



October 18, 2018

Dear Rich,

Below please find Honeycomb's 3Q 2018, Year To Date, and Inception To Date Fund performance.

Performance – Gross and Net¹

	3Q 2018	Year To Date	Inception To Date (July'16-Sept'18)
Honeycomb Class A (gross)	4.4%	16.1%	52.6%
Honeycomb Class A (net)	3.6%	12.9%	41.1%
Honeycomb Class B (gross)	4.5%	16.6%	54.1%
Honeycomb Class B (net)	3.7%	13.2%	42.2%

Internal capital anchored our June 2016 soft launch which also included select friends and family capital. The Fund's June 2016 net performance was -3.4% and -3.3% for classes A and B, respectively. Past performance is not indicative or a guarantee of future results.

3Q 2018 Performance Review

July's positive contributions to performance came from both the long and short side after taking advantage of dispersion in the markets. Names across streaming music, growth internet, software and digital media led our long performance. Our shorts in secularly declining media and advertising names generated alpha while the overall short book held almost flat.

August was a positive month led by various long positions across software and US internet-related subscriber businesses. These gains were negatively impacted by long positions in online and digital gaming. Single name shorts in beer and a luxury jewelry retailer generated positive performance but were more than offset by our index hedges.

September also delivered positive returns led by absolute performance from our short book and to a lesser extent our longs. Long positions across entertainment, software, video gaming, digital media and hospitality contributed to positive performance but were negatively offset by our long exposure to US cable. Our shorts in e-signature, social media, and beer companies drove performance for the month. We took profits in these short names as our risk/reward became less favorable.

Our largest performance detractor in 3Q was our concentrated long position in The Stars Group (Ticker: "TSG"). As we wrote in our 2Q letter, Honeycomb invested in TSG based on our belief that the combination of core Stars, Sky Betting, and the Australian assets created online gaming's premier growth company. While that may still be the case, we learned in the near term that there are some challenges. We had a 10% position at the time of writing our 2Q letter which we built over several months. We exited the position quickly when our estimates were lowered due to management's commentary on the earnings call. The company reported that top line growth for Sky had decelerated to mid/high-teens in 2Q. This was well below +40% y/y growth in 2017 and our underwriting of mid-20%'s growth. TSG's stock price ended September approximately 20% below our sale price. For now, we will monitor TSG closely as our long-term thesis still seems valid, but the near term is less clear.

- **Key Process Takeaway:** To Honeycomb, discipline is more important than conviction and being tactical is an important part of our investment process. When the fundamentals of our investment thesis change we tend to cut risk quickly to reassess the new available information from the sidelines. This agnostic



approach is a repeatable and scalable hallmark of our investment style. Being wrong is part of the game but acting rather than rationalizing is core to our risk management philosophy, and we believe it is one of our competitive advantages.

Exposures for 3Q averaged approximately 172% gross and 60% net, which compares to 166% gross and 62% net averages in 2Q. We remained cautious operating at the lower end of our gross historical exposure range over the quarter. As many of our shorts worked this summer, we ended September with net exposure of 76%, which was on the higher end of our net exposure range for the quarter.

Gross Long and Short Security Selection Contribution – Q3 2018*



*The security attribution above differs from the 2018 performance table as it does not consider management fee, incentive allocation, forwards or Fund expenses. Past performance is not indicative or a guarantee of future results.

Co-Investment Update

In 3Q we closed Honeycomb Ventures IV, a single company co-investment in Tencent Music Entertainment which is expected to go public in the fourth quarter.

Business Update

We are pleased to announce that Honeycomb hired Chief Financial Officer, Ken Chan. Ken was most recently the CFO of Blockhouse Capital Management. Prior to that Ken served as the CFO of Seven Harbour Global, Controller at Owl Creek Asset Management and started his career at Pricewaterhouse Coopers. Ken joins Dana Shakked, our controller, to fill out our finance team. We said farewell to our Director of Finance Anita O'Donnell who made great contributions to Honeycomb pre-launch and during our first 2 years in business. We wish her well as she looks to spend more time with her family.

Additionally, we added Nan Li who had been a Honeycomb intern as a junior research associate focused on China. This grows our team to 11 employees. We remain committed to growing our business with the highest quality and institutional talent. Our 2019 business plan includes hiring 2-3 additional analysts. Please keep Honeycomb in mind if you know of any creative investment professionals looking for a growth opportunity at a young, creative, boutique firm.



Closing Remarks

We are in the midst of another market drawdown and so we dusted off the February playbook by initially reducing gross and net exposure. We believe we have an opportunity to upgrade the portfolio with high quality companies at attractive entry points and even some mid cap names that were unattractive to us at prior valuations. We believe that being flexible and disciplined to our internal price targets has allowed us to re-establish some previous positions at a better risk/reward. We are sticking by our investment philosophy to 'Invest in the Future and Short the Past', our motto that we are in the process of trademarking.

While Honeycomb is a new firm, we feel fortunate to bring over 20 years of investing and risk management experience to our partnership having successfully navigated various market cycles. We wish you a strong close to the year in all your investing activities and thank you for choosing to partner with us.

Best Regards,

A handwritten signature in cursive script that reads "David".

PARTNERSHIP CONTACT INFORMATION:

Dominique Ahumada
Head of Capital Partnerships & Talent
(646) 883-1128
[REDACTED]

Richard Kahn



Endnotes & Important Legal Disclosure

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Past performance is not indicative nor a guarantee of future returns. Each issuer discussed as a long/short contributor or detractor from performance was one of the top 10 long/short contributors or detractors from performance for the quarter and was selected based on being a representative driver of performance for the quarter.

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