

DouglasBay Capital III Fund L.P.
Unaudited Quarterly Report
For the period ended 30 September 2018

For further information, please contact:
DBAY Advisors Limited
4th floor, 64 Athol Street, Douglas, IM1 1JD, Isle of Man
Email: info@dbayadvisors.com

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General Information

General Partner

DouglasBay Capital III (GP) Limited
c/o DBAY Advisors Limited
4th Floor, Derby House
64 Athol Street
Douglas
Isle of Man
IM1 1JD

Investment Manager

DBAY Advisors Limited
4th Floor, Derby House
64 Athol Street
Douglas
Isle of Man
IM1 1JD

Registered Office

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman
KY1-1104 Cayman Islands

Directors of the General Partner

Michael Haxby
Alexander Pausco
Ian Lambert

Auditors

KPMG Audit LLC
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

Prime Broker

PrimeXtend Limited
One New Change
London
EC4M 9AF

Administrator

Moore Management Limited
2nd Floor, Gaspé House
66 - 72 Esplanade
St Helier
Jersey
JE1 1GH

Legal Advisors to the Partnership

In London

Debevoise & Plimpton LLP
65 Gresham Street
London
EC2V 7NQ

In Cayman Islands

Maples and Calder
PO Box 309
Ugland House
Grand Cayman
KY1-1104 Cayman Islands

Fund Information
As at 30 September 2018

First closing date	09 February 2018
Final closing date	Early 2019
Fund currency	EUR
Total Commitment to date	207,700,000.00
Term	6 years from final close
Fund's domicile	Cayman Islands
Year end	31 December

Activity Report As at 30 September 2018

Summary

Since inception capital contributions (capital paid-in) net of callable distributions total €13.2m, which represents 6.3% of committed capital.

Introduction

DouglasBay Capital III Fund LP, a Cayman Limited Partnership, held its first close on 9 February 2018 with total commitments of EUR 207.7m. In July 2018, DBAY Advisors Ltd (the "Investment Manager"), announced the first drawdown of EUR 13.2m to cover management fees, establishment costs, expenses and possible investments into Project Emerald, Crisp, Nero and Harvey Nash Group plc. At the end of the period, the Partnership owned three holding companies. These holding companies have been set up in advance to facilitate stake building.

Post period activity

Following the period end, the Partnership has begun investing in Project Beethoven. The Partnership also invested in Harvey Nash Group plc and took part in the recommended cash offer to take the company private. Further details on this are found below.

Harvey Nash Group plc

At the date of this report, the Partnership holds a 43.5% stake in Harvey Nash Group plc via The Power of Talent, the bid company that will hold the asset once delisted.

Harvey Nash Group plc (HVN or Harvey Nash), listed on the LSE, is a leading provider of specialist recruitment and outsourcing solutions for the technology and digital sector, with annual turnover of £885m, gross profit of £98m and EBIT of £11.4m (January 2018). DBAY Advisors has been an investor in Harvey Nash since February 2017 and was its largest shareholder prior to the 7 August 2018 when the Investment Manager launched a recommended £98.7 million cash offer to take the company private.

The IT & technology recruitment space has strong demand/supply characteristics that favours contract recruiters. In recent years there has been a shift towards a more project based delivery of traditional recruitment services. Jobs in the digital economy are increasing 2.8x faster than the rest of the economy. HVN has a well-developed outsourcing offering and is well positioned operating in 15 countries with 45 offices across the USA, Europe, Asia and Australasia. 80% of its customers have been with HVN for over ten years and no one sector accounts for greater than 10% of sales in any geography. Further, a large portion of its income (61%) comes from annuity-like fees (contracting and offshoring) and these tend to be project-based, business critical and longer term. Of particular note, there is a high level of cash conversion with limited capital expenditure.

Post period update: The public-to-private of HVN was executed by the Investment Manager to secure the business at the lowest possible entry multiple. When it became clear that the initial offer, announced on 7 August 2018, by way of a Scheme of Arrangement was not going to receive the required 75% level of shareholder support, the offer was switched to a contractual takeover in early October. Such an offer required only 50% of shareholder acceptances. Given a strong indication that this 50% threshold level was going to be reached, it further facilitated purchases of additional blocks in the market, resulting in the offer becoming wholly unconditional in late October, when almost 90% of shareholder acceptances were received. Shortly after, when shareholder acceptances had reached approx. 93%, the offer became compulsory and the mandatory squeeze out of minorities followed. Harvey Nash will delist from the LSE at the end of December.

The Investment Manager is pleased with the outcome of the corporate action and is looking forward to working with the management team of HVN to drive the business forward.

Activity Report (continued)
As at 30 September 2018

Returns to investors (since inception)

	€'000
Partnership net asset value	9,101
Permanent distributions	-
Total value	9,101
Paid-in capital	13,177
Return on capital paid-in (net)	(4,076)
Total value to paid-in capital	0.7x

Outlook

The Investment Manager is pleased that its offer for Harvey Nash is now wholly unconditional. The company will shortly be delisted.

On 2 November 2018, the Partnership announced a second drawdown to further fund the investment in Harvey Nash and to stake build two further investments, Project Beethoven and Project xBox.

The Manager continues to fund raise and expects the final close of the Partnership to occur in early 2019.

Fund Summary

As at 30 September 2018 - all values in EUR

Capital Contributed	13,177,084
Remaining Capital Commitment	194,522,916
Total Commitment	207,700,000

Portfolio at cost (excluding cash)	5,621,336
Fair value of portfolio (excluding cash)	5,632,490
Invested capital uplift	1.00x

Cash	10,394,026
Other Assets and Liabilities	(6,925,766)
Total net asset value at fair value excluding carried interest	9,100,750

Accrued potential carried interest allocation	-
Total net asset value at fair value including carried interest	9,100,750

Fund expenses and Management Fees incurred (since inception)	(3,174,748)
Fund expenses and Management Fees outstanding as at 30 September 2018	(899,401)
Realised FX gain on investments and cash (since inception)	3,780
Total expenses, Management Fees and realised FX gain	(4,070,369)

<u>Multiples excluding carried interest provision:</u>	
Distribution to Paid-In Capital (DPI; Realisations Multiple)	0.00x
Fund NAV to Paid-In Capital (TVPI; Investment Multiple)	0.69x
Residual NAV to Paid-In Capital (RVPI multiple)	0.69x
Paid-In Capital to Total Commitments (PICC)	0.06x

<u>Multiples including carried interest provision:</u>	
Distribution to Paid-In Capital (DPI; Realisations Multiple)	0.00x
Fund NAV to Paid-In Capital (TVPI; Investment Multiple)	0.69x
Residual NAV to Paid-In Capital (RVPI multiple)	0.69x
Paid-In Capital to Total Commitments (PICC)	0.06x

<u>Capital gains and income distribution paid out to investors</u>	
Capital gains	-
Income distributions	-

Fund Performance Summary
As at 30 September 2018 - all values in EUR

Reconciliation of Partners' Capital at risk

Total Commitments	207,700,000
Remaining Capital Commitment	(194,522,916)
Net Cumulative Contributions	13,177,084
Net Cumulative Contributions	13,177,084
Total Distributions - available for redrawing	-
Net Cumulative Contributions	13,177,084
Income Distributions (excluding equalisation interest)	-
Capital at risk	13,177,084

Reconciliation of Net Asset Value

Amounts