Eschler Asset Management LLP (the “Firm”) is authorised and regulated by the Financial Conduct Authority (“FCA”). The Firm is a discretionary investment manager to professional clients and unregulated collective investment schemes. The Firm is a Small authorised UK AIFM and categorised as a collective portfolio management investment firm by the FCA for capital purposes. The Firm reports on a solo basis.

The FCA capital requirements for a BIPRU firm are set out in the General Prudential Sourcebook (“GENPRU”) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”). The FCA framework consists of three ‘pillars’:

- Pillar 1 sets out the minimum capital amount that meets the Firm’s credit, market and operational risk;
- Pillar 2 requires the Firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

  This disclosure fulfils the Firm’s Pillar 3 obligation to disclose to market participants key pieces of information on the Firm’s capital, risk exposure and risk assessment processes.

Risk Management Objectives and Policies

- Eschler Asset Management LLP is an asset manager and does not risk its own capital in the financial markets. Eschler does not have regulatory permission to take proprietary trading risk and does not take such risk. Accordingly, the risks that Eschler faces are more limited in scope than for other types of regulated firms. The risks and controls detailed below are, in accordance with the BIPRU rules, risks that Eschler faces in respect of its own activities. The risk management processes and controls for monies managed by Eschler are not part of these disclosures.Business risk — This risk represents a fall in the Firm’s revenue which may hinder its ability to finance its operations and expenses. Business risks are assessed and mitigated as part of the Internal Capital Adequacy Assessment Process (“ICAAP”).
- Operational risk — This risk covers a range of operational risks ranging from the risk of trading errors to the risk of a breach of a Fund’s investment objectives. Legal and reputational risks are also included within the category of operational risk. Operational risks and mitigating factors are assessed as part of the ICAAP.
- Credit risk — This risk relates to the exposure to the Fund for non-payment of management and performance fees and counterparty exposure relating to the Firm’s bank balances and any other debtors. This is monitored by the Firm’s Chief Operating Officer and reported quarterly to the Executive Committee.
- Market risk — This risk is the exposure to foreign exchange fluctuations due to investment management and performance fees being denominated in currencies other than sterling.

Capital Resources

The Firms’ regulatory capital (comprising share capital & reserves, i.e., Tiers 1, 2 & 3) was GBP £159,000 at March 31st 2020.

The Firm is classified by the FCA as a BIPRU Limited Licence €50k Firm (equivalent to GBP £44k of base capital required as at 31st March 2020).

We calculate the fixed overhead requirement as the higher of (i) three months fixed expenditure excluding discretionary amounts and revenue-related commissions and fees, estimated as £26,000 as at March 31st 2020 and (ii) the estimated costs to liquidate the firm in an orderly manner, estimated as £16,500 as at March 31st 2020. The Firm’s fixed overhead requirement is therefore estimated at GBP £25,000 as at March 31st 2020.

Pillar 1 risk capital requirements are as follows: market risk (£5000) and credit risk (£11,000).

Management of the ICAAP

The approach of the Firm to assessing the adequacy of its internal capital to support current and future activities is contained in the ICAAP. This process includes an assessment of the specific risks to the Firm and the internal controls in place to mitigate those risks. Finally, an assessment is made of the probability of occurrence and the potential impact, in order to arrive at a level of required capital, as relevant. The Firm stress tests future impact by considering the Firm's financial forecast for three years, its breakeven point, the estimated impact of the loss of a key client, and the costs to close.

The Firm's ICAAP is formally reviewed by the Senior Managers at least annually and more frequently should there be any material changes to the Firm's business or risk profile.

Remuneration Disclosure

The Firm is required by FCA rules under BIPRU 11 to make certain disclosures in respect of remuneration. The remuneration structure at the Firm is designed to attract, motivate and retain the best people to ensure good performance for the underlying investors in funds, which in turn will achieve success for the Firm.

The Firm's remuneration policy and practices seek to promote effective risk management and not encourage risk taking which is inconsistent with the risk profile of the funds managed by the Firm. Employees are remunerated at competitive market rates for the roles they perform, with any variable remuneration based on the performance of the individual and the performance of the Firm. Partners' remuneration is based on a percentage of the Firm's profits.

The Senior managers maintains and implements the remuneration policy and practices that are consistent with and promote effective risk management and do not encourage risk taking. Its remit applies to partners in the Firm and employees of Eschler Asset Management LLP.