



Eschler Asset Management LLP



**ESCHLER GLOBAL FUND SPC**  
**RECOVERY FUND SEGREGATED PORTFOLIO**

WWW.ESCHLERASSET.COM

CORPORATE PRESENTATION

MAY 2019

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# EXECUTIVE SUMMARY

- London-based investment manager regulated as an AIFM by the Financial Conduct Authority.
- Long-biased long-short equity strategy focused primarily on niche resource related industries entering cyclical recovery.
- Strong long-term track record of positive returns generated during resource industry bear market.
- Focused deep value portfolio with strong optionality and low correlation compared to traditional equity indices.

# ORGANIZATION

**Eschler Asset Management LLP**

*Theron de Ris (Founding Partner)*

## **Investment Team**

*Portfolio Manager*  
Theron de Ris

## **Service Providers**

*Administration*  
Mainstream, SS&C

*Prime Brokerage*  
GPP, Cowen, IB,  
BofAML, Morgan  
Stanley

*Auditor*  
Baker Tilley

## **Operations**

*Chief Operating Officer*  
John Pryce-Robertson

*Office Manager*  
Frances Roberts

## **Investor Relations**

*Director, Marketing*  
Matthew Anthony

## **Consultants**

*Middle/back Office*  
Arbor (team of 6)

*Regulatory Support*  
March Compliance

# INVESTMENT PHILOSOPHY



## RISK $\neq$ VOLATILITY

Risk = permanent  
Impairment of capital



## CONTRARIAN

In cyclical industries you are either a  
contrarian or a victim



## ALIGNMENT

Investors share philosophy  
Manager heavily invested in fund



## LONG-TERM

We look beyond  
Short-term volatility



## TANGIBLE ASSETS

Easier to measure and  
Preserve real value



## LIMITED CAPACITY

Focused on niche  
Higher return opportunities

# THE OPPORTUNITY IN RESOURCE EQUITIES

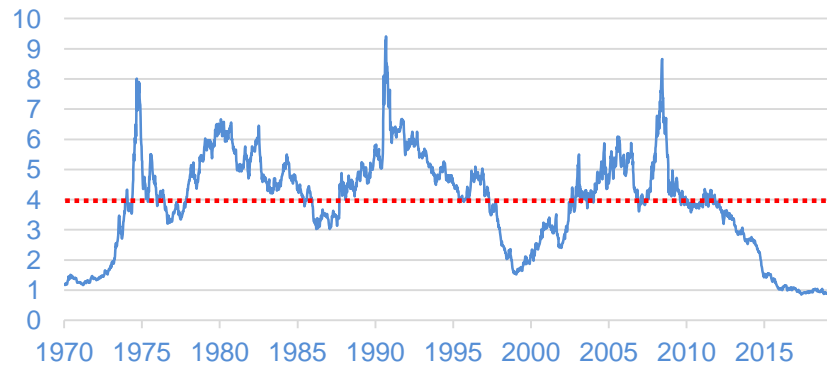
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Diversification	Lower correlation relative to the broad equity market
Inflation Protection	Increased purchasing power when inflation picks up
Long-term Outperformance	Trade at discount due to cyclical, pricing uncertainty and volatility
Less Competition (1)	The S&P 500's exposure to energy and metals -50% over 5 years
Less Competition (2)	Value managers averse to the risks posed by commodity investing
Less Competition (3)	Investing in cyclical industries after a downturn entails high career risk

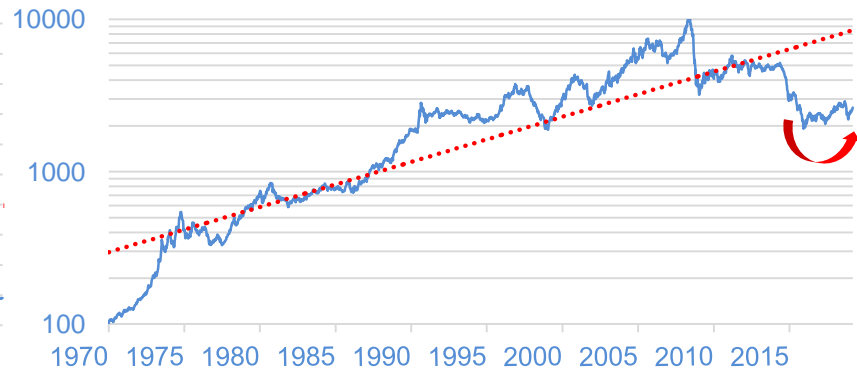
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# RESOURCE EQUITIES LOW VS COMMODITY

