



July 17, 2018

Dear Rich:

Below please find Honeycomb's Q2 2018, Year To Date, and Inception To Date Fund performance since our institutional launch.

Performance – Gross and Net¹

	Q2 2018	Year To Date	Inception To Date (July'16-Jun'18)
Honeycomb Class A (gross)	8.6%	11.3%	46.2%
Honeycomb Class A (net)	6.9%	9.0%	36.2%
Honeycomb Class B (gross)	8.7%	11.5%	47.5%
Honeycomb Class B (net)	7.0%	9.2%	37.2%

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.

Q2 2018 Performance Review

April was a strong start to the quarter. Names across the growth internet, media, and payments space drove our long performance while our shorts held predominantly flat.

May was a positive month led by various positions across Chinese and US internet-related companies as well as exposure to video gaming and software names. Single name shorts used as hedges against our growth exposure detracted from performance.

June was also a month where we delivered positive returns to our partners. We began to take profits in names where our risk/reward became less favorable and we reduced exposure to the information technology sector as our price targets were achieved. However, some of our structural shorts such as positions in advertising agencies were performance detractors.

Our largest position and biggest performance contributor in Q2 was our Spotify long, which represents a more than year-long effort in developing exposure to the streaming music space. Honeycomb invested in Spotify as a private company (with our initial investment in July of 2017 via the side pocket and Honeycomb Ventures I) and has been tracking its progress since before that time. Our high conviction in the secular growth of streaming music, and in Spotify's position as the category leader, led us to make it our largest investment for Q2 as the company came public via a non-traditional direct listing. We were able to benefit from early investors seeking immediate liquidity in the public market and some market skepticism around the business model. It has done well since it went public in April but it's early and we believe it will continue to deliver strong performance by growing its subscriber base and improving its profitability as the business gains even greater scale.

Exposures for Q2 averaged approximately 166% gross and 62% net, which compares to 170% gross and 62% net averages in Q1. We have taken a more conservative approach thus far in 2018, operating at the lower end of our gross historical exposure range but are still on track to deliver our targeted returns.



Gross Long and Short Security Selection Contribution – Q2 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.

New Investment Idea – The Stars Group (Ticker: “TSG”, \$37)

As a firm, our investment style is to find growth at a reasonable price. Sometimes this leads us to technology ideas and other times it leads us to broader investment opportunities. Honeycomb is focused on investing in the future and shorting the past, so we spend a great deal of time researching secular trends. One irreversible trend taking shape is the change in social behaviors as we transform from an offline to digital world. Last summer, we noticed this trend being expressed through impressive growth in streaming music, which led to our successful investment in Spotify. This summer we see online gaming as another market rapidly gaining acceptance. More and more, consumers are turning to their computers and mobile devices when they want to play poker or bet on sporting events. With the backdrop of “gamification” in customized betting, plus a secular shift to mobile, we believe that online gaming is poised to accelerate meaningfully.

At Honeycomb, we believe in the power of leading online platforms, and we believe regulatory change can unlock market opportunities. Under this framework, we acquired a meaningful position in The Stars Group (“TSG” or “Stars”) during the second quarter. It is a \$9B market cap company with limited research coverage, which we believe is helping create this great investment opportunity.

Stars is a fast growing online gaming company best known for operating Pokerstars, the leading online poker platform with over 8x the poker revenue of the next largest competitor. We think the network effects generated from the scale of TSG’s business, coupled with a leading gaming technology platform, have created a sustainable competitive moat around the core Pokerstars asset, building a strong foundation for the overall TSG business.

In our view, one sign of a great company is the ability to leverage an existing competitive moat into new areas. Stars has done just that building upon its Poker base, launching an online casino in 2014 and an online sports betting product in 2015. By 2017, casino and sports gaming combined for ~30% of TSG revenue, with +46% 2017 revenue growth versus +4% in poker.



TSG's Pokerstars has over 8x the poker revenue of the next largest competitor.



Source: Company filings
partypoker reflects Honeycomb estimates based on GVC disclosures.

TSG today reflects a marked transformation from Stars' history as the B2B gaming supply company Amaya, which acquired Pokerstars in 2014. TSG was renamed The Stars Group (from Amaya) in August 2017, with a new management team in place and a focus on pushing beyond poker and into new markets. In today's Stars Group, we see a powerful flywheel where TSG can acquire customers in a low-cost manner through poker, cross-sell into sports and casino gaming, and feed the top of the funnel through free-to-play offerings (as illustrated below).

