

Recovery Fund Segregated Portfolio
(a segregated portfolio of Eschler Global Fund SPC)

Financial Statements
For the year ended December 31, 2018

Recovery Fund Segregated Portfolio

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Financial statements

For the year ended December 31, 2018

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Recovery Fund Segregated Portfolio

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Fund Information

Directors	Theron de Ris Casey McDonald
Registered office	3 rd Floor Citrus Grove Goring Avenue P.O. Box 10364 Grand Cayman KY1-1004 Cayman Islands
Investment manager	Eschler Asset Management LLP 7 th Floor, Heathcoat House 20 Savile Row London W1S 3PR United Kingdom
Administrator	Mainstream Fund Services (Cayman) Ltd. 3 rd Floor Citrus Grove Goring Avenue P.O. Box 10364 Grand Cayman KY1-1004 Cayman Islands
Prime broker	Global Prime Partners Ltd. 5 th Floor, 101 Wigmore Street London W1U 1QU United Kingdom
Auditor	Baker Tilly (Cayman) Ltd. Governor's Square 23 Lime Tree Bay Avenue P.O. Box 888 Grand Cayman KY1 – 1103 Cayman Islands
Legal advisors	Ogier 89 Nexus Way Camana Bay Grand Cayman KY1 – 9007 Cayman Islands



Baker Tilly (Cayman) Ltd.
Governor's Square
23 Lime Tree Bay Avenue
P.O. Box 888
Grand Cayman KY1-1103
Cayman Islands
Tel: +1 345 946 7853
Fax: +1 345 946 7854
www.bakertillycayman.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RECOVERY FUND SEGREGATED PORTFOLIO

We have audited the accompanying financial statements of Recovery Fund Segregated Portfolio (the "Fund") which comprise the statement of assets and liabilities and condensed schedule of investments as at December 31, 2018, and the related statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018 and its financial performance, changes in net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with *the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Baker Tilly (Cayman) Ltd., trading as Baker Tilly, is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

This report, including the opinion, has been prepared for and only for the Fund's shareholders, as a body, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Baker Tilly (Cayman) Ltd.

Baker Tilly (Cayman) Ltd.
January 31, 2019
Grand Cayman, Cayman Islands

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Statement of Assets and Liabilities

At December 31, 2018

(Stated in United States Dollars)

	Note	2018 US\$
Assets		
Cash and cash equivalents	5	162,571
Due from broker	6	375,937
Investment in securities, at fair value (cost: US\$5,852,917)		5,499,768
Derivative contracts, at fair value	7	20,166
Receivables for securities sold		1,006,843
Other assets	11	42,258
Total assets		7,107,543
Liabilities		
Due to broker	6	1,087,589
Investments in securities sold short, at fair value (proceeds: US\$914,113)		773,103
Subscriptions received in advance		150,000
Accounts payable and accrued expenses	11	24,735
Interest payable		2,895
Total liabilities		2,038,322
NET ASSETS		5,069,221
Net asset value per share:		
		US\$
Class A – Lead A Series (based on 25,614.17 shares in issue)	4, 12	91.65
Class A – Series A1 Oct-17 (based on 1,499.85 shares in issue)	4	92.30
Class A – Series A Feb-18 (based on 1,000.00 shares in issue)	4	91.19
Class A – Series A Apr-18 (based on 1,000.00 shares in issue)	4	100.14
Class A – Series A Jul-18 (based on 1,000.00 shares in issue)	4	91.22
Class B – Lead B Series (based on 11,816.18 shares in issue)	4, 12	131.11
Class B – Series B1 Feb-13 (based on 680.00 shares in issue)	4	110.86
Class B – Series B1 Aug-16 (based on 639.39 shares in issue)	4	101.63
Class B – Series B Apr-17 (based on 6,500.00 shares in issue)	4	94.01

The accompanying notes are an integral part of these financial statements.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Condensed Schedule of Investments

At December 31, 2018

(Stated in United States Dollars)