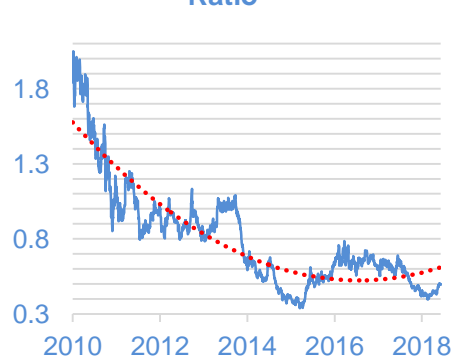
1 GSCI Commodities Index/S&P 500



2 GSCI Commodities Index Total Return



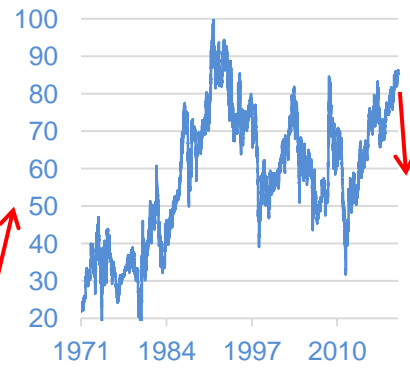
3 Uranium Stocks/Uranium Ratio



Gold Stocks/Gold Ratio



Gold/Silver Ratio



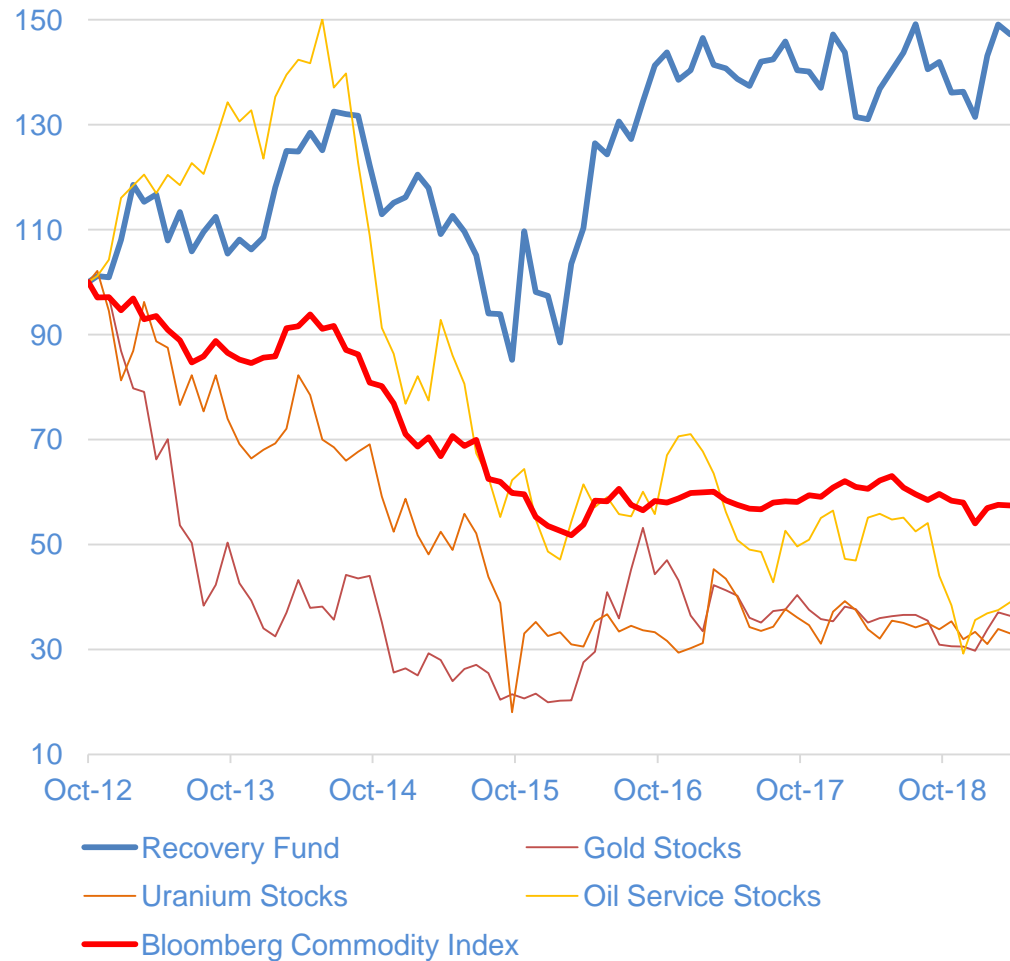
Oil Service Stocks/Oil Ratio



