

# — THE S.W. MITCHELL SMALL CAP EUROPEAN FUND —

13th April 2011

*To The Directors and Shareholders of S.W. Mitchell Small Cap European Limited, and The General Partner and Limited Partners of S.W. Mitchell Small Cap European L.P.*

## MANAGER'S REPORT FOR MARCH 2011

### FUND STRATEGY

The Fund's investment objective is to generate absolute returns for investors, primarily by investing both long and short in Small Cap European equities. The Fund will typically be between 40% net short and 80% net long and will not use leverage in either the long or the short book.

### PERFORMANCE (see page 3 for monthly breakdowns)

		March (%)	Year to Date (%)	Since Inception* (%)	NAV (31st March 2011)
SW Mitchell Small Cap	- Euro class *	-0.3	2.7	68.2	€168.18
European Fund	- US\$ class **	-0.5	2.5	65.1	\$165.07
FTSE Europe Index	- Euro terms	-3.4	0.9	-19.6	-
	- US\$ terms	-0.8	6.8	-21.2	-

\* 01/11/07

\*\* 01/12/07

During March the NAV fell by 0.34% in the Euro Class and by 0.48% in the USD class. The positive contribution of the short book was somewhat offset by that of the long book.

Gross Performance	%
Long	-1.21%
Short	+0.53%

Markets were rocked by geo-political developments and natural disasters. Whilst we were able to position the fund to withstand the regime turmoil in North Africa and the Middle East, the tragedy in Japan and its subsequent effect on markets was unavoidable.

Going into the month we had consciously lowered our net position given our uncertainties and concerns about the nonchalance markets had shown about the regime change in Egypt. We could not, however, do anything to protect the portfolio after the events in Japan. In our experience it is invariably best to do nothing in the aftermath of these unforeseen events. While this may sound somewhat feeble, when one makes dramatic changes in such circumstances, one invariably gets it wrong.

The Fund only fell by 3% in the near 10% drawdown for European markets in the first half of the month. Whilst we had quite a high (60%) net exposure during the month, we had witnessed the portfolio behaving with a much lower beta and as a consequence, we were happy to maintain such a stance.

Amidst such volatility in markets, there was huge divergence in share price performance from individual stocks. Within the long book NH Hoteles' (+8%) and Oridion's (+7%) strong performance was offset by declines in Supergroup (-15%), BBA (-11%) and Vueling (-12%). The shorts performed well with notable performance from our UK retail positions: Halfords (-14%), Mothercare (-13%) and Carpetright (-11%).

# S. W. MITCHELL CAPITAL LLP

## OUTLOOK

At the time of writing the portfolio is 54% net long with a gross invested position of 78%.

As ever it seems, markets continue to be rocked by many conflicting currents.

On the negative side, geo-political anxieties with their accompanying consequences, particularly on the oil price, persist. The spectre of inflation and an ensuing tightening of monetary policy continue to loom. Furthermore, the economic woes of countries in the PIGS region is coming once again to the forefront of investors' attention.

Our conversations with companies, however, point to a recovery in trading that is both pervasive and very powerful.

Barely can I recall a time when we have found so many interesting ideas on both the long and the short side. The "shake up" in markets is undoubtedly throwing up opportunities. Many European companies have long been neglected in the recovery: it is interesting to note that more than 40% of European small and mid cap stocks are still down more than 50% from their 5 year highs. Some of these low levels are justified, others not.

*Jamie*  
Yours sincerely

Jamie Carter

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## TERMS AND CONDITIONS

**Subscriptions/Redemptions:** Monthly Dealing  
**Management Fee:** 1%  
**Minimum Investment:** US\$100,000 or €100,000  
**Prime Broker:** Goldman Sachs

**Launch Date:** 1st November 2007

**Performance Fee:** 20% with high watermark of NAV at time of investment

**Domicile:** Grand Cayman, Cayman Islands

**Administrator:** Goldman Sachs, Dublin

**Auditor:** Grant Thornton

## IMPORTANT NOTICE FOR INVESTORS

The Fund and the Investment Manager may from time to time agree to side letters with investors in the Fund which contain material terms. The Fund is currently party to a side letter with a significant investor in the Fund which contains material terms that, in general, grant waivers of the Fund's early redemption/withdrawal adjustment and of its Gate Policy and disapply the Directors' discretion to effect redemption/withdrawal payments in specie. In relation to any commitments made in such side letters, it is the policy of the Fund's Directors that the Fund should treat all investors in the same position equally. Accordingly, any requests by other investors for such waivers and disapplications in similar circumstances will be treated on a similar basis.

