Factorial Partners Fund L.P.
(A Delaware Limited Partnership)

Financial Report
December 31, 2018

Contents

RSM US LLP

Independent Auditor's Report

General Partner
Factorial Partners Fund L.P.
(A Delaware Limited Partnership)

Report on the Financial Statements
We have audited the accompanying financial statements of Factorial Partners Fund L.P. (the Partnership), which comprise the statement of assets, liabilities and partners' capital, including the condensed schedule of investments, as of December 31, 2018, and the related statements of operations, changes in partners' capital and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Factorial Partners Fund L.P. as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

New York, New York
March 20, 2019

Factorial Partners Fund L.P.
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Statement of Assets, Liabilities and Partners' Capital
December 31, 2018

Assets		
Investments in securities, at fair value (cost $ 108,896,218)	$	95,399,555
Cash		181,287
Dividends receivable		106,648
Total assets	$	95,687,490
Liabilities and Partners' Capital		
Due to broker	$	235,128
Due to affiliates		57,552
Contribution received in advance		156,640
Accrued expenses and other liabilities		33,907
Total liabilities		483,227
Partners' capital		95,204,263
Total liabilities and partners' capital	$	95,687,490

See notes to financial statements.

Factorial Partners Fund L.P.
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Condensed Schedule of Investments
December 31, 2018

	Fair Value % of Partners' Capital			Fair Value
Investments in Securities				
American Depositary Receipts				
Israel				
Pharmaceuticals				
Total American Depositary Receipts (cost $ 3,771,488)	2.41	%	$	2,297,580
Common Stock				
Bermuda				
Insurance				
Total common stock – Bermuda (cost $ 2,402,784)	2.16	%		2,057,991
Brazil				
Metals and Mining	1.66	%		1,576,205
Oil, Gas and Consumable Fuels	0.12			114,400
Total common stock – Brazil (cost $ 1,444,268)	1.78	%		1,690,605
Canada				
Pharmaceuticals				
Total common stock – Canada (cost $ 1,369,887)	1.81	%		1,721,404
Cayman Islands				
Insurance				
Total common stock – Cayman Islands (cost $ 1,000,444)	0.47	%		447,378
Ireland				
Auto Components	0.31	%		301,200
Pharmaceuticals	1.11			1,054,000
Total common stock – Ireland (cost $ 2,046,876)	1.42	%		1,355,200

See notes to financial statements.

(Continued)

Factorial Partners Fund L.P.
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Condensed Schedule of Investments (Continued)
December 31, 2018

	Fair Value % of Partners' Capital			Fair Value
Common Stock - United Kingdom				
Asset Management	0.83	%	$	790,320
Electrical Equipment	0.99			943,320
Energy Equipment and Services	0.36			342,650
Pharmaceuticals	0.37			349,180
Total common stock – United Kingdom (cost $ 2,860,817)	2.55	%		2,425,470
Common Stock - United States				
Aerospace and Defense	2.52	%		2,396,941
Airlines	0.33			316,920
Asset Management*	6.08			5,791,208
Auto Components	0.35			333,000
Automobiles	0.83			791,625
Banks*	9.24			8,800,166
Biotechnology	1.33			1,269,765
Building Products	0.34			320,876
Capital Markets	2.97			2,830,012
Chemicals	2.45			2,335,051
Commercial Services and Supplies	0.35			331,600
Consumer Finance	4.62			4,390,184
Diversified Telecommunication Services	1.33			1,270,572
Energy Equipment and Services	2.37			2,259,584
Entertainment	1.32			1,259,300
Food and Staples Retailing	0.23			222,390
Food Products	3.32			3,163,327
Health Care Equipment and Supplies	3.35			3,190,379
Health Care Providers and Services	1.44			1,371,166
Hotels, Restaurants and Leisure*	5.23			4,967,465
Household Durables	4.71			4,488,871
Machinery	0.45			422,750
Media	2.03			1,936,295
Metals and Mining	1.22			1,161,190
Multiline Retail	0.53			506,260
Oil, Gas and Consumable Fuels	1.90			1,806,627
Pharmaceuticals*	6.33			6,027,065
Real Estate Management and Development	1.47			1,394,600
Road and Rail*	7.35			6,986,879
Semiconductors and Semiconductor Equipment	3.69			3,513,512
Software	3.19			3,040,361

* No individual investment is greater than 5% of partners' capital.

See notes to financial statements.