- 1 Commodities as a whole are historically low *relative to* the S&P 500.
- 2 Commodities are recovering and well off the bottom
- 3 Equities in the uranium, gold, silver and oil & gas industries appear mispriced relative to the commodity.

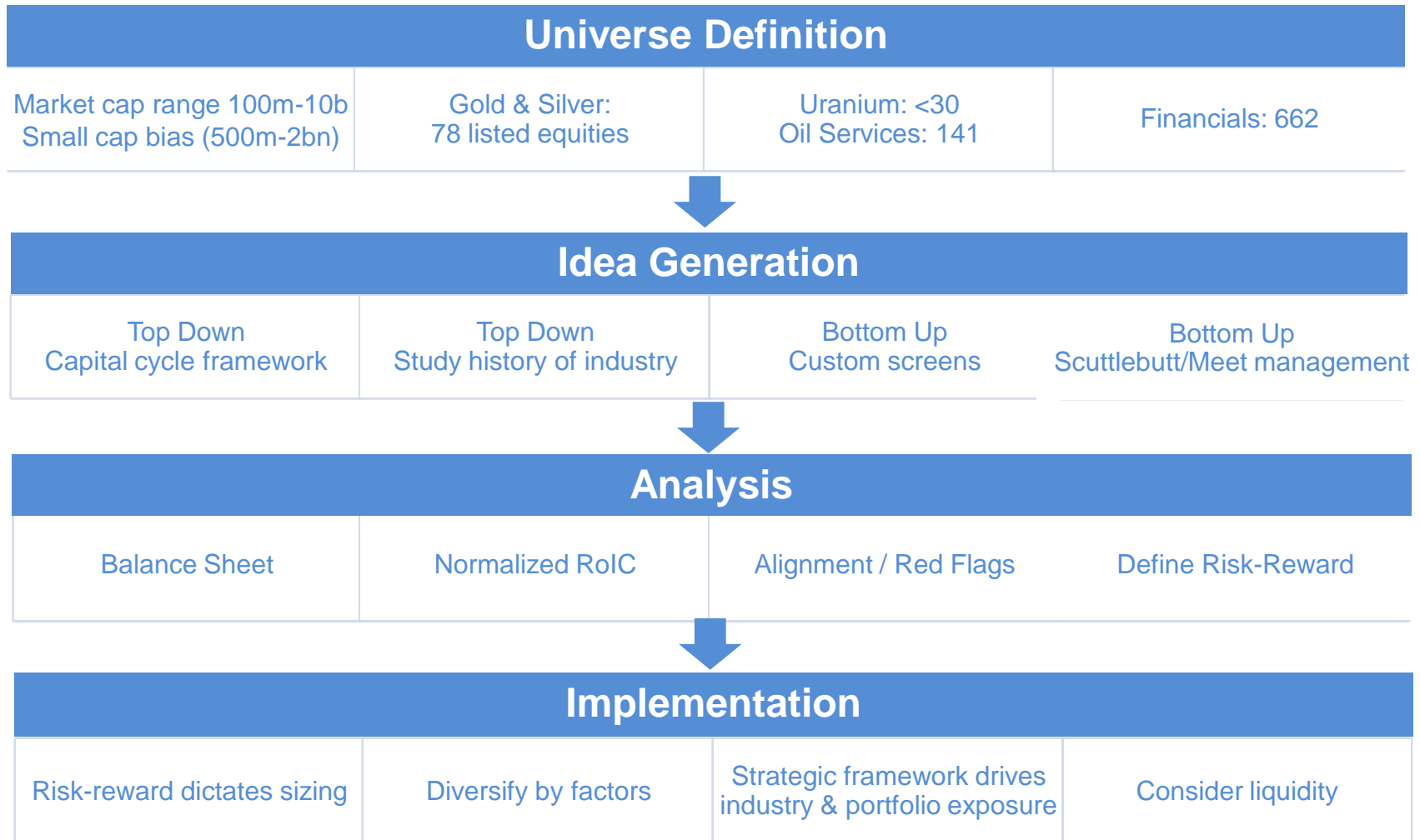
# RESULTS (net of all fees and expenses)