INVESTMENTS IN SECURITIES	Shares/units	Cost US\$	Fair value US\$	% of net assets
Private equity				
<i>United States</i>				
Pharmaceuticals				
MDNA Life Sciences Inc.	215,534	243,884	375,676	7.41%
Total investments in private equity		243,884	375,676	7.41%
Listed equities held long				
<i>Australia</i>				
Metals and Mining				
		3,688	5,357	0.11%
<i>Canada</i>				
Metals and mining				
Abitibi Royalties Inc	54,200	342,323	363,268	7.17%
Altius Minerals Corp	38,450	337,129	304,792	6.01%
Energy Fuels Inc	124,709	234,909	355,421	7.01%
Sandstorm Gold Inc	105,000	452,019	484,050	9.55%
Others, individually less than 5%		1,731,426	1,604,334	31.65%
		3,097,806	3,111,865	61.39%
<i>Europe</i>				
Financial services				
		391,713	232,172	4.58%
Energy				
		138,548	82,875	1.63%
		530,261	315,047	6.21%
<i>United States</i>				
Metals and Mining				
Agnico Eagle Mines Ltd	9,300	359,684	375,720	7.41%
Cia De Minas Buenaventura SAA	21,600	284,914	350,352	6.91%
Now Inc	22,000	255,002	256,080	5.05%
Others, individually less than 5%		12,176	6,840	0.13%
Financial services				
		187,191	146,519	2.89%
Consumer discretionary				
		711,373	439,809	8.68%
Energy				
		166,938	116,503	2.30%
		1,977,278	1,691,823	33.37%
Total investments in listed equities held long		5,609,033	5,124,092	101.08%
TOTAL INVESTMENTS IN SECURITIES		5,852,917	5,499,768	108.49%

The accompanying notes are an integral part of these financial statements.

Recovery Fund Segregated Portfolio (a segregated portfolio of Eschler Global Fund SPC)

Condensed Schedule of Investments *(continued)*

At December 31, 2018

(Stated in United States Dollars)

	Shares/units	Proceeds US\$	Fair value US\$	% of net assets
INVESTMENT IN SECURITIES SOLD SHORT				
Listed equities sold short				
<i>Australia</i>				
Financial services		(327,091)	(297,404)	(5.87)%
<i>Canada</i>				
Financial services		(210,718)	(180,216)	(3.56)%
<i>United States</i>				
Consumer discretionary				
Tesla Inc	(800)	(243,963)	(266,240)	(5.25)%
Health care		(118,957)	(17,775)	(0.35)%
Industrials		(9,990)	(10,264)	(0.20)%
		<u>(372,910)</u>	<u>(294,279)</u>	<u>(5.80)%</u>
<i>Europe</i>				
Technology		(3,394)	(1,204)	(0.02)%
		<u>(914,113)</u>	<u>(773,103)</u>	<u>(15.25)%</u>
Total investments in listed equities sold short		(914,113)	(773,103)	(15.25)%
TOTAL INVESTMENT IN SECURITIES SOLD SHORT		(914,113)	(773,103)	(15.25)%

Recovery Fund Segregated Portfolio (a segregated portfolio of Eschler Global Fund SPC)

Condensed Schedule of Investments *(continued)*

At December 31, 2018

(Stated in United States Dollars)

	Notional US\$	Fair value US\$	% of net assets
INVESTMENT IN DERIVATIVES			
Equity swaps			
<i>Europe</i>			
Engineering	385,764	-	-%
Telecom	16,394	-	-%
Commercial services	215,843	-	-%
Total investments in equity swaps	618,001	-	-%
	Cost US\$	Fair value US\$	% of net assets
Warrants			
<i>Canada</i>			
Metals and Mining	-	20,166	0.40%
	-	20,166	0.40%
TOTAL INVESTMENT IN DERIVATIVES	618,001	20,166	0.40%

The accompanying notes are an integral part of these financial statements.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Statement of Operations

For the year ended December 31, 2018

(Stated in United States Dollars)

	Note	2018 US\$
Investment income		
Dividend income (net of withholding taxes of US\$6,271)		19,997
Interest income		21,444
		41,441
Expenses		
Brokerage fees and commissions		47,983
Interest expense		30,621
Management fees	11	26,778
Administration fees	11	21,000
Dividends paid		19,136
Audit fees		13,520
Professional fees		12,456
Other expenses		9,728
Directors' fees	11	8,400
Incentive fees	11	16
		189,638
Net investment loss		(148,197)
Realized and unrealized gain/(loss) from investing activities		
Net realized gain on investments in securities		206,054
Net realized gain on derivative instruments		151,910
Net change in unrealized depreciation on investments in securities		(884,631)
Net change in unrealized appreciation on derivative instruments		11,416
Net realized and unrealized gain on foreign exchange		43,243
		(472,008)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS		(620,205)

The accompanying notes are an integral part of these financial statements.