(Continued)

Factorial Partners Fund L.P.
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Condensed Schedule of Investments (Continued)
December 31, 2018

	Fair Value % of Partners' Capital			Fair Value
Common Stock - United States (Continued)				
Specialty Retail	1.11	%	$	1,054,508
Technology Hardware, Storage and Peripherals	2.06			1,957,698
Thrifts and Mortgage Finance	1.57			1,495,780
Total common stock – United States (cost $ 93,999,654)	87.61	%		83,403,927
Total common stock (cost $ 105,124,730)	97.80	%		93,101,975
Total investments in securities (cost $ 108,896,218)	100.21	%	$	95,399,555

See Notes to Financial Statements.

Factorial Partners Fund L.P.
(A Delaware Limited Partnership)

Statement of Operations
Year Ended December 31, 2018

Investment income:	
Dividends (net of foreign tax withholdings of $ 208,920)	$ 2,623,656
Interest	1,517
Total income	2,625,173
Expenses:	
Management fees	215,542
Margin interest	9,386
Professional fees and other	188,939
Total expenses	413,867
Net investment income	2,211,306
Realized and unrealized gain (loss) on investments:	
Net realized gain on sales of investments	10,213,525
Net change in unrealized appreciation (depreciation) of investments for the year	(24,332,422)
Net realized and unrealized loss on investments	(14,118,897)
Net decrease in partners' capital resulting from operations	$ (11,907,591)

See notes to financial statements.

Factorial Partners Fund L.P.
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Statement of Changes in Partners' Capital
Year Ended December 31, 2018

	General Partner	Special Limited Partners	Limited Partners	Total
Partners' capital, December 31, 2017	$ 2,156,739	$ 86,966,259	$ 20,679,522	$ 109,802,520
Contributions by partners	721,834	-	462,500	1,184,334
Redemptions to partners	(375,000)	(3,500,000)	-	(3,875,000)
Net decrease in partners' capital resulting from operations	(275,657)	(9,103,131)	(2,528,803)	(11,907,591)
Partners' capital, December 31, 2018	$ 2,227,916	$ 74,363,128	$ 18,613,219	$ 95,204,263

See notes to financial statements.

Factorial Partners Fund L.P.
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Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities:		
Net decrease in partners' capital resulting from operations	$	(11,907,591)
Adjustments to reconcile net decrease in partners' capital resulting from operations to net cash provided by operating activities:		
Net realized gain on sales of investments		(10,213,525)
Net change in unrealized appreciation / (depreciation) of investments for the year		24,332,422
Cost of investment securities purchased		(132,467,912)
Proceeds from sales of investments in securities		131,057,360
Net changes in operating assets and liabilities:		
Increase in dividends receivable		(20,270)
Increase in due from/to broker		2,581,762
Decrease in due to affiliate		(128,460)
Decrease in accrued expenses and other liabilities		(195,027)
Net cash provided by operating activities		3,038,759
Cash flows from financing activities:		
Contributions by partners		1,340,974
Redemptions to partners		(4,207,728)
Net cash used in financing activities		(2,866,754)
Net change in cash		172,005
Cash:		
Beginning		9,282
Ending	$	181,287
Supplemental disclosure of cash flow information:		
Cash paid during the year for Interest	$	9,386

See notes to financial statements.

Note 1. Nature of Business and Significant Accounting Policies

Factorial Partners Fund L.P. (the Partnership) is a Delaware limited partnership organized in July 2005 to operate as an investment partnership. Commencement of operations was on August 1, 2005. The Partnership's investment objective is to achieve superior long-term returns relative to the performance of the overall U.S. equity market.

The general partner of the Partnership is Factorial Partners LLC, a Delaware limited liability company (the General Partner). The General Partner will provide administrative and managerial services to the Partnership. Mark P. Kleiman is the sole managing member of the General Partner.

The Partnership qualifies as an investment company, as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 946, *Financial Services – Investment Companies* and, therefore, is applying the specialized accounting and reporting guidance in ASC Topic 946.

A summary of the Partnership's significant accounting policies follows:

Basis of accounting: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of estimates: The preparation of financial statements in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in partners' capital during the reporting period. Actual results could differ from those estimates.

Cash: The Partnership maintains its cash balances in financial institutions located in the United States that, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and does not believe they are exposed to any significant credit risk on such bank deposits.

Valuation of investments: All investments are recorded at their fair value, as described in Note 2.

