



ESCHLER GLOBAL FUND SPC
RECOVERY FUND - CAYMAN



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Executive Summary

- Founded October 8th, 2012 by Theron de Ris, whose personal liquid net worth has been invested in the fund since inception.
- Opportunity-driven long-short equity strategy focused on deep value ideas in cyclical industries.
- Focused portfolio with strong optionality and low return correlation* compared to traditional equity indices.
- Strong long-term track record of positive returns generated during resource industry bear market.
- Fund now open to outside investors having been run for friends & family.

*monthly net return correlation 22.9% vs S&P 500 since inception as of 31 July 2019

Investment Overview

- Objectives:
 - Exceed 6% compounding hurdle, net of all fees
 - Target at least 10%+ p.a. net return over full cycle
 - Moderately lower volatility than market

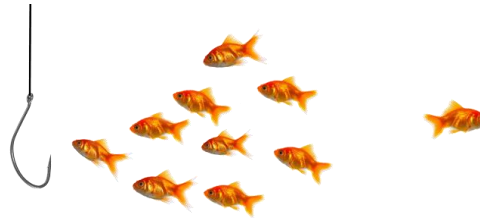
- Eschler's differentiation:
 - Value-oriented approach applied to cyclical industries
 - Experience analysing and selecting small and mid caps
 - Portfolio construction
 - Fee structure

Investment Philosophy



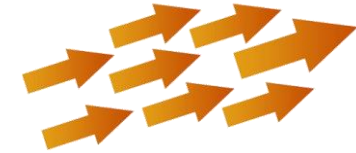
RISK \neq VOLATILITY

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

Investment Process

Universe Definition



- Unconstrained universe
- Current focus: precious metals/uranium/energy
- Market cap range: \$50m-\$10b
- Small cap bias (50m-2bn)

Idea Generation



- Top-Down: Capital cycle framework / study industry history / cyclical or structural?
- Bottom-Up: Custom screens / Scuttlebutt / which companies stand out?

Analysis



- Balance Sheet
- Business model / normalized returns
- Alignment / Red flags
- Scenario analysis defines risk-reward

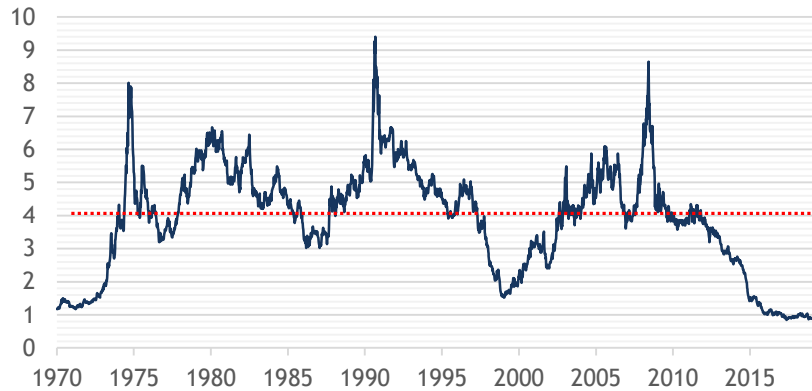
Execution



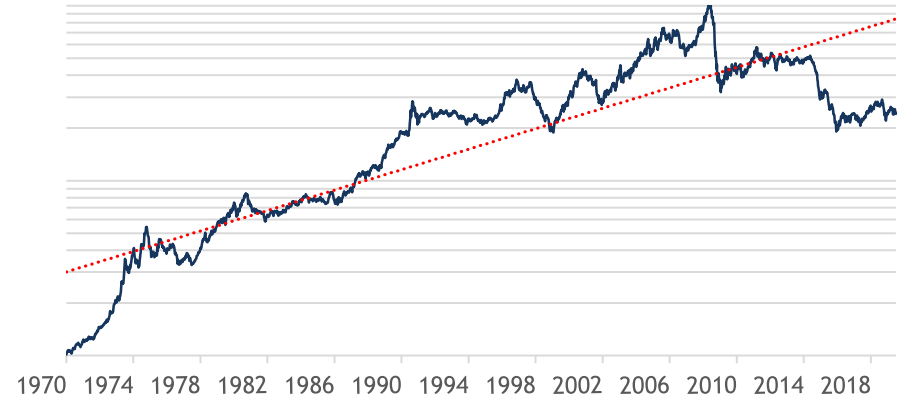
- Risk-reward dictates position sizing
- Diversify by factors
- Strategic framework drives exposure
- Evaluate liquidity at position and portfolio level

