



January 15, 2019

Dear Rich,

Below please find Honeycomb's 4Q 2018, Full Year 2018, and Inception To Date Fund performance.

Performance – Gross and Net¹

	4Q 2018	Full Year 2018	Inception To Date (July'16-Dec'18)
Honeycomb Class A (gross)	-8.3%	6.5%	39.9%
Honeycomb Class A (net)	-6.8%	5.2%	31.4%
Honeycomb Class B (gross)	-8.2%	7.0%	41.5%
Honeycomb Class B (net)	-6.7%	5.6%	32.6%

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.

4Q 2018 Performance Review

Exposures for 4Q averaged approximately 144% gross and 54% net, which compares to 184% gross and 65% net for 3Q. For comparison, gross and net exposures since inception have averaged approximately 191% and 57%, respectively.

At Honeycomb, we often talk about being flexible in our mindset and open to utilizing the different playbooks accumulated over time through bull and bear markets. For example, in 2008 as the markets became more volatile, I reduced exposure to protect positive performance and manage risk. Ten years later, we took elements of that 2008 playbook and proactively reduced both gross and net exposures as the [REDACTED] 500 dropped almost 15% in 4Q.

Drawdowns will inevitably occur. We seek to mitigate their impact so our partners can benefit from compounding returns. While preservation of capital was an important objective in the fourth quarter, we remain a fundamentally-based manager always on the hunt for new investment opportunities. Our overall net long exposure did result in 4Q losses, but our risk management-based mindset preserved overall positive performance for the fund in 2018, in a year that was challenging across most asset classes.

Based on our research, we disagreed with the market seeming to price in deteriorating business conditions for many of the names in our long book. As a result, we occasionally bought market dips when risk/reward looked most beneficial to us. As expected, our short book delivered positive [REDACTED] and offset some of the losses on the long side. In addition, we benefited significantly from the hard work our analysts did in recommending new ideas in an effort to offset losses from existing names where we had negative alpha. It is velocity of idea flow that helps Honeycomb generate alpha in changing market conditions.

Honeycomb's culture of collaboration encourages us to examine our performance, make improvements as a team, and look for learning opportunities in successes and failures.

Gross Long and Short Security Selection Contribution – 4Q 2018 and Full Year 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.

For the year, we finished with roughly equal positive contributions from the long and short book. Software and large cap internet provided positive performance that was offset by steep losses in Chinese internet and technology, an idiosyncratic data privacy scandal, and social gaming. On the short side, we generated gains from our research that highlighted secular headwinds impacting beer and soda beverage companies as well as the hyper competitive food delivery business.

Investment Themes for 2019 – 5G Wireless

We believe 5G will become a “megatrend” that will create a global capex cycle independent of GDP growth. While this cycle will not be as revolutionary as the transition from analog to digital, we think the evolution to 5G will create new industries to serve consumers and businesses and create investable opportunities across industries. Over the next decade, Wi-Fi and super high-speed networks will be an increasingly important part of daily life. Consumers will have subscriptions to autonomous vehicles, drone delivery of goods, reimagined kitchen appliances and virtual reality shopping (just envision the benefits of seeing on an augmented reality headset what a sofa looks like in your home before you buy it!).

One of the more interesting implications of 5G is the software layer being added to devices sold by telecom equipment providers. This new software layer will be required to optimize the efficiency of next-gen 5G networks and the sales of such technology solutions could generate significant new revenue streams with higher margins. This will come not just from the greater incremental cost of the equipment itself, but also from software maintenance revenue that we believe will be valued at a higher multiple than traditional telecom equipment sales. The potential impact of this new business mix led us to build a new position in Nokia which will deploy increasingly more software on top of radio and optical equipment for 5G networks. Our research leads us to believe this will be a more investable area as we get closer to 2H19 but our work is being done now to prepare for it.

After years of stagnant growth, we also believe that telecoms are inexpensive on a global basis because valuations are not accurately pricing in potential new revenue streams resulting from 5G. With its super-fast connectivity, 5G will set the stage for innovation. New use cases will continue to develop in fields such as healthcare, smart vehicles, robotics, machine learning and long-haul transport. The importance of communications in our everyday lives will also be enhanced as more and more devices are connected to



the Internet and the 'Internet of Things' becomes more commonplace. The new devices, equipment and use cases that emerge will require more and more data which we believe could meaningfully and positively impact telecom companies across the globe. Telecom is an area of increased focus and a core expertise for Honeycomb, where upon gaining conviction we could deploy significant capital.

Co-Investment Update

Tencent Music Entertainment was publicly listed in December in a difficult environment. While the market conditions for Chinese companies are currently challenging, we believe TME remains a terrific long-term investment opportunity despite its current low valuation compared to our entry point. TME is the market share leader in streaming music in China, capturing the secular growth of the music market in China and benefitting from the transition to paid subscriptions. We also believe TME's ownership of the large social network platform called WeSing is underappreciated by the market and is a differentiator for the company. WeSing takes the popular past time of Karaoke from offline parlors to an online experience. We expect 2019 to be a breakout year for Tencent Music and look forward to its bright future.

Business Update

2018 was an important and successful year for growing our partnership with high quality and strategic investors, expanding the team, and launching new products. I am pleased to report we have thrived and built a strong business that isn't satisfied with its legacy track record and doesn't rest on any laurels.

Our business reputation is solid and we continue to grow. We are in a busy recruiting season and seeing some of the best talent eager for an opportunity to become part of our current team of 11 employees. Our total firm assets are over \$750M, excluding co-investment distributions of +\$90M in exits of successful private investments. We continue to be very measured in our pace of AUM growth and despite this challenging fundraising environment over the past 2.5 years for the industry, we have seen 30 consecutive months of capital inflows. We have repeatedly shared that Honeycomb intends to be a boutique firm and our team is proud that we continue to execute on this vision.

Closing Remarks

This summer will mark our 3rd anniversary. Our firm was launched during the Brexit vote and this past quarter provided the challenging environment that is helpful to reinforce our culture of taking nothing for granted. Great firms are often built during difficult times while easy times can distort luck for talent. We are grateful for the opportunity to work for you. Our scalable and repeatable process to invest in the future and short the past makes Honeycomb an exciting place to work. Thank you for your partnership and I hope you have a very happy and healthy 2019!

Best Regards,

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



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Endnotes & Important Legal Disclosure

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