Investment transactions, interest, and dividends: Investment transactions are recorded on the trade date. Realized gains and losses on investment transactions are determined on a specific-identification basis and are included as net realized gain on sale of investments in the accompanying statement of operations. The difference between the cost and the fair value of open investments is reflected as unrealized appreciation (depreciation) of investments, and any change in that amount is reflected in the accompanying statement of operations. Interest income and expense are recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

Brokerage commissions: Brokerage commissions and other trading fees are reflected as an adjustment to cost or proceeds at the time of the transaction.

Income taxes: The Partnership is not subject to federal income tax, but may be subject to certain state taxes. Each partner is individually liable for taxes on its share of the Partnership's income or loss. The Partnership files U.S. federal and various state income tax returns. In the course of preparing the Partnership's tax returns, the General Partner has reviewed the Partnership's tax positions for the open tax years (current and prior three tax years) to determine if additional taxes would be due if such positions were examined, and has concluded that there are no material uncertain income tax positions for which an expense and liability should be recorded.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Condensed schedule of investments: The industry classifications and geographic locations included in the condensed schedule of investments represent the General Partner's belief as to the most meaningful presentation of the classification of the Partnership's investments.

Note 2. Fair Value of Financial Instruments

As described in Note 1, the Partnership records its investments at fair value. Fair value 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 Partnership utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Partnership has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Partnership’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.

All financial instruments listed in the condensed schedule of investments are considered Level 1, measured at fair value on a recurring basis based on quoted prices for identical assets in active markets.

The Partnership assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Partnership's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the year ended December 31, 2018, there were no transfers among levels.

Note 3. Due To / From Broker

The clearing and depository operations for the Partnership’s security transaction is provided by one broker, Charles Schwab & Co., Inc. (Schwab). At December 31, 2018, all securities owned and the amounts due to broker reflected in the statement of assets, liabilities and partners’ capital are positions with and amounts due to this broker. The securities serve as collateral for the amount due to broker. The broker’s right to sell or repledge this collateral is limited to 140% of the amount due to the broker after adjusting for securities sold short and other items.

Note 4. Securities Purchased on Margin

In order to purchase investments on margin, the Partnership is required to meet a margin maintenance requirement set by Schwab. The margin rate payable by the Partnership is up to 150 basis points over the broker call rate. In the event that the investments in the Partnership's account do not adequately collateralize the investments purchased on margin, the Partnership may be required to make additional deposits along with any unpaid accrued interest.

Additionally, the Partnership's investments may be sold without the consent of the Partnership in order to cover the margin deficiency. At December 31, 2018, the Partnership did not have investments purchased on margin.

Note 5. Incentive Allocation

Pursuant to the Amended Limited Partnership agreement effective August 1, 2015, each Limited Partner, other than Limited Partners affiliated with the General Partner (the Special Limited Partners), will be assessed an incentive allocation as follows: if at the end of any fiscal year, the capital account of a Limited Partner has increased or appreciated (since the beginning of such fiscal year) or, with respect to a newly admitted Limited Partner, since the date of admission to the Partnership in an amount that exceeds 10% of the amount of the Limited Partner's capital account as of the beginning of such fiscal year or, with respect to a newly admitted Limited Partner, since the date of admission to the Partnership (measured by excluding additional Capital Contributions and measured as if no withdrawals had been made for such fiscal year (the Hurdle), the General Partner at the end of such fiscal year will be allocated an amount equal to 15% of the excess over the Hurdle (the Incentive Allocation). If an Incentive Allocation has previously been made during the fiscal year, any subsequent Incentive Allocation during the same fiscal year shall be adjusted to take into account the prior Incentive Allocation. The General Partner, at its sole discretion, may waive or reduce the Incentive Allocation with respect to any Limited Partner. The Incentive Allocation for additional capital contributions during the fiscal year shall be determined by creating a notional subaccount for each capital contribution during the fiscal year and measuring the increase in the amount of such notional subaccount from the day that the additional capital contribution was made.

During the year ended December 31, 2018 there was no allocation to the General Partners as an Incentive Allocation.

Note 6. Related Party Transactions and Management Fees

Pursuant to the Amended Limited Partnership agreement effective August 1, 2015, the Partnership pays a management fee to the General Partner quarterly in advance equal to 0.25% (1.0% on an annual basis) of the sum of (a) the balance in the Capital Account of each Limited Partner, excluding the Special Limited Partners, as of the last business day of the previous calendar quarter and (b) the Capital Contribution with respect to any additional Limited Partner Interest, excluding the Special Limited Partners, subscribed for as of the first business day of such calendar quarter. For the year ended December 31, 2018, management fees expense totaled $ 215,542, of which $ 57,052 remained unpaid as of year end. The management fees payable is included in due to affiliate on the statement of assets, liabilities and partners' capital.