This manager's report is a confidential communication issued by S.W. Mitchell Capital LLP to the general partner, limited partners, directors and shareholders of S.W. Mitchell European L.P. and S.W. Mitchell European Limited (together, the "Funds") and is for information only. Any investment in the Funds must be made on the basis of the Funds' private placement memorandum and not on the basis of this newsletter. Investors in the Funds are limited partners or shareholders of the Funds but not clients of S.W. Mitchell Capital LLP. No person receiving a copy of this newsletter may copy it for transmission to another person. This document has been prepared from sources which are believed to be accurate; however in producing it S.W. Mitchell Capital LLP may have relied on information obtained from third parties and accepts no liability for the accuracy or completeness of such information. It is the responsibility of every person reading this document to satisfy himself as to the full observance of the laws of any relevant country, including obtaining any government or other consent which may be required or observing any other formality which needs to be observed in that country. The Funds are not recognised collective investment schemes for the purposes of the U.K. Financial Services and Markets Act 2000. The promotion of the Funds and the distribution of this document in the United Kingdom are accordingly restricted by law. Most of the protections provided by the U.K. regulatory system, and compensation under the U.K. Financial Services Compensation Scheme, will not be available. The Funds' securities are not, and will not be registered under the U.S. Securities Act of 1933, as amended, or qualified under any applicable state securities statutes. The Funds are not, and will not be registered as investment companies under the U.S. Investment Company Act of 1940, as amended.

# S. W. MITCHELL CAPITAL LLP

## PERFORMANCE OF SW MITCHELL SMALL CAP FUND SINCE INCEPTION

### Euro Class

	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YEAR TO DATE	INDEX YEAR TO DATE
2007											0.0%	-0.5%	<b>-0.5%</b>	-5.7%
2008	0.0%	1.0%	0.6%	4.0%	4.7%	-0.1%	-2.1%	-0.4%	-7.3%	-3.9%	-0.9%	0.6%	<b>-4.6%</b>	-46.5%
2009	5.5%	-0.9%	4.1%	6.7%	5.4%	0.4%	3.5%	3.3%	3.8%	0.0%	0.8%	2.3%	<b>40.8%</b>	33.2%
2010	1.3%	1.4%	4.0%	3.0%	-5.0%	0.1%	2.2%	-1.0%	4.9%	3.8%	0.7%	5.1%	<b>22.0%</b>	11.7%
2011	1.8%	1.3%	-0.3%										<b>2.7%</b>	0.9%
SINCE INCEPTION*													<b>68.2%</b>	-19.6%

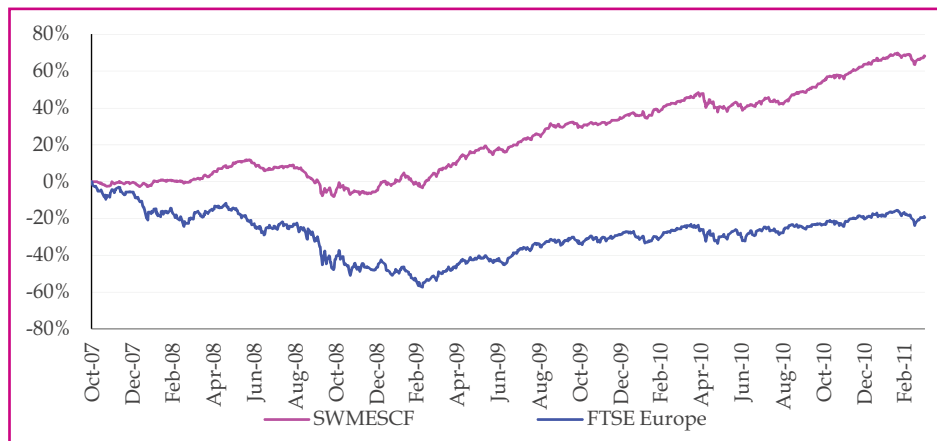
### USD Class

	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YEAR TO DATE	INDEX YEAR TO DATE
2007												-0.3%	<b>-0.3%</b>	-1.8%
2008	0.1%	0.9%	0.5%	3.9%	4.5%	-0.2%	-2.2%	-0.5%	-7.4%	-3.5%	-1.0%	1.1%	<b>-4.5%</b>	-48.6%
2009	5.1%	-1.2%	4.4%	6.4%	5.6%	0.3%	3.5%	3.2%	3.9%	-0.2%	0.8%	1.9%	<b>39.1%</b>	37.4%
2010	1.2%	1.3%	3.9%	2.8%	-5.1%	0.1%	2.0%	-0.9%	5.1%	3.9%	0.5%	5.1%	<b>21.3%</b>	4.5%
2011	1.8%	1.2%	-0.5%										<b>2.5%</b>	6.8%
SINCE INCEPTION*													<b>65.1%</b>	-21.2%