Market Opportunity

1. GSCI Commodities Index/S&P 500



2. GSCI Commodities Index Total Return



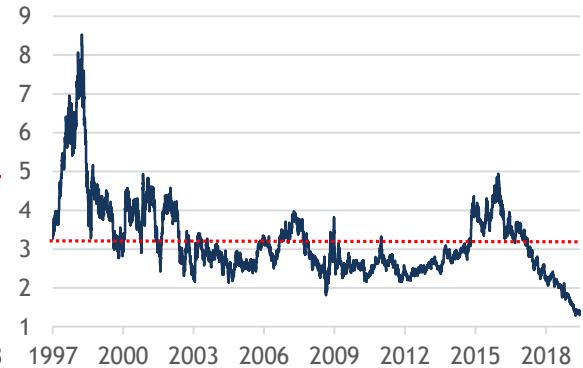
3. Ratio - Uranium Stocks / Uranium



Ratio - Gold Stocks / Gold



Ratio - Oil Service Stocks / Oil



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.

*Source: Bloomberg; data through 31 July 2019

Case Study: Sandstorm Gold

- **Company:** \$1.2bn market cap gold & silver royalty/streaming company with 187 royalties, 68,000 oz of attributable production and \$60m of after-tax cash flow ('19).
- **Investment Case:** 1) Production to double over five years from internal means with little capital required; 2) valuation discount to peers set to narrow as portfolio matures and percentage of royalties in production doubles from 40% to 80%; 3) Improved capital allocation prioritizing 10% share buyback plus strong balance to pursue transformative M&A.
- **Valuation:** Similar near-term valuation to peers but much faster growth in coming years. Combination of NAV growth and price/NAV reversion to peers implies 20%+ compounded growth over 3-5 years.
- **Risk:** Delays or higher than expected capex at Hod Maden in Turkey; gold price.

Investment:

Purchased 5% holding in May 2018 at 4.81, increased to 8% in August 2018 at 3.60, then reduced it to a 5% holding in March and May 2019. Current share price of 6.67 is up over 50% on average cost.



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	Americas (~2/3), ROW (~1/3)	Americas net 64%, EMEA net 17%
Long Positions	0 - 20% (at market)	
Short Positions	0 - 5% (at market)	