Due to affiliate also includes certain expenses paid by the General Partner on behalf of the Partnership amounting to $ 500.

Note 7. Allocation of Gains and Losses

On December 31 of each year and upon a partner admission, withdrawal, or additional capital contribution (collectively, the end of a fiscal period), the Partnership measures the realized and unrealized gains and losses of securities held by the Partnership. Subject to Incentive Allocations, at the end of each fiscal period, any net profits or net losses are allocated to all of the partners (including the General Partner) in proportion to each partner's opening capital account balance for such fiscal period.

Note 8. Partner Withdrawals and Distributions

A Limited Partner will have the right to withdraw any portion (in $ 100,000 increments) of its capital account balance or to withdraw from the Partnership, upon not less than 90 days' prior written notice, as of the last business day of any fiscal year (the Withdrawal Date). However, the General Partner may permit withdrawals at its sole discretion at any other time. In case of a partial withdrawal, no withdrawal by such limited partner may be made if thereafter such Limited Partner's capital account would be less than $ 100,000.

If a Limited Partner elects to withdraw its entire capital account, at least 95% of its estimated capital account will be paid within 30 days after the Withdrawal Date. The Partnership will pay such Limited Partner the balance of its Capital Account (subject to audit adjustments) as soon as practicable after completion of the audit of the Partnership's books for such fiscal year in which the withdrawal was made.

Note 9. Admission of Partners and Additional Capital Contributions

Partners may be admitted as of the first business day of any month with the consent of the General Partner, as well as on any other date and on such terms as determined by the General Partner.

Note 10. Financial Highlights

The following financial highlights reflect activity related to the Limited Partner class only:

	Special Limited Partners	Limited Partners
Total return before Incentive Allocation	-11.01%	-11.90%
Incentive Allocation	-	-
Total return after Incentive Allocation	-11.01%	-11.90%
Supplemental Data		
Ratios as a percentage of average net assets:		
Expenses before Incentive Allocation	0.18%	1.18%
Incentive Allocation	-	-
Expenses after Incentive Allocation	0.18%	1.18%
Net investment income	2.16%	1.18%

Total return is based on the change in value during the period for each class of Limited Partner taken as a whole, excluding the General Partner's interests for the year ended December 31, 2018. The net investment income ratio has been calculated prior to the effects of the Incentive Allocation.

Note 10. Financial Highlights (Continued)

An individual Limited Partner's return may vary from this return based on several factors, including timing of subscription and redemptions.

Expenses before Incentive Allocation includes professional fees expense ratio of 0.06% for Limited Partners and Special Limited Partners.

Note 11. Risk Factors

Credit risk: All securities transactions are cleared through and held in custody by the Partnership's prime broker, Schwab. The assets of the Partnership are segregated along with other Schwab client assets and from Schwab's own assets. The Partnership is subject to credit risk to the extent that either institution may become unable to fulfill its obligations either to return the Partnership's securities or repay the amount owed to the Partnership. The Partnership's maximum exposure to credit risk at any point in time is limited to the amounts recorded as assets on the statement of assets, liabilities and partners' capital.

Counterparty risk: The Partnership may effect transactions in "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. This exposes the Partnership to the risk that the counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Partnership to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Partnership has concentrated its transactions with a single or small group of counterparties. The Partnership is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Partnership has no internal credit function that evaluates the creditworthiness of its counterparties. The ability of the Partnership to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Partnership.

Leverage: The investment strategies utilized by the Partnership may employ leverage through borrowing or otherwise. The brokers, banks and dealers that provide financing to the Partnership may apply discretionary margin, haircut, financing and security and collateral valuation policies. The Partnership employs leverage in its investment activities through the purchase of securities on margin and through the purchase of options and futures contracts. Leverage increases the magnitude of both profits and losses.

Note 12. Indemnifications

In the normal course of business, the Partnership enters into contracts that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Partnership's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Partnership that have not yet occurred. The Partnership expects the risk of future obligation under these indemnifications to be remote.

Note 13. Subsequent Events

In preparing these financial statements, the Partnership has evaluated events and transactions for potential recognition or disclosure through March 20, 2019, the date the financial statements were available to be issued.

Subsequent to December 31, 2018 through March 20, 2019, the Partnership had redemptions of $ 1,150,000.