<u>Results</u>	<u>Audited (net)</u>
2013 (from 8 October 2012)	+8.5%
2014	+7.0%
2015	-16.2%
2016	+44.2%
2017	+4.9%
2018	-10.7%
2019 (March 31 <sup>st</sup> )	+12.0%
3-Year CAGR	+10.0%
Inception CAGR	+6.2%
Correlation (S&P 500)	<15%



Source: Eschler Asset Management LLP; Bloomberg; Yahoo Finance; 13 May 2019

# INVESTMENT PROCESS



\*Universe definition: 22,225 total listed stocks in North America, South America, UK, Australia; 2,388 listed stocks in materials, energy and financials sectors in above regions. Eschler universe is approximately 900-1000 listed stocks or ~4% of regional listed equities.



# PORTFOLIO CONSTRUCTION

EXPOSURES	RANGE	AVERAGE SINCE INCEPTION
Core Positions	10-15 Core Longs*	Top 10 holdings >70%
Net	60 - 125%	81%
Gross	60 - 150%	108%
Long	60 - 125%	94%
Alpha Short	0 - 25%	-14%
Market Hedge	0 - 25%	Variable, generally 0 – 15%
Market Cap	Multi-cap, small-cap bias	\$2bn (longs), \$4.3bn (shorts)
Industry	0 - 50%	
Geography	Focus on North America (~2/3), ROW (~1/3)	North America net exposure: 64% EMEA net exposure: 20%
Long Positions	0 - 20% (at market)	
Short Positions	0 - 5% (at market)	

\*One long position may be comprised of multiple individual securities

# RISK MANAGEMENT

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Focus	Large positions in narrow list of industries
Exposure	Maximum 125% gross exposure in single-stock positions
Diversification	Industry, geography, business model, macro factor
Loss mitigation	Cash as a hedge; re-evaluate losers and act (no stop-loss)
Short Book	Short book 0-50% NAV, 20% hard position-level stop-loss
Tail hedge	Small risk budget for opportunistic hedges

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# NET TRACKRECORD VS REAL ASSET PEERS

INCEPTION TO DATE Cumulative 10/8/12-12/31/18		5YR CAGR		3YR CAGR		2018	
Aegis Value	34%	<b>Eschler (Net)</b>	<b>4%</b>	Aegis Value	18%	Permanent Portfolio	-6%
<b>Eschler (Net)</b>	<b>31%</b>	Permanent Portfolio	1%	<b>Eschler (Net)</b>	<b>10%</b>	Goodhaven	-10%
Third Avenue Value	22%	Third Avenue Value	0%	Blackrock Gold & Gen	8%	<b>Eschler (Net)</b>	<b>-11%</b>
Goodhaven	9%	Aegis Value	-1%	CM Advisors Small	6%	Blackrock Gold & Gen	-16%
Fairholme	6%	Blackrock Gold & Gen	-1%	Permanent Portfolio	5%	Aegis Value	-17%
Permanent Portfolio	4%	Goodhaven	-2%	Third Avenue Value	1%	FPA Capital	-18%
CM Advisors Small	4%	FPA Capital	-5%	FPA Capital	-1%	Third Avenue Value	-21%
FPA Capital	0%	CM Advisors Small	-5%	Goodhaven	-2%	Fairholme	-23%
Blackrock Gold & Gen	-58%	Fairholme	-5%	Fairholme	-3%	CM Advisors Small	-23%
Greenlight Re	-66%	Greenlight Re	-24%	Greenlight Re	-23%	Greenlight Re	-57%
							-20%
<b>Peer Average</b>	<b>-2%</b>	<b>Average</b>	<b>-4%</b>	<b>Average</b>	<b>2%</b>	<b>Average</b>	<b>-20%</b>
* <b>Percentile</b>	<b>90</b>	* <b>Percentile</b>	<b>100</b>	* <b>Percentile</b>	<b>90</b>	* <b>Percentile</b>	<b>80</b>
* <b>Excess Return</b>	<b>33%</b>	* <b>Excess Return</b>	<b>8%</b>	* <b>Excess Return</b>	<b>8%</b>	* <b>Excess Return</b>	<b>9%</b>