Revenue Drivers

1. Poker growth at a +LSD rate
2. Casino step-up from M&A in 2018/2019, with low-teens growth thereafter
3. Sportsbook step-up from M&A in 2018/2019, with approximately +20% growth thereafter



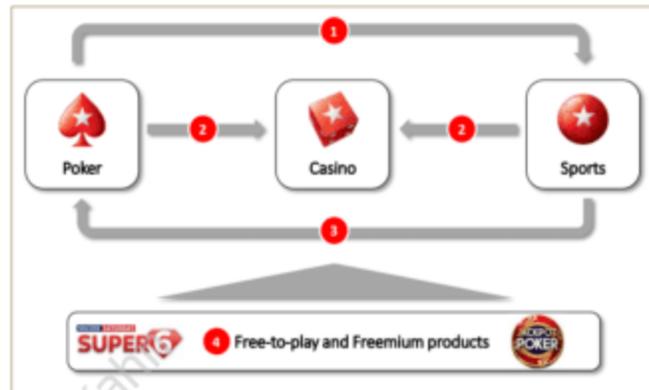
Source: Company filings, Honeycomb estimates

TSG becomes even more compelling in our view as we add in the next spoke of the flywheel: Sky Betting. TSG just closed its \$4.7bn acquisition of Sky Betting ("Sky"), a leading sports betting operator in the UK. Sky grew 2014-2017 revenue at a +50% CAGR, doubling market share from 6% to 12% while the overall UK Online Gaming market grew at a +19% CAGR. Sky Betting benefits from its general affiliation with Sky Plc, the 6th most valuable brand across the UK (per WPP research). Additionally, Sky Betting has direct tie-ins with the Sky Sports network, including in-game advertisements; we think this partnership is a unique

competitive advantage. We are positive on the Sky Betting asset because of its mobile-first strategy, best in class technology investments, and culture of innovation. As an example of their in-game innovation, Sky pioneered the 'RequestABet' product, where customers can make up their own custom bets and Sky will provide odds. We believe continued software product innovation is a great way to keep customers engaged with Sky Betting. An epitome of an offline traditional business benefiting from technology and expanding the total addressable market.

The TSG Flywheel

1. Cross-sell Poker customers into Sports Betting
2. Up-sell Poker and Sports customers into the higher-margin Casino business
3. Leverage the growing Sports business to drive more Poker customers
4. Feed the top of the funnel with free-to-play offerings



Source: Company filings

Both Stars and Sky have track records of building leading platforms, and we believe TSG can leverage Sky's technology software for expanding its sports betting offering in new markets. In addition to Sky, TSG recently completed two acquisitions in Australia (CrownBet and William Hill Australia), providing a top 3 sportsbook in one of the largest regulated online gaming markets. In our view, the combination of core Stars, Sky Betting, and the Australian assets creates online gaming's premier growth company.

We now have an online gaming powerhouse with poker, casino, and sports betting; a missing piece is the ability to operate across the United States, potentially the world's largest online gaming market. Which brings us back to the theme of regulatory change. On May 14th, the US Supreme Court declared the Professional and Amateur Sports Protection Act ("PASPA") unconstitutional, overturning a regulation which prevented states from legalizing sports betting. We have been tracking this case since earlier in the year, and in Honeycomb fashion, we had our analysis honed and our buy program ready to activate.