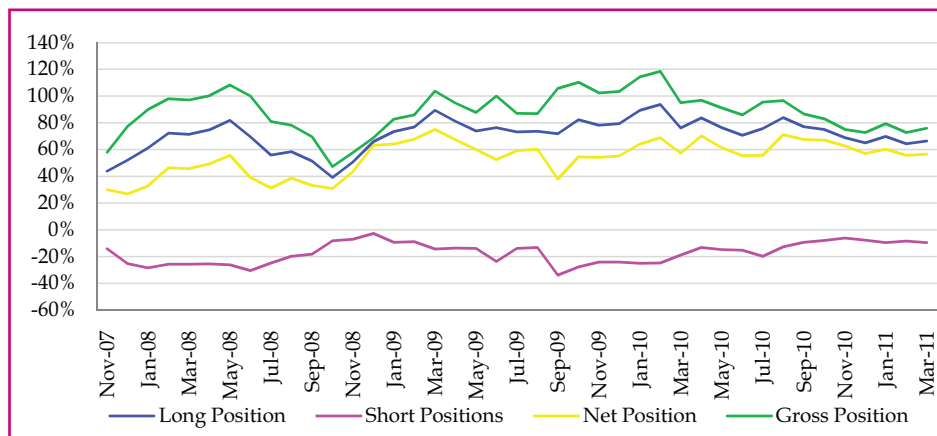
\* 01/11/07

\*\* 01/12/07

## PERFORMANCE VERSUS THE FTSE EUROPE INDEX



## FUND POSITION HISTORY



## FUND STRUCTURE

	Number of positions	Top 10 positions as a % of NAV	Net long (short) position as a % of NAV	Gross invested position as a % of NAV	Cash position as a % of NAV	AUM (\$m)
March 2011	42	26.9	56.7	75.9	43.3	74.1
February 2011	43	26.5	55.8	72.8	44.2	69.8
January 2011	46	25.0	60.3	79.3	39.8	47.8

### Top 10 positions as at 31st March 2011

Company	Country	%
Sias	Italy	3.2
Astaldi	Italy	3.1
SAF Holland	Germany	2.7
Biogaia	Sweden	2.7
Atea	Norway	2.6
Duerr	Germany	2.6
Sopra Group	France	2.5
Yoox	Italy	2.5
Gerresheimer	Germany	2.5
Nexity	France	2.5

### Country exposure as a % of NAV as at 31st March 2011

	Long	Short	Net long (short)
Germany	14.1	-	14.1
Spain	9.0	-	9.0
Italy	11.2	2.3	8.9
UK	9.4	4.3	5.1
France	5.0	-	5.0
Sweden	6.9	2.2	4.7
Denmark	4.4	-	4.4
Norway	2.6	-	2.6
Switzerland	1.6	-	1.6
Finland	-	2.5	(2.5)

### Sector exposure as a % of NAV as at 31st March 2011

	Long	Short	Net long (short)
Industrials	21.9	3.8	18.1
Consumer Goods	15.7	2.3	13.5
Healthcare	6.4	-	6.4
Consumer Services	9.3	3.0	6.3
Technology	7.4	1.2	6.3
Basic Materials	2.1	-	2.1
Financials	2.5	1.1	1.4
Oil & Gas	1.2	-	1.2

### Market capitalisation as a % of NAV as at 31st March 2011

	Long	Short	Net long (short)
Less than €1Bn	37.5	6.8	30.7
Less than €3Bn	28.8	4.5	24.3
Less than €5Bn	-	-	-
Greater than €5Bn	-	-	-

### Risk characteristics as at 31st March 2011

	Maximum up-month (%)	Maximum down-month (%)	Annualised Volatility (%)	Correlation	β	(%)	Sharpe Ratio	Sortino Ratio
The SW Mitchell Small Cap European Fund (Euro class)	6.73	-7.29	9.94	0.74	0.37	55.89	5.62	7.26
FTSE Europe Index (Euro terms)	14.76	-13.25	20.14	-	-	-	-	-

If you have any further questions please contact Michaela Craven-Smith on +44 (20) 7290 3580