement (the regulatory minimum) and any Additional Own Funds Requirement identified during the Internal Capital Adequacy and Risk Assessment (ICARA) process.

Additional Capital is held where required to ensure Hosking Partners complies with the overall financial adequacy rule ("OFAR") set out in MIFIDPRU 7.4.3.

Sufficient capital is held to ensure:

- the Firm remains financially viable throughout the economic cycle, with the ability to address any potential material harms that may result from its ongoing activities (including both regulated activities and unregulated activities); and
- the Firm could conduct an orderly wind-down while minimising harm to consumers or to other market participants, and without threatening the integrity of the wider UK financial system.

The OFAR is reviewed against regulatory capital held on an ongoing basis to any projected shortage of capital is identified promptly.

The ICARA process ensures the Firm has a clearly articulated business model and strategy and that the risk appetite of the Firm is set and monitored against the model and strategy in place. The ICARA provides focus on:

- Identification, monitoring and mitigation of risk and potential harms;
- Business model planning and forecasting including severe but plausible stress testing;
- Recovery and wind-down planning; and
- Assessing the adequacy of financial resources, both own funds and liquid resources available through establishment of its own funds thresholds requirement and its liquid assets threshold requirements.

Remuneration

Hosking Partners has established a Remuneration Policy to ensure that the requirements of the AIFM and MIFIDPRU Remuneration Codes are met. Under the FCA's remuneration principles proportionality rule, the Firm, on the basis of its size and the nature, scale and complexity of its legal structure and business activities, has concluded that it is not required to establish a remuneration committee. The Management Committee, as the governing body, is responsible for setting, reviewing and ensuring compliance with the Firm's remuneration policy, which has been designed to ensure its policies and procedures are consistent with, and promote, sound and effective risk management.

The Remuneration Policy is designed to:

- attract and retain employees who will perform in a manner that will assist Hosking Partners in meeting its objectives;
- ensure that remuneration practices are fiscally prudent and risk-focused in an effort to promote effective risk management;
- ensure that remuneration decisions are in compliance with relevant laws and regulations; and
- ensure that remuneration decisions are internally consistent.

The Remuneration Policy is designed to maintain a culture which is consistent with and promotes effective risk management, which aligns with our services and positive client outcomes. We aim to provide total remuneration that is competitive in the relevant market considering all appropriate factors, including but not limited to: the annual and long-term performance of the investment strategy managed by Hosking Partners; the fiscal resources available to Hosking Partners; the performance of the relevant employee, taking into account the scope of his or her responsibilities, teamwork, ethical behaviour and whether the individual achieved their annual objectives; and the remuneration provided by peer institutions.

Characteristics of the remuneration policy

The Firm's remuneration is made up of fixed and variable components. The fixed component is set in line with market competitiveness at a level to attract and retain skilled staff. The fixed component represents a sufficiently high proportion of total remuneration to enable the operation of a fully flexible policy on variable remuneration, including the possibility of paying no variable remuneration component.

Variable remuneration is paid on a discretionary basis and takes into consideration the financial performance of the Firm as well as the non-financial performance of each individual in contributing to the Firm's success. All staff members are eligible to receive variable remuneration. Variable remuneration paid to Material Risk Takers ("MRT") may be subject to clawback in appropriate circumstances. The Firm is not subject to extended remuneration requirements and does not operate deferrals.

Remuneration disclosure

The Remuneration Policy outlines the 'Code Staff' / MRT's of Hosking Partners to which the policy applies. Hosking Partners has identified those individuals whose responsibilities and roles mean they have a material impact on the risk profile of the Firm; the average number of Code Staff / MRTs during the year was 9. The total amount of remuneration allocated by Hosking Partners to its Code Staff for the financial year ended 31 December 2024 was therefore as below:

	SENIOR MANAGERS AND OTHER MRTS **£000s**	**OTHER STAFF** **£000s**
FIXED	2,311	1,229
VARIABLE	1,094	646
TOTAL	3,405	1,875

Appendix 1: Directorships held by Management Committee members

Individual	**Role**	**Number of Directorships held outside of the Firm**
Luke Bridgeman	Senior Partner and Portfolio Manager	5
Jeremy Hosking	Portfolio Manager	32
Gwin Myerberg	Director, Client Service & Business Development	0
Paul Larche	Managing Director	0

As at 31 December 2024