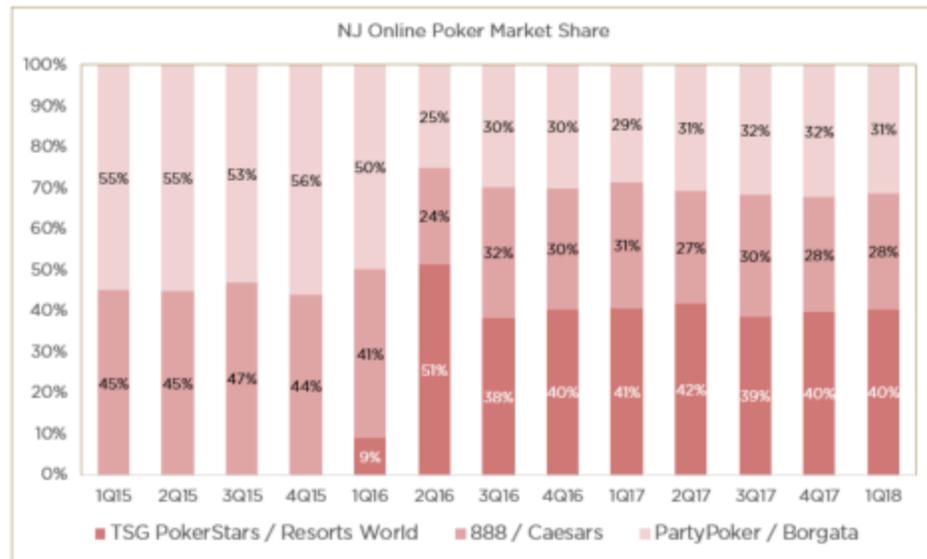
The consensus view on PASPA beneficiaries has centered around regional casinos and gaming suppliers. We take a differentiated view and believe the best way to play this theme is through TSG. We see the future of sports betting as people placing bets on mobile phones while socially watching games, not while sitting in physical sportsbook bars in states outside of Nevada. Global online gaming is a \$40bn market, growing at a +8% CAGR, benefitting from a secular shift to digital and mobile consumption. Sports betting represents over 50% of the online gaming market. We believe the online sports betting segment is well-positioned for the continued shift from offline to online gaming.



Source: Company Filings, H2 Gambling Capital

As a pure-play online operator, TSG is well-suited for this vision of the future. TSG has brand recognition with Pokerstars and has a toehold in the US, already operating in the regulated online poker gaming market in New Jersey. When PokerStars entered the NJ market in 1Q16 in partnership with Resorts Casino, they quickly ramped from 0% to a consistent 40% market share, displacing incumbents including Caesars and Borgata. PokerStars is well-known in the US, as customers played on the platform until Pokerstars exited the US market in 2011 (for regulatory reasons). The very rapid ramp up in market share shows that consumers who used PokerStars in the US pre-2011 had a desire to return to the platform. The NJ case study increases our confidence in TSG's ability to capitalize on the emerging US opportunity. If states legalize additional forms of online gaming along with sports betting, this would create even greater upside potential for TSG. We do not assume any meaningful uplift in our model from US sports betting, continuing to view this as a call option and a potential 2020+ growth driver.

Pokerstars entered the NJ Online Poker market in 1Q16. By 2Q16 they obtained leading market share, and have since maintained steady 40% share.



Source: New Jersey Gaming Commission



We see TSG generating over \$3bn of revenue and over \$1bn of EBITDA in 2019. Post-2019, we forecast a +13% 3-year revenue CAGR, a +21% EBITDA CAGR, and +36% FCF/share CAGR. By 2022, we forecast TSG with revenue of nearly \$5bn and EBITDA of over \$2bn. In addition to secular top line growth and share gains, TSG benefits from high incremental margins and free cash flow conversion as an online-only operator.



Source: Company filings, Honeycomb estimates

TSG trades at 10x Honey estimated 2020 EBITDA and 12x 2020 FCF/share despite higher than 30% FCF growth. Compared to its peers, it has much higher growth and an undemanding valuation. On a discounted cash flow basis, we see over 100% upside from the current share price.

While TSG's forward EBITDA multiple is above the peer average, we see attractive relative value on a FCF/share basis.



Source: Bloomberg, Company Filings, Honeycomb Estimates

We see a positive event path unfolding, including further US state announcements and upside to Sky synergy estimates. We are excited to be invested in The Stars Group and have expressed this view by making TSG a substantial Top 5 holding for Honeycomb.



Private Investment Update

We are pleased to share that Spotify's direct listing was completed in Q2. Publicly listed shares commenced trading on the New York Stock Exchange April 3rd under the ticker symbol SPOT. This marked Honeycomb's first successful realization of a crossover opportunity (i.e., late stage private-to-public investments).

Thank you to our partners who participated in our first private vehicle, Honeycomb Ventures I, which has been realized after delivering a +75% net fund return in 10 months. We expect Spotify to continue being an important position in our Flagship fund.

For those Flagship fund investors who opted-in to our private investment strategy, side pocket activity in Q2 included an investment in Ant Financial, a leading payments platform in China. Side pocket investors also benefitted from the Spotify crossover opportunity and subsequent realization.

Over the course of our team's investing career, we have learned to be entrepreneurial and create our own opportunities. We believe we have developed the framework, network and skill set to continue to identify winning crossover opportunities. You should know and expect that the bar is very high before we call on you for capital. We see several exciting opportunities and will be in touch shortly as we finalize our plans.