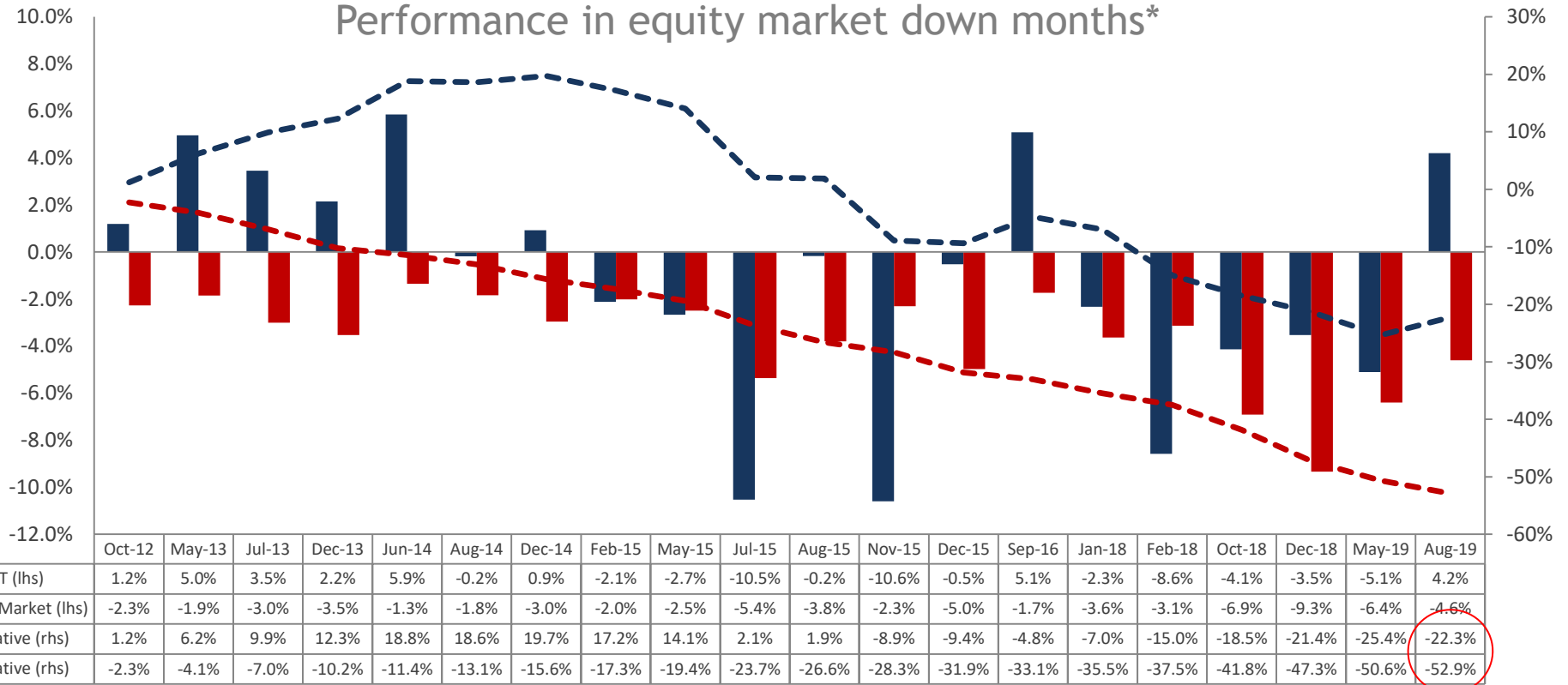
*One long position may be comprised of multiple individual securities

Risk Management

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

Low Correlation

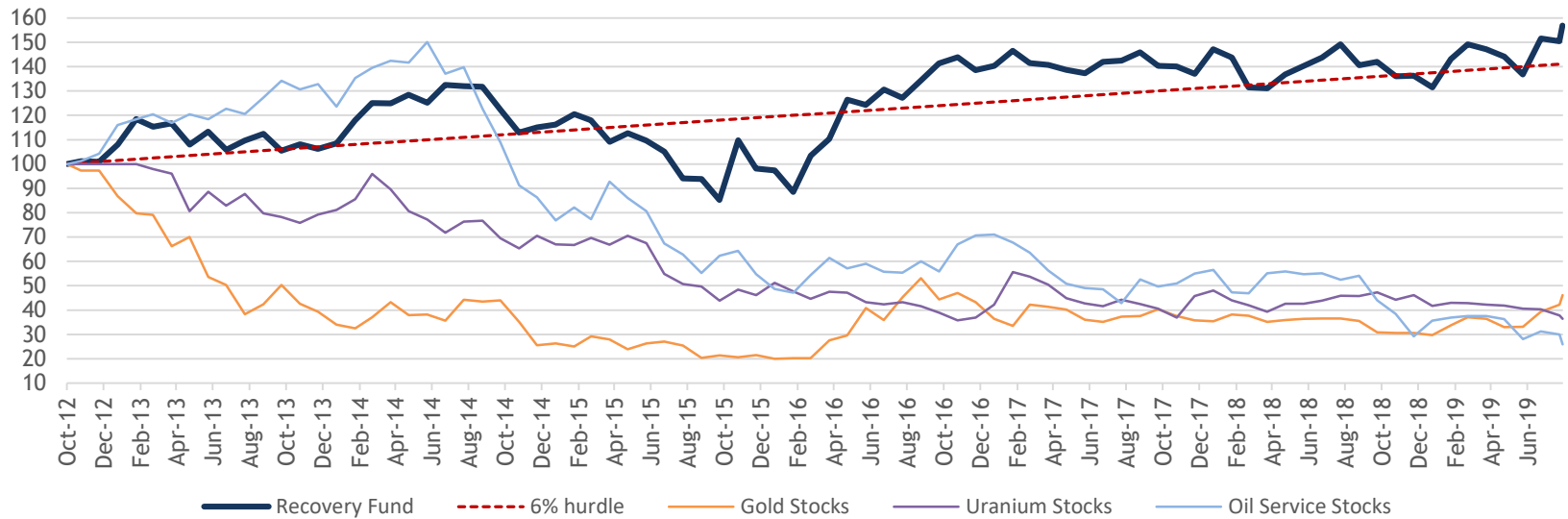
Performance in equity market down months*



