Dear Partners,

Thanks to a strong Q3 2020 return of 12.2% (B USD share class), net assets per share have appreciated by 92% since inception eight years ago. The Fund's result suggests that a hedged value approach applied to smaller companies can still deliver in spite of recent headwinds for the category, if applied with creativity, conviction and the valuable support of patient capital.

			Annualised Net Return		
	YTD (Sept 30)	1-Year	3-Year	5-Year	Inception (Oct 2012)
Eschler Recovery Fund - USD B [1]	**22.5%**	**30.7%**	**11.1%**	**17.7%**	**8.5%**
Credit Suisse Long/Short Equity TR USD [2]	1.7%	6.7%	4.1%	3.7%	5.8%
US Small Cap Value (Active) [3]	-18.4%	-11.6%	-4.5%	2.9%	5.1%
US Small Cap Value (Passive) [3]	-22.3%	-15.9%	-5.7%	2.9%	5.6%

Above I have compared the Fund's net total returns with those of the Credit Suisse Long/Short Equity TR USD index, Morningstar's U.S. small cap value universe of 33 actively managed funds as well as passive alternatives for the category. Eschler's annualised inception-to-date return exceeds absolute return and long only peers by circa 3% per annum. The track record also shows double-digit annualised returns over the past one-, three- and five-year periods.

To be clear, the Fund's strategy has a broader, unconstrained remit as compared to the small-cap value segment. The mandate is absolute return and I make no claim to adhere to any particular long only value benchmark. However, small cap value is my philosophical home. It best represents the Fund's holdings over time and thus offers a useful hurdle against which to judge results over the long-term.

Notably, Eschler's track record has improved recently whereas that of the peer group has deteriorated. This can be traced not only to stock picking paying off, but also improved risk management and fewer distractions in recent years.

Q3 2020 Exposure and attribution

	Exposure % of NAV (Sept 30th 2020)			P&L (bp of NAV)
Industry	Long	Short	Net	Q3 2020
Gold - Producer/Developer	21%	0%	21%	300
Resources - Royalties	19%	0%	19%	287
Financial	18%	0%	18%	-136
Silver	8%	0%	8%	548
Uranium	8%	0%	8%	166
Energy	8%	0%	8%	38
Other	6%	0%	6%	50
TMT	0%	0%	0%	353
Consumer Discretionary	0%	0%	0%	-49
Macro Hedge	0%	-1%	-1%	-172
Total	87%	-1%	86%	

The Q3 2020 result benefited primarily from asset allocation and risk management, though the macro hedge detracted. The decision to re-underwrite the Fund's long-held exposure to gold and silver equities paid dividends. In particular, results were boosted by staying the course with the Fund's silver holdings until temporarily exiting at the beginning of September. In the very short-term, my concern is

[1] B USD Share class Lead Series. Source: Mainstream.
[2] Credit Suisse Long/Short Equity TR USD returns through 31 August 2020. Source: Edgefolio.
[3] Average of annualised total returns for each period for 33 funds in Morningstar's U.S. Small Cap Value category. Source: Morningstar.com. For U.S. Small Cap Value (passive), average of annualised total return for each period of three small cap value ETFs – Vanguard Small-Cap Value ETF (VBR), iShares Russell 2000 Value ETF (IWN) and Invesco S&P SmallCap 600 Pure Value ETF (RZV). Source: Yahoo Finance.

that several billion dollars worth of share lockups in the gold and silver industry expire in coming months. Will there be enough demand to soak up these shares? Against the backdrop of sparkling Q3 results for industry producers, and as long as gold and silver prices are stable, I suspect the answer is yes.

The macro hedge, currently comprised of net long positions in index puts, made money during Q1 but has detracted significantly year-to-date as implied volatility fell and the market rose, on balance, since late March. I still believe a tactical application of such tail hedges can serve a useful role in the portfolio. Single stock shorts also remain part of the hedging toolkit but I feel no urgency to expend excessive time and energy on a pursuit that, over many years, has merely broken even. Were monetary policy to shift toward a tighter stance I might be persuaded to build up the single stock short book again. For now, holding more cash may be the best option.

Q3 2020 Top Contributors, detractors and activity

Top 5 Contributors (bp)		Bottom 5		New Holdings	Exits
Maxar Technologies	+353	Fairfax Financial	-96	Fairfax Financial	Maxar Technologies
Fortuna Silver Mines	+283	Pason Systems	-76	Pulse Seismic	UR-Energy
EMX Royalties	+153	Auto company (short)	-49	SilverCrest Metals	
Argonaut Gold	+141	Affiliated Managers	-48	Anglo-Pacific Group	
Galane Gold	+132	Pulse Seismic	-24		

At the single stock level, a notable performer during Q3 2020 was Maxar Technologies, whose price doubled in six months from the Fund's initial purchase on the back of improved orders in the satellite manufacturing segment and stable cash flow in the earth intelligence (satellite imagery) segment. The story is improving but I felt the shares had run up too fast (and become too large a holding) and decided to exit. On the negative side, a maiden position in insurer Fairfax Financial detracted nearly 1% as the financial sector continued to underperform. I include Fairfax in the Fund's "value-rotation" exposure along with Affiliated Managers, Pzena and several oil & gas holdings. The likelihood of an extremely violent rotation from growth to value has risen in my view. Historically cheap financials and oil & gas shares would benefit disproportionately.

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To me, the outlook for smaller cap value investing looks bright because prices across the segment are relatively low. Investors in the Fund should thus expect future profits to be sourced from a more diversified range of industries across the value spectrum than has been the case in the past. However, while the weight of precious metals in the Fund may moderate, natural resources broadly defined will continue to feature prominently.

I am also optimistic about your investment and Eschler's future. Because of our original fee structure combining zero management fee and a 6% compounding hurdle, investors in that share class are likely to experience better results over time than many alternatives. And the share class design ensures we are only compensated for superior results. The Cayman domicile of the Fund is also an advantage compared to onshore EU-compliant vehicles that sport excessive expenses. Fund expenses matter, not least for your portfolio manager, whose life savings is invested in the Fund.

Eschler deliberately has an investment team of one. However, I am supported by a full-time in-house team covering operations and business development. We are also building infrastructure that generates cash flow unrelated to the Fund to cover our overheads. To that end we are upgrading our AIFM license to full-scope and plan to host nearly five hundred million dollars of assets under our regulatory supervision starting in 2021. We intend to build a world-class equity investing boutique constructed upon strong returns from a capacity-constrained strategy and first-class client service.

We remain at your disposal for any and all enquiries. Thank you as always for your trust.

Theron de Ris
5 October 2020

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