Business Update

In Q2 we hired a Controller to join our team, which grows our firm to 10 employees. We remain committed to recruiting top talent as we continue to grow.

This month we celebrate our second anniversary. We reflect on the journey that has brought us closer to the longer-term goals we established at the outset while delivering strong performance.

The collaborative Honeycomb team has accomplished our initial goals of launching the Flagship fund, hiring key talent, deploying capital into private growth equity opportunities, and building a creative culture that rewards integrity and entrepreneurship. According to industry prime brokerage data, we launched in the worst period for hedge fund asset raising since 2008 but started with initial capital of ~\$200m following our institutional launch. Our firm AUM is now \$700m+. The Flagship fund (ex-privates) has delivered +36% net returns inception to date to our institutional launch partners. Along the way we also launched three separate co-investment vehicles to invest in Spotify: Honeycomb Ventures I, II and III, which have delivered net fund returns of 75% (realized), 40% (unrealized as of June 30), and 27% (unrealized as of June 30), since their respective inception dates.

It has been fun and full of challenges such as Brexit at our launch, or more recently the February 10% stock market correction, which like many drawdowns are to be expected and should be viewed as opportunities. The best part is that we are extremely excited for the future. The world is changing very rapidly; we believe the long and short opportunities we are identifying today are even better than two years ago when we started Honeycomb.

Closing Remarks

We want Honeycomb to be known for our repeatable and scalable investment process, common-sense approach to ideation, flexible mindset, and for delivering consistent organic growth. We believe all of this can only continue to be developed by being aligned with our capital partners. We have been careful to



construct our partnership with terrific day one investors, and have strategically turned away capital that may not have been a good fit longer-term.

We thank you for your partnership and look forward to continuing to build something special together.

Best regards,

The Honeycomb Team

CONTACT INFORMATION:

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

Richard Kahn



Endnotes & Important Legal Disclosure

Honeycomb Master Fund LP (the "Master Fund") includes all or substantially all investible assets from its feeder funds, Honeycomb Partners LP ("Domestic Fund"), Honeycomb Intermediate Fund LP and Honeycomb Offshore Fund Ltd. (collectively, the "Funds"). However, investors are expected to invest at the feeder fund not at the Master Fund level. The reflected returns assume a representative investor invested in the Domestic Fund in each of (i) the Class A interests that are subject to a management fee of 2% and incentive allocation of 20% and (ii) the Class B interests that are subject to a management fee of 1.5% and an incentive allocation of 20%. "Net" reflects the performance of the Domestic Fund net of management fee, expenses and incentive allocation. "Gross" reflects the performance of the Domestic Fund net of management fee and expenses, but gross of incentive allocation. Returns assume the reinvestment of all dividends, interest, income and profits. The management fee and expense figures used for performance calculations are pro-rated for the performance period, and incentive allocation calculations reflect an investment since the Domestic Fund's July 1, 2016 institutional launch date. The reflected returns assume participation by the Class A and B representative investor in "new issue" investments and no participation in side pockets. Individual results will vary (potentially considerably) depending on, among other things, investing at the offshore feeder fund rather than the Domestic Fund level, new issue eligibility, side pocket participation, the timing of contributions/subscriptions and withdrawals/redemptions, different fee arrangements and any accumulated loss carry-forwards. This performance information is estimated and Honeycomb Asset Management LP (the "Investment Manager") makes no representations as to the accuracy or completeness thereof, and such information should not be relied upon for investment related or other purposes. The performance information is based on unaudited information as of the date hereof and is subject to change as actual performance for the relevant period is finalized. Past performance is not indicative of future results.

This investor letter is confidential, is intended only for the person to whom it has been provided and under no circumstances may a copy be shown, copied, transmitted, or otherwise given to any person other than the authorized recipient without the prior written consent of the Investment Manager. Except as otherwise specifically set forth herein, the information in this letter is as of the date hereof. Notwithstanding anything to the contrary herein, each recipient to this document (and each employee, representative, or recipient) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Funds any of their transactions, and all materials of any kind (including opinions or other tax analyses) relating to such tax treatment and tax structure, it being understood that "tax treatment" and "tax structure" do not include the name or identifying information of a Fund or a transaction.