- Cumulative 22% loss during equity market down months vs >53% loss for equity market.
- Overall 22.9% average monthly correlation with equity market since inception.
- Diversifying equity strategy compared to mainstream equity indices.

*Source: Mainstream (Cayman) Eschler net audited returns through 2018; 2019 returns not audited; Bloomberg; S&P 500 used as proxy for equity market; Aug-19 as of 5 August

Performance (net)



Source: Eschler audited net returns from Mainstream (Cayman) through 2018; 2019 returns not audited; Data through 5 August 19

	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2012	-	-	-	-	-	-	-	-	-	1.2%	-0.2%	7.0%	8.1%
2013	9.7%	-2.7%	1.2%	-7.5%	5.0%	-6.6%	3.5%	2.6%	-6.2%	2.5%	-1.7%	2.2%	0.4%
2014	8.7%	5.9%	-0.1%	2.9%	-2.6%	5.9%	-0.4%	-0.2%	-7.2%	-7.6%	1.9%	0.9%	7.0%
2015	3.8%	-2.1%	-7.5%	3.2%	-2.7%	-4.1%	-10.5%	-0.2%	-9.3%	28.8%	-10.6%	-0.8%	-16.2%
2016	-9.3%	16.9%	6.6%	14.6%	-1.7%	5.0%	-2.6%	5.7%	5.1%	1.8%	-3.6%	1.5%	44.2%
2017	4.4%	-3.5%	-0.5%	-1.4%	-1.0%	3.4%	0.3%	2.4%	-3.7%	-0.2%	-2.2%	7.4%	4.9%
2018	-2.3%	-8.6%	-0.3%	4.4%	2.6%	2.4%	3.8%	-5.7%	1.0%	-4.1%	0.1%	-3.5%	-10.7%
2019	8.9%	4.2%	-1.3%	-2.1%	-5.1%	10.8%	-	-	-	-	-	-	15.3%

Source: Eschler audited net annual returns from Mainstream (Cayman) through 2018; 2019 returns not audited.