Recovery Fund Segregated Portfolio
(a segregated portfolio of Eschler Global Fund SPC)

Statement of Changes in Net Assets

For year ended December 31, 2018

(Stated in United States Dollars)

	Class A	Class B	2018 US\$
Net assets at the beginning of the year	2,848,278	2,576,398	5,424,676
Issue of shares during the year	300,000	-	300,000
Redemption of shares during the year	(35,250)	-	(35,250)
Net decrease in net assets resulting from operations	(344,514)	(275,691)	(620,205)
NET ASSETS AT THE END OF THE YEAR	2,768,514	2,300,707	5,069,221

The accompanying notes are an integral part of these financial statements.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Statement of Cash Flows

For year ended December 31, 2018

(Stated in United States Dollars)

	2018
	US\$
Cash flows from operating activities	
Net decrease in net assets resulting from operations	(620,205)
<i>Adjustments to reconcile net increase in net assets resulting from operations to net cash utilized by operating activities:</i>	
Payments for purchase of investments	(12,864,665)
Proceeds from sale of investments	11,668,732
Net realized and change in unrealized gain on investing activities	667,165
Change in due from brokers	939,544
Change in other assets	3,649
Change in due to brokers	(76,041)
Change in interest payable	419
Change in accrued expenses and accounts payable	(7,209)
Net cash utilized by operating activities	(288,611)
Cash flows from financing activities	
Proceeds from issue of shares	450,000
Payment on redemption of shares	(35,250)
Net cash generated from financing activities	414,750
Net change in cash and cash equivalents	126,139
Cash and cash equivalents, beginning of year	36,432
CASH AND CASH EQUIVALENTS, END OF YEAR	162,571
Supplementary Information	
Interest received	21,444
Interest paid	30,202
Dividends received (net of withholding taxes)	18,230
Dividends paid	19,136

The accompanying notes are an integral part of these financial statements.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Notes to the Financial Statements

For the year ended December 31, 2018

(Stated in United States Dollars)

1 General information

Eschler Global Fund SPC (the “Company”) was incorporated under the Companies Law of the Cayman Islands on August 21, 2009 as an exempted company limited by shares and registered as a segregated portfolio company (“SPC”). Cayman Islands company law permits the Company to legally segregate the assets and liabilities within or on behalf of a segregated portfolio from the assets and liabilities held within or on behalf of any other segregated portfolio of the Company. The Company is structured as an umbrella fund and has the power to create one or more segregated portfolios and to issue different classes or series of shares in respect of each segregated portfolio.

The investment objective of the Company is to preserve and grow capital while attempting to limit investment risk. The Company structures the investment programmes of each segregated portfolio based on the specific objectives of each segregated portfolio.

As of December 31, 2018, the Company had two segregated portfolios, namely the Recovery Fund Segregated Portfolio (the “Fund”) and Gold Fund Segregated Portfolio. The Fund commenced trading on October 8, 2012. The Gold Fund Segregated Portfolio was created in September 2015 and commenced operations on November 2, 2015.

These financial statements relate solely to the Fund.

The investment objective of the Fund is to preserve capital and increase the value of the capital over time primarily by investing in shares of quality companies with growth potential at a substantial discount to the Investment Manager’s assessment of the intrinsic value of the business.

The Company can issue shares in six share classes representing the segregated portfolios – Class A USD, Class B USD, Class C USD, Class A EUR, Class B EUR, and Class C EUR. Shares of each class are generally issued in share series. As of December 31, 2018, Class A USD and Class B USD shares were in issue.

The Fund contracts for its supervisory, general administrative and investment management services with various service providers and professional organizations. As a result the Fund has no employees of its own. The financial statements reflect the cost of these various service providers.

The Fund’s investment activities are managed by Eschler Asset Management LLP (the “Investment Manager”) pursuant to the Investment Management Agreement.

The administrator to the Fund is Mainstream Fund Services (Cayman) Ltd (the “Administrator”). The prime broker to the Fund is Global Prime Partners Ltd (the “Prime Broker”).

Capitalized terms are defined within the Offering Memorandum unless otherwise defined herein, which should be read in conjunction with the financial statements.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Notes to the Financial Statements *(continued)*

For the year ended December 31, 2018

(Stated in United States Dollars)

2 Significant accounting policies

The significant accounting policies adopted in the preparation of the Fund's financial statements are set out below:

(a) Basis of preparation

The accompanying financial statements are expressed in United States Dollars ("US\$") and are prepared in accordance with US generally accepted accounting principles ("US GAAP") as detailed in the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC"). The Fund qualifies as an investment company under the provisions outlined in ASC 946, *Financial Services – Investment Companies*, and follows the prescribed accounting and reporting guidance.

(b) Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ from those estimates materially.