\*Eschler Recovery Fund ("Eschler") net Excess Return and Percentile vs [Deep Value/Real Asset Peer Average](#).

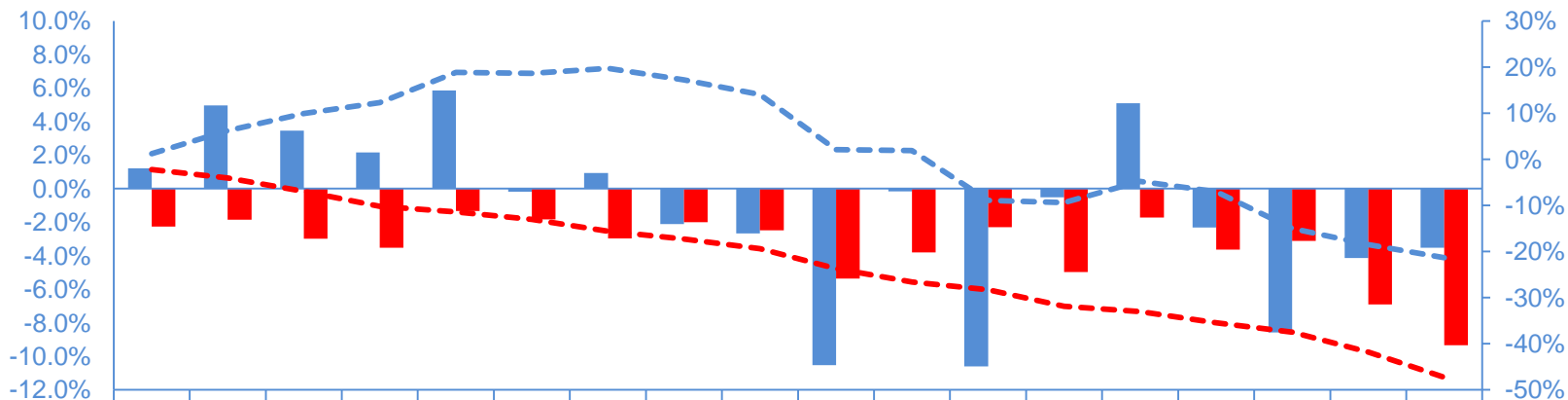
All peers either publicly listed or produce daily NAVs;

Eschler annual returns through 2018 are audited.