Peer Comparison

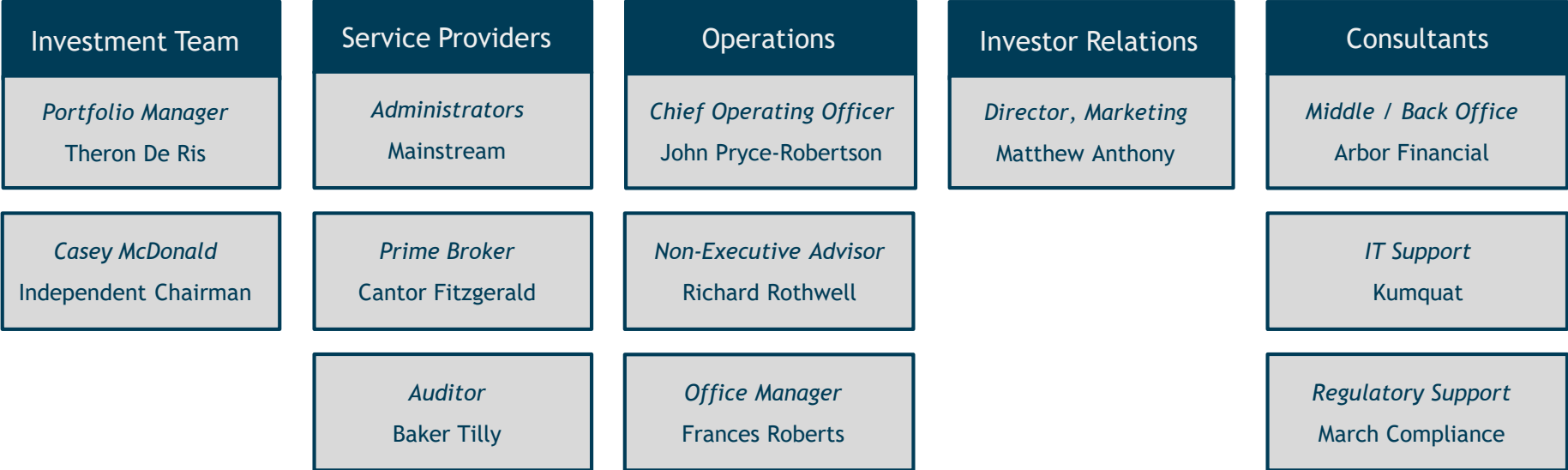
INCEPTION TO DATE (Cumulative 10/8/12 - 8/5/12)		5YR (Cumulative 8/1/14 - 8/5/12)		3YR (Cumulative 8/1/16 - 8/5/19)		1YR (8/1/18 - 8/5/19)	
Eschler (Net)	56%	Eschler (Net)	19%	Eschler (Net)	24%	Blackrock Gold & General	26%
Aegis Value	46%	Permanent Portfolio	12%	Aegis Value	16%	Eschler (Net)	5%
Fairholme	31%	Aegis Value	6%	Permanent Portfolio	10%	Fairholme	5%
Third Avenue Value	21%	Blackrock Gold & Genera	3%	Fairholme	7%	Permanent Portfolio	4%
Permanent Portfolio	14%	Fairholme	-8%	Goodhaven	3%	Goodhaven	-7%
FPA Capital	11%	Third Avenue Value	-9%	FPA Capital	2%	FPA Capital	-9%
Goodhaven	7%	Goodhaven	-13%	CM Advisors Small Cap	-1%	Aegis Value	-12%
CM Advisors Small Cap	7%	FPA Capital	-18%	Third Avenue Value	-4%	Third Avenue Value	-22%
Blackrock Gold & Genera	-40%	CM Advisors Small Cap	-21%	Blackrock Gold & Genera	-16%	CM Advisors Small Cap	-28%
Greenlight Re	-68%	Greenlight Re	-75%	Greenlight Re	-62%	Greenlight Re	-47%
Peer Average	3%	Average	-14%	Average	-2%	Average	-10%
Percentile	100	Percentile	100	Percentile	100	Percentile	90
Excess Return	53%	Excess Return	33%	Excess Return	26%	Excess Return	15%

*Source: Bloomberg and Eschler Asset Management LLP; as of 5 August 2019
 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.

Organization

Eschler Asset Management LLP

Theron De Ris (*Founding Partner*)



Team



Theron De Ris

Portfolio Manager - CEO (theron@eschlerasset.com)

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@eschlerasset.com)

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.

Team



Matthew Anthony (matthew@eschlerasset.com)

Investor Relations

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.

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

	A Share Class	B Share Class
Fee	1% Management 15% Incentive	0% Management 25% Incentive
Liquidity	Quarterly + 65 days' notice	Quarterly + 65 days' notice
Hurdle	3% compounding	6% compounding
High Water Mark	Perpetual	Perpetual
Investment Horizon	Medium / Long Term	Medium / Long Term

Key Takeaways

- Strong multi-year track record
- Strategy with high return potential
- Low correlation vs equity market
- Aligned fee structure

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