(c) Fair value and related accounting policies

Investments

Investments are recorded on a trade-date basis and are carried at fair value. Any increases or decreases in carrying values are recognized in the statement of operations as a net change in unrealized appreciation/(depreciation) on investments or derivative contracts.

Exchange-traded securities (common and preferred stock)

Investments that are listed or quoted on a recognized securities exchange and are regularly traded and freely transferable are valued at their closing price reported on the valuation date on the exchange.

Derivative financial instruments

The Fund trades derivative financial instruments, such as equity swaps which are recorded at fair value at the reporting date. Equity swaps are over-the-counter ("OTC") contracts under which two parties agree to make periodic payments to each other. The payments are made based on the value of a specified security, a specified interest rate applied to a stated or "notional" amount. Notional values are not recorded on the balance sheet, but rather are utilized solely as a basis for determining future cash flows to be exchanged. Therefore, notional amounts provide a measure of the Fund's involvement with such instruments but are not fully indicative of potential risk. The fair value of these derivative financial instruments at the reporting date generally reflects the amount that the Fund would receive or pay to terminate the contract at the reporting date. Many derivative financial instruments are traded on OTC markets where prices are available from independent price vendors.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Notes to the Financial Statements *(continued)*

For the year ended December 31, 2018

(Stated in United States Dollars)

2 Significant accounting policies *(continued)*

(c) Fair value and related accounting policies *(continued)*

Derivative financial instruments (continued)

The unrealized gain or loss on derivative instruments at the reporting date is included in the statement of assets and liabilities.

In the event that the Fund acquires securities or other financial instruments for which market quotations are not available, such securities will be valued at their fair value as determined by the Investment Manager, under the authority of the Director.

(d) Offsetting financial assets and liabilities

The Fund may offset financial assets and financial liabilities, reporting only the net amount, when the Fund has a legally enforceable right to net the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability. At December 31, 2018, the open derivative contracts were disclosed on a gross basis.

(e) Foreign currency

Transactions in currencies other than the Fund's reporting currency are converted at the rate of exchange at the transaction date. Foreign currency monetary assets and liabilities are translated at the rate of exchange at the reporting date. Resulting exchange differences are recognized in the results for the year.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from the changes in market prices of securities held. Such gains and losses are included with the net realized and unrealized gain or loss on investments in the statement of operations.

(f) Cash and cash equivalents

Cash comprises current deposits with banks and other financial institutions. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(g) Revenue and expenditure recognition

Interest is recorded on an accrual basis and includes the amortization of any discount or premium, or any other difference between the initial carrying amount of an interest-bearing instrument and its maturity, calculated on an effective interest rate basis.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Notes to the Financial Statements *(continued)*

For the year ended December 31, 2018

(Stated in United States Dollars)

2 Significant accounting policies *(continued)*

(g) Revenue and expenditure recognition *(continued)*

Dividend income, relating to investments in equity securities, is recognized in the statement of operations, on the ex-dividend date. Dividends declared on short positions held on the ex-dividend date are recorded as a dividend expense in the statement of operations.

Expenses are recorded on an accrual basis.

(h) Redemptions payable

ASC 480, *Distinguishing Liabilities from Equity*, requires that an entity classify as liabilities any financial instruments issued in the form of investor's capital that are mandatorily redeemable on fixed dates for fixed amounts. Within the context of ASC 480, such redemption notices would represent an unconditional obligation of the Fund at the reporting date. The liability to such investors would be represented on the statement of assets and liabilities as redemption payable.

(i) Recently issued accounting pronouncements

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), which is part of the disclosure framework project aimed at improving the effectiveness of disclosures by facilitating clear communication of the required disclosures that are most important to users of the financial statements. ASU 2018-13 is effective for annual reporting periods beginning after December 15, 2019, and has therefore not been applied in preparing these financial statements.

In January 2016, the FASB issued Accounting Standards Update 2018-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2018-01"), which contains limited amendments to the guidance in US GAAP on the classification and measurement of financial instruments. The new standard revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. ASU 2018-01 is effective for annual reporting periods beginning after December 15, 2018.

3 Taxation

Under the current laws of the Cayman Islands, there are no income, estate, transfer, sales or other Cayman Islands taxes payable by the Fund. Accordingly, no income tax provision is required in these financial statements. The Fund may be subject to foreign withholding taxes on certain interest, dividends and capital gains.