Source: Bloomberg and Eschler Asset Management LLP, 7 January 2019

# LOW CORRELATION IN DOWN MARKETS

## Performance in S&P 500 down months



	Oct-12	May-13	Jul-13	Dec-13	Jun-14	Aug-14	Dec-14	Feb-15	May-15	Jul-15	Aug-15	Nov-15	Dec-15	Sep-16	Jan-18	Feb-18	Oct-18	Dec-18
ERF NET	1.2%	5.0%	3.5%	2.2%	5.9%	-0.2%	0.9%	-2.1%	-2.7%	-10.5%	-0.2%	-10.6%	-0.5%	5.1%	-2.3%	-8.6%	-4.1%	-3.5%
S&P 500	-2.3%	-1.9%	-3.0%	-3.5%	-1.3%	-1.8%	-3.0%	-2.0%	-2.5%	-5.4%	-3.8%	-2.3%	-5.0%	-1.7%	-3.6%	-3.1%	-6.9%	-9.3%
Cumulative (rhs)	1.2%	6.2%	9.9%	12.3%	18.8%	18.6%	19.7%	17.2%	14.1%	2.1%	1.9%	-8.9%	-9.4%	-4.8%	-7.0%	-15.0%	-18.5%	-21.4%
Cumulative (lhs)	-2.3%	-4.1%	-7.0%	-10.2%	-11.4%	-13.1%	-15.6%	-17.3%	-19.4%	-23.7%	-26.6%	-28.3%	-31.9%	-33.1%	-35.5%	-37.5%	-41.8%	-47.3%

- Cumulative 21% loss during S&P 500 down months vs >47% loss for S&P 500
- Overall 15% average monthly correlation with S&P 500 since inception
- = Diversifying niche equity strategy compared to mainstream equity indices

# TEAM



**THERON DE RIS**  
**Portfolio Manager**

Theron was formerly a senior research analyst at Indus Capital Partners where he also held consultant and client service roles. From 2000 – 2008 he was an executive director at Morgan Stanley in Milan and London where he ran the global equity institutional desk. Theron began his career at Goldman Sachs in Frankfurt in 1995, later moving to London.

A Chartered Financial Analyst (CFA) and Chartered Alternative Investment Analyst (CAIA), Theron holds a BA in International Politics & Economics, and German, magna cum laude, from Middlebury College in VT USA.



**JOHN PRYCE-ROBERTSON**  
**Chief Operating Officer**

John oversees compliance, IT and middle office. John began his career at Fisher Investments. Prior to joining Eschler, John worked for Cognition Investment Partners as head of business development. John has a strong knowledge of IT infrastructure and computer programming and was system administrator for Cognition's IT systems.

John holds a BSc degree in Genetics from The University of Manchester, UK.



**MATTHEW ANTHONY**  
**Head of Business Development**

Having completed an internship at Eschler in 2017, Matthew recently joined the team to develop our investor relations function and pipeline of prospective investors. Prior to Eschler, Matthew was an associate at Cetera Advisor Networks in Dallas, Texas USA and he has also worked as a financial representative at Northwestern Mutual in Austin, Texas USA.

Matthew holds a Bachelor's degree in International Management – Finance, Cum Laude, from Franklin University Switzerland in Lugano, Switzerland.



**RICHARD ROTHWELL**  
**Non-Executive Advisor**

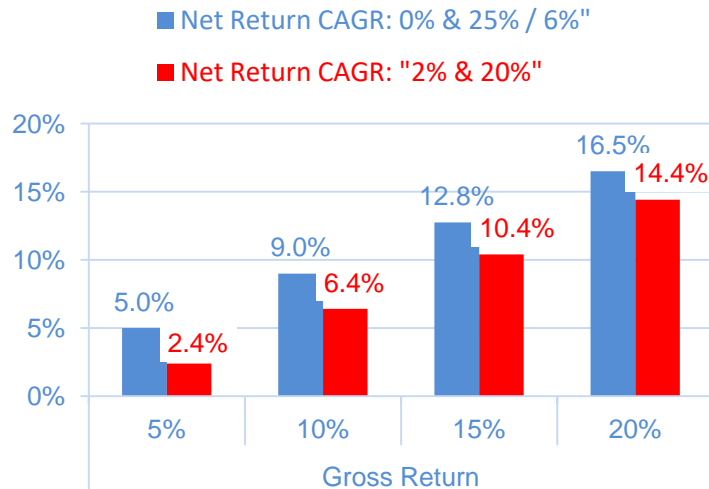
Richard has managed assets at three of the largest institutional fund managers, including being a member of the global investment policy committees of two of these firms. In 2006, he established Stoneware Capital LLP to manage an offshore hedge fund, and has since expanded the firm to include establishing and managing funds in a variety of jurisdictions.

Richard was formerly Chairman of CFA UK which entailed promoting the highest ethical standards and developing relationships with leaders across the profession: investors, managers, regulators, politicians, media and the public.