The distribution of the information contained herein may be restricted in certain jurisdictions; accordingly, it is the responsibility of any prospective investor to satisfy itself as to compliance with relevant laws and regulations. The recipient and its professional advisors, by accepting delivery of this document, agree to keep confidential all matters herein and to return this document promptly upon the request of the Investment Manager.

The information contained herein is preliminary and is provided for discussion purposes only. This information is only a summary of key information; it is not complete and does not contain certain material information about the Funds, including important conflict of interests disclosures and risk factors associated with an investment in the Funds and is subject to change without notice.

This document has been supplied for discussion purposes only, and therefore no representation or warranty is made, whether expressed or implied, by the Funds or the Investment Manager or any of their partners, employees, members, or agents as to the accuracy or completeness of the information provided herein. This document may be amended at any time. There is no express or implied obligation to update you of any changes to the information set forth herein. The information contained herein should not be relied upon as the basis of any investment decision or for any other purpose.

This document is not intended to be, nor should it be construed or used as an offer to sell, or a solicitation of any offer to buy, interests or shares in the Funds. No offer or solicitation may be made prior to the delivery of a definitive offering memorandum (the "Memorandum") which will contain additional information about the Funds, including disclosures relating to risk factors and conflicts of interest. The information contained herein does not consider the particular investment objectives or financial circumstances of any specific person who may receive it and is qualified in its entirety by the Memorandum. In the event of any discrepancies between the information contained herein and the Memorandum, the Memorandum will control. The information herein is not intended to provide, and should not be relied upon for, accounting, and legal or tax advice or investment recommendations. Each recipient of this document should make an independent investigation as to all matters concerning an investment in the Funds or otherwise described herein, including consulting with its own tax, legal, accounting or other advisors about the matters concerning an investment in the Funds or otherwise discussed herein. In making an investment decision, investors must rely upon their own examination of the Funds and the terms of the offering, including the merits and risks involved.

An investment in the Funds may not be suitable for all investors. An investment in the Funds will be suitable only for certain financially sophisticated investors who meet certain eligibility requirements, have no need for immediate liquidity in their investment, and can bear the risk of an investment in the Funds for an extended period of time.

Investing in financial markets involves a substantial degree of risk. There can be no assurance that the investment objectives described herein will be achieved. Investment losses may occur, and investors could lose some or all their investment. No guarantee or representation is made that the Funds' investment program, including, without limitation, its investment objectives, diversification strategies, or risk monitoring goals, will be successful, and investment results may vary substantially over time. Nothing herein is intended to imply that the Funds' investment methodology may be considered "conservative", "safe", "risk free" or "risk averse". Economic, market and other conditions could also cause the Funds to alter their investment objectives, guidelines and restrictions.

Certain information contained in this document (including, in particular, the discussion of investment themes contained herein) constitutes "forward-looking statements", which can be identified using forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "target", "project", "estimate", "intend", "continue" or "believe" or the negatives thereof or other variations thereof or comparable terminology. Due to various risks and uncertainties and assumptions made by the Investment Manager, actual events or results or the actual performance of the Funds may differ materially from those reflected or contemplated in such forward-looking statements.

The estimates, investment strategies, investment themes, and views expressed in this document are based upon past or current market conditions and/or data and information provided by unaffiliated third parties (which has not been independently verified) and is subject to change without notice. In addition, many of the views expressed herein are subjective and/or reflect the Investment Manager's estimates or forecasts on future performance and market events. Such statements should not be understood to be predictions or guarantees of any particular outcome, or of the Investment Manager's commitment to invest in any particular industry, sector, region, or company. In particular, you should be aware that any new technologies or products discussed herein are unproven, may never develop as the Investment Manager anticipates, could be superseded by other technologies, and are subject to significant investment risks.

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.

Honeycomb Offshore Fund Ltd. (the "Offshore Fund") has not been approved for distribution in or from Switzerland by the Swiss Financial Market Supervisory Authority. As a result, the Offshore Fund's shares may only be offered or distributed to qualified investors within the meaning of Swiss law. The Representative of the Offshore Fund in Switzerland is Bastions Partners Office SA with registered office at Route de Chêne 61A, 1208 Geneva, Switzerland. The Paying Agent in Switzerland is Banque Heritage SA, with registered office at Route de Chêne 61, 1208 Geneva, Switzerland. The place of performance and jurisdiction for shares of the Offshore Fund distributed in or from Switzerland are at the registered office of the Representative.