The Fund is subject to the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes*. This standard establishes consistent thresholds as it relates to accounting for income taxes.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Notes to the Financial Statements *(continued)*

For the year ended December 31, 2018

(Stated in United States Dollars)

3 Taxation *(continued)*

It defines the threshold for recognizing the benefits of tax-return positions in the financial statements as “more-likely-than-not” to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based on the largest benefit that is more than 50 percent likely to be realized.

The Investment Manager has analyzed the Fund’s inventory of tax positions taken with respect to all applicable income tax issues for all open tax years (in each respective jurisdiction), and has concluded that no provision for income tax is required in the Fund’s financial statements.

4 Share capital

The Company has an authorized share capital of US\$50,000 comprised of 100 voting management shares (the “Management Shares”) and 4,999,900 participating shares, which may be issued in classes. Each class of shares participates in a portfolio.

Management shares

100 Management Shares are in issue, fully paid and held by the Investment Manager. The Management Shares have the entire voting power of the Company except on a variation of rights issue. However, they do not entitle the holder to participate in the Company’s profits and are non-redeemable. Upon winding up of the Company, the holders of Management Shares are entitled to receive their paid-in capital of US\$0.01 per Management Share.

Redeemable participating shares

The Company can issue six redeemable participating share classes – Class A USD, Class B USD, Class C USD, Class A EUR, Class B EUR, and Class C EUR. Shares of each class are generally issued in share series. At December 31, 2018, there were two classes of shares in issue in respect of the Fund, namely, Class A USD and Class B USD shares.

Class A USD and Class B USD shares are available for issue on the first business day of each calendar quarter. Shares are offered subject to a minimum subscription of US\$100,000 for Class A USD shares and US\$5,000,000 for Class B USD shares, or such lesser amounts as the Director may determine.

Subject to restrictions and conditions outlined in the Fund’s Offering Memorandum, the Fund’s redeemable participating shares may be redeemed quarterly with at least 65 business days’ notice.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Notes to the Financial Statements *(continued)*

For the year ended December 31, 2018

(Stated in United States Dollars)

4 Share capital *(continued)*

The share movements during the year were as follows:

	Shares at the beginning of the year	Subscriptions / Transfers In	Redemptions / Transfers out	Shares at the end of the year
Class A				
Class A – Lead A Series	23,180.05	2,784.12	(350)	25,614.17
Class A – Series A Oct-17	2,784.12		(2,784.12)	-
Class A – Series A1 Oct-17	1,499.85	-	-	1,499.85
Class A – Series A Feb-18	-	1,000.00	-	1,000.00
Class A – Series A Apr-18	-	1,000.00	-	1,000.00
Class A – Series A Jul-18	-	1,000.00	-	1,000.00
Class B				
Class B – Lead B Series	11,816.18	-	-	11,816.18
Class B – Series B1 Feb-13	680.00	-	-	680.00
Class B – Series B1 Aug-16	639.39	-	-	639.39
Class B – Series B Apr-17	6,500.00	-	-	6,500.00

5 Cash and cash equivalents

Cash and cash equivalents at December 31, 2018 amounts to US\$162,571 and are held with Butterfield Bank (Cayman) Limited.

6 Due from and to broker

The Fund obtains custodial, clearing and related services from the Prime Broker. Under such agreement, the Prime Broker maintains custody of the Fund's assets, provides margin credit, locates securities to borrow to facilitate short sales and provides other related services.

Investments held by the Prime Broker are, on occasion, used as collateral for margin transactions conducted for the Fund. Idle cash balances at the Prime Broker earn interest at short-term rates. The Fund is liable for all obligations and indebtedness to the Prime Broker upon demand.

At December 31, 2018, the balances due from broker amounted to US\$375,937, comprising fully of broker margin account. Included within this are amounts designated as collateral, in connection with the investments sold short.

At December 31, 2018, the balances due to broker amounted to US\$1,087,589, comprising fully of broker margin account balances. Broker margin debt balances that may be collateralized by certain of the Fund's securities and cash balances held with the Prime Broker.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Notes to the Financial Statements *(continued)*

For the year ended December 31, 2018

(Stated in United States Dollars)

7 Derivative financial instruments

The Fund engages in the speculative trading of futures and option contracts, warrants, swaps and forward currency contracts (collectively, “derivatives”), for the purpose of achieving capital appreciation and, in certain situations, economic hedging. Due to the speculative nature of the Fund’s derivative trading activity, the Fund is subject to the risk of substantial losses, in excess of the amount of its initial investment, from derivatives trading.

The Fund’s derivative trading activities and exposure to derivative contracts are characterized primarily by the underlying risk of equity price risk. The Fund is also subject to counterparty risk due to the potential inability of its counterparties to meet the terms of their contracts.