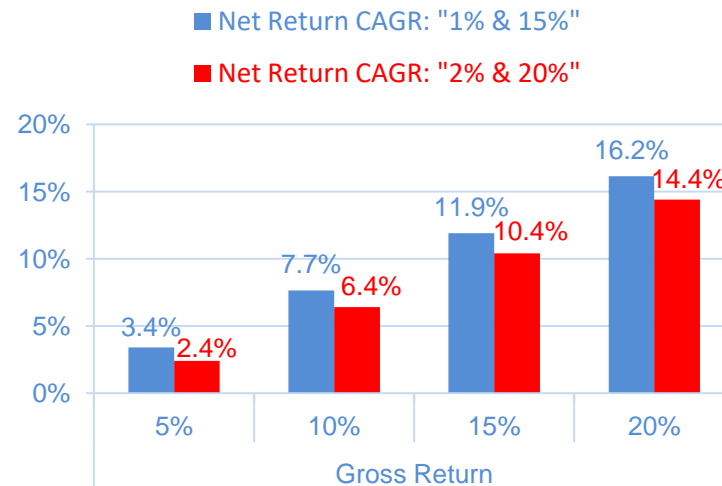
# TERMS

Fees	1% management fee, 15% incentive fee
Liquidity	Quarterly, 65 days' notice
Hurdle	3% cumulative
High Water Mark	Perpetual
Total Expense Ratio	Provided annually and prior to investment