At the reporting date the Fund held three equity swap positions with a fair value of US\$Nil, and one warrant position with a fair value of US\$20,166.

For the year ended December 31, 2018, the volume of the Fund’s derivative activities, based on total number of trades entered into, categorized by primary underlying risk, were as follows:

Total number of trades during the year

Primary underlying risk	Bought	Sold
Futures		
Index	2	(3)
Options		
Index	3	(3)
Equity swaps		
Equity price	35	(36)
Warrants		
Equity	2	(1)

The volume disclosure is intended to provide an indication of the Fund’s volume of derivative activity. The number of trades entered into during the year is not intended to be, nor is it, indicative of the Fund’s level of exposure or risk of loss. There are alternative ways to present the volume of derivative activity in the financial statements of an entity. The Fund has elected to utilize total number of trades during the year and the notional amounts of contracts held at year end to represent the volume of derivative activity, as management believes this is a meaningful representation of the volume of derivative activity during the year.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Notes to the Financial Statements *(continued)*

For the year ended December 31, 2018

(Stated in United States Dollars)

8 Trading and investing activities and related risks

(a) Market risk

Market risk represents the potential loss that can be caused by a change in the market value of the Fund's financial instruments. The Fund's exposure to market risk is determined by a number of factors, including interest rates, foreign exchange rates and market volatility.

The Fund trades in equity swaps. Risks arise from changes in the fair value of these instruments. Relatively small price movements in the underlying of a derivative may result in substantive losses for the Fund. Theoretically, the Fund is exposed to a market risk equal to the notional contract value of equity swaps purchased and unlimited liability on such contracts sold short.

The Fund engages in the speculative trading of securities which are typically traded on an exchange.

The Fund also sells securities not owned at the time of a sale (a "short sale"). Risks arise from short sales due to the possible illiquidity of the securities markets and from potential adverse movements in security values. Theoretically, short sales expose the Fund to potentially unlimited liability as the Fund's ultimate obligation to purchase a security sold short may exceed the amount recorded in the statement of assets and liabilities.

Currency risk

The Fund may invest in financial instruments and may enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund would be exposed to currency risk to the extent that foreign exchange rates may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than US\$.

As of December 31, 2018, the Fund's exposure to foreign currency risk on cash, investments and derivatives was as follows (amounts stated in US\$):

	Securities and derivatives	Cash and due to/(from) broker	Total
Australian Dollars	(292,047)	279,268	(12,779)
Canadian Dollars	1,282,402	(372,971)	909,431
European Euro	232,172	(382,809)	(150,637)
Pound Sterling	-	96,669	96,669
Total	1,222,527	(379,843)	842,684

Interest rate risk

The majority of the Fund's financial assets and liabilities are non-interest bearing and as a result the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Fund are invested at short-term market interest rates.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Notes to the Financial Statements *(continued)*

For the year ended December 31, 2018

(Stated in United States Dollars)

8 Trading and investing activities and related risks *(continued)*

(b) Credit risk

Credit risk is the risk that a counterparty will be unable or unwilling to meet commitments it has entered into with the Fund. All investment transactions are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal since delivery of securities sold is only made once the broker has received payment. On purchase, payment is made once the securities have been received by the broker. If either part fails to meet their obligation, the trade will fail.

At December 31, 2018, all of the Fund's assets are subject to counterparty credit risk.

All investments and derivatives are held under one single Prime Broker – Global Prime Partners. Cash is held with Butterfield Bank (Cayman) Limited.

Bankruptcy or insolvency of the Prime Broker may cause the Fund's rights with respect to the cash and investments held by the Prime Broker to be delayed or limited. The impact to the Fund of a broker becoming insolvent could be significant and could materially impair the ability of the Fund to achieve its investment objective. The Investment Manager monitors the Prime Broker for ongoing creditworthiness. The Fund's non-cash assets are segregated from the proprietary assets of the Prime Broker.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities.

At December 31, 2018 all of the Fund's liabilities, with the exception of securities sold short, have a maturity within three months of year end.

The Fund's Offering Memorandum provides for the creation and redemption of participating shares and is therefore exposed to the liquidity risk of meeting shareholder redemptions. The Fund's policy allows shares to be redeemed quarterly with at least 65 calendar days' notice or at such other times as the Directors may determine. Payment of redemption proceeds may be withheld or delayed if information required to satisfy verification of identity checks is not provided in a timely manner.

If Class A or Class B shareholders redeem their shares within the first 12 months following the date on which they become a shareholder, a 2% redemption charge will apply. No such redemption charges applied during the year ending December 31, 2018.

The Fund invests in OTC derivative contracts. The Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements, or to be able to respond to specific events such as the deterioration in the creditworthiness of a particular issuer.

The Fund's listed securities are considered to be readily realizable and highly liquid as they are primarily listed on major exchanges.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Notes to the Financial Statements *(continued)*

For the year ended December 31, 2018

(Stated in United States Dollars)

9 Indemnifications

In the normal course of business, the Fund enters into contracts and agreements that contain a variety of representations and warranties and which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. The Fund believes the risk of any futures obligations under these indemnifications to be remote.

10 Fair value measurement

Fair value, as defined in ASC 820, *Fair Value Measurements* ("ASC 820"), is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy, as set forth in ASC 820, prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1: Quoted market prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for an asset and liability.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, liquidity statistics and other factors. If the inputs used to measure a financial instrument fall within different levels of the fair value hierarchy, the categorization is based on the lowest level input that is significant to the measurement of that financial instrument.

The Fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The categorization of an investment within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Fund's perceived risk of that instrument.

The following table summarizes the Fund's assets accounted for at fair value at December 31, 2018, using the fair value hierarchy.

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<i>Assets</i>				
Investment in private equity	-	-	375,676	375,676
Investment in equity securities	5,124,092	-	-	5,124,092
Investment in warrants	20,166	-	-	20,166
Total	5,144,258	-	375,676	5,519,934
<i>Liabilities</i>				
Investment in equity securities sold short	(773,103)	-	-	(773,103)
Total	(773,103)	-	-	(773,103)

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Notes to the Financial Statements *(continued)*

For the year ended December 31, 2018

(Stated in United States Dollars)

10 Fair value measurement *(continued)*

No transfers have occurred between levels of the fair value hierarchy during the year ended December 31, 2018.

Level 3 investments

The following is a reconciliation of the Fund's Level 3 investments from January 1, 2018 to December 31, 2018:

	Level 3 Instruments US\$
Beginning balance	215,534
<i>Purchases and sales</i>	
Purchases	-
Sales	-
<i>Total gains or losses</i>	
Change in unrealized appreciation	160,142
Ending balance	<u>375,676</u>

The level 3 instruments comprised of a private equity investment for which fair value was increased during the year based on a fair value assessment performed by the Directors.

11 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Directors

Mr. Theron de Ris, a director of the Company, is also the main principle of the Investment Manager. Mr. Theron de Ris, and parties related to him, currently hold the following shares in the Fund:

	Number of shares
Class A – Lead Series	1,634.00
Class B – Series B1 Feb-13	680.00

Directors fees of USD\$8,400 were paid to the independent director of the Company. Mr. Theron de Ris currently serves in his capacity as director of the Company without compensation.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Notes to the Financial Statements *(continued)*

For the year ended December 31, 2018

(Stated in United States Dollars)

11 Related parties *(continued)*

Investment Manager

The Investment Manager is related to the Fund by virtue of a common director and due to its control over the investment decisions of the Fund.

Management fee

The Investment Manager is entitled to an annual management fee, calculated and payable quarterly in arrears, as follows:

Class A shares in series issued before 1 October 2017 are subject to a management fee of 1% of the Net Asset Values of the shares.

Class A shares in series issued on or after 1 October 2017 are subject to a management fee as follows: (i) 0.50% per annum of the Net Asset Value of the shares of the first US\$10,000,000 received in subscriptions; (ii) 0.75% per annum of the Net Asset Value of the next US\$40,000,000 received in subscriptions; and (iii) 1% per annum of the Net Asset Value of the shares where subscriptions exceed US\$50,000,000.

Class B shares issued to new investors on or after 1 January 2017 and before 1 October 2017 are subject to a management fee of 1% of the Net Asset Value of the shares. All other Class B shares are not subject to a management fee.

Management fees of US\$26,778 were charged for the year ending December 31, 2018, of which US\$6,410 was payable at the reporting date and is included within accounts payable and accrued expenses.

Incentive fee

The Investment Manager is entitled to an annual incentive fee at the close of each financial year as follows:

Class A shares in series issued before 1 October 2017 are subject to an incentive fee of 15% of net profits of the Fund, subject to a 3% hurdle rate.