## B Share Class (0 & 25)

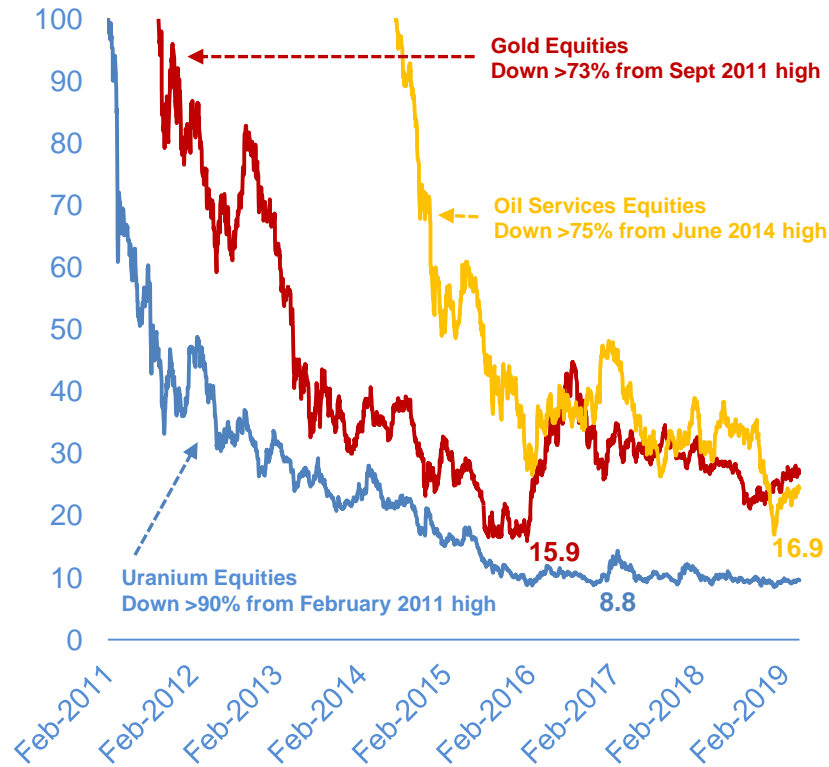


## A Share Class (1 & 15)



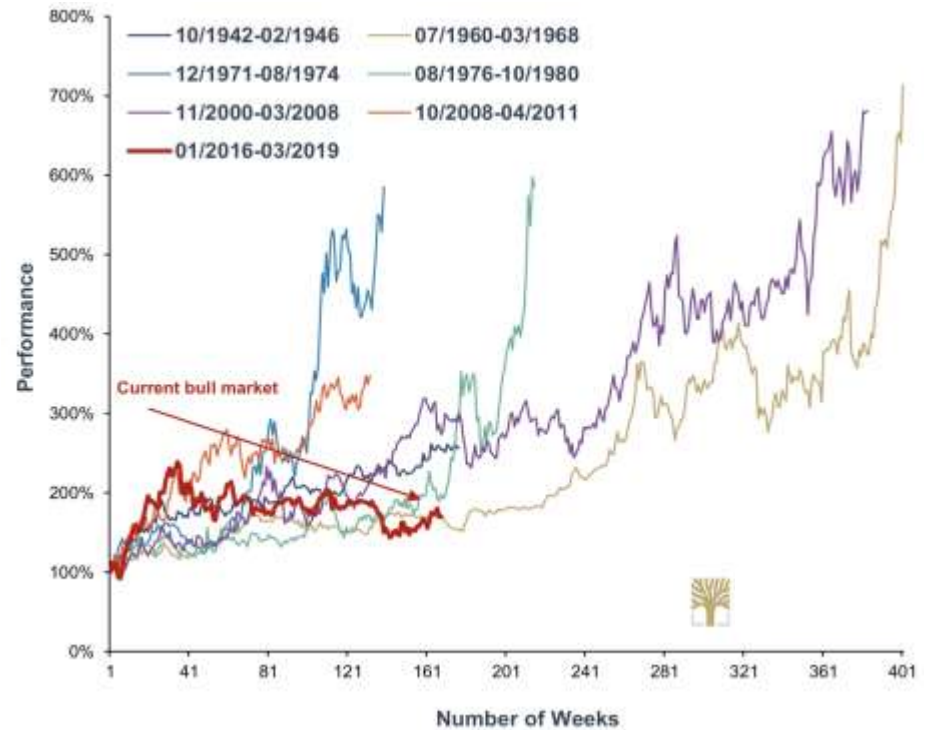
# WHY NOW?

Many resource industries have collapsed over 70% from highs



Source: Bloomberg

Current precious metals bull market overlaid with past bull markets



Source: Incrementum AG

# DISCLAIMER

Source of Data: Eschler Asset Management LLP, unless otherwise stated  
Date of data: May 2019, unless otherwise stated

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Emerging Markets Securities. Investing in securities of issuers based in emerging markets involves risks and the Fund will be exposed to the consequences of potential political, economic, social and diplomatic changes in such markets. Limited Liquidity: There is not expected to be any secondary market for Shares of the Fund. The Directors of the Fund have the power to suspend redemptions or to compulsorily redeem Shares at the Directors' discretion in certain circumstances. Absence of Regulatory Oversight: the Fund is not registered under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), or any other similar law of any other country or jurisdiction (other than registration with the Cayman Islands Monetary Authority). Accordingly, certain provisions of the Investment Company Act will not be applicable. Performance Fee: the payment to the investment manager of a fee based upon the performance of the Fund may create an incentive for the Investment Manager to cause the Fund to make investments that are riskier or more speculative that would be the case in the absence of such a fee. Prime Broker Risks: the Fund will rank as one of the unsecured creditors of the prime broker and, in the event of the insolvency of the prime broker, the Fund may not be able to recover such equivalent assets in full. The Fund will be subject to the risk of the inability of the prime broker to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes. Systemic Risk: Credit risk may also arise through a default by one or several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. Lack of Diversification: concentration of the Fund's assets may tend to result in more rapid changes in the Net Asset Value than would be the case if the Fund were required to maintain a wider diversification among industry sectors, securities and type of securities and other instruments, and may result in the Fund's returns being volatile. Conflicts of Interest: The Investment Manager may, from time to time, face conflicts of interest relating to its dealings with the Fund. Valuation of Fund Assets: The Fund's securities will be valued by reference to their market price, but when no market exists for an investment or the market price does not fairly represent the value of the investment, the Directors will value such investment as they reasonably determine. The Fund is not required to have such valuations independently determined.

The foregoing summary list of risk factors does not purport to be a complete enumeration or explanation of the risk involved in an investment in the Fund. Prospective investors must read the entire Offering Memorandum of the Fund and consult with their own legal, tax and financial advisors before deciding to invest in the Fund.