Class A shares in series issued on or after 1 October 2017 are subject to an incentive fee as follows: (i) 10% per annum on the net profits of the Fund on the Net Asset Value of subscriptions up to US\$10,000,000; (ii) 12.5% per annum of the Net Asset Value of subscriptions between US\$10,000,000 and US\$50,000,000; and (iii) 15% per annum of the Net Asset Value of subscriptions exceeding US\$50,000,000. No hurdle rate applies.

Class B shares are subject to an incentive fee of 25% of net profits of the Fund, subject to a 6% hurdle rate.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Notes to the Financial Statements *(continued)*

For the year ended December 31, 2018

(Stated in United States Dollars)

11 Related parties *(continued)*

Investment Manager (continued)

Incentive fee (continued)

All incentive fees are subject to a “high water mark” limitation, which requires a full recovery of any net losses from prior years before an incentive fee can be earned. For this purpose, the incentive fee is generally calculated by comparing the ending NAV of a series at the end of a fiscal year or at the redemption day with the highest of the following amounts (in each case as adjusted for any intervening distributions): (i) the NAV as of the beginning of the current fiscal year, (ii) the NAV as of the beginning of any preceding fiscal year, or (iii) the subscription price of the share at the date of issue.

The Investment Manager may waive or reduce performance fees for with regard to certain shareholders that are employees or affiliates of the Investment Manager, relatives of such persons, and for certain large or strategic investors.

Incentive fees are calculated and charged separately with respect to each series. If a shareholder redeems a series of shares during a fiscal year, the incentive fee payable with respect to such series will be determined solely by reference to the performance of that series through the redemption day and will be payable to the Investment Manager on the finalization of the net asset value of that particular series for the relevant redemption day.

The annual incentive fee will generally be payable to the Investment Manager after the end of each fiscal year or the relevant redemption day.

Incentive fees of US\$16 were charged for the year ending December 31, 2018, all of which was payable at the reporting date and is included within accounts payable and accrued expenses.

Fee rebates

Included in other assets are rebates due from the Investment Manager of US\$40,234. This amount represents expenses incurred by the Fund which the Investment Manager has agreed to reimburse.

Significant contracts - Administrator

The Administrator is entitled to a fee from the assets of the Fund which is charged at normal commercial rates, subject to a set minimum and a surcharge for each of the second and subsequent classes activated which correspond to the Fund. All such fees and expenses will be borne by the Fund unless reimbursed by the Investment Manager.

During the year ended December 31, 2018, the Fund incurred administration fees of US\$21,000, none of which was payable at the reporting date.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Notes to the Financial Statements *(continued)*

For the year ended December 31, 2018

(Stated in United States Dollars)

12 Financial highlights

The following information presents the financial highlights for the year ended December 31, 2018.

	Class A Lead Series 2018	Class B Lead Series 2018
	US\$	US\$
Per share operating performance for shares outstanding throughout the year		
Net asset value per share at issue/beginning of the year	103.70	146.82
Loss from operations		
Net investment loss ⁽¹⁾	(3.25)	(3.09)
Net realized and unrealized gain from investments and foreign currency ⁽¹⁾	(8.80)	(12.62)
Net asset value per share at end of the year	91.65	131.11
Total return before incentive fees	(11.62)%	(10.70)%
Incentive fees	(0.00)%	-
Total return after incentive fees⁽²⁾	(11.62)%	(10.70)%

Supplemental data

Ratio of expenses to average net asset value⁽³⁾

Ratio of expenses to average NAV before interest and incentive fees	(3.45)%	(2.42)%
Ratio of expenses to average NAV after interest and incentive fees	(4.02)%	(2.98)%

(1) Per share net investment loss is calculated for the Lead Series, using the average of the shares outstanding during the year calculated as of each NAV determination date. Per share net realized and change in unrealized loss from investment and foreign currency is the amount necessary to reconcile the change in NAV per share with the other per share information presented.

(2) Total return is calculated by comparing the ending NAV per share to the beginning NAV per share. An individual shareholder's per share operating performance, total return and ratios to average net assets may vary from these amounts and ratios based on the timing and amount of capital transactions.

(3) Average NAV is determined using the monthly average NAV during the year.

Recovery Fund Segregated Portfolio

(a segregated portfolio of Eschler Global Fund SPC)

Notes to the Financial Statements *(continued)*

For the year ended December 31, 2018

(Stated in United States Dollars)

13 Subsequent events

The management of the Fund has evaluated the impact of subsequent events through the date the financial statements were available to be issued.

There were no material subsequent events that would necessitate disclosures or adjustments in the financial statements.

14 Approval of financial statements

The financial statements were approved by the Directors of the Fund on January 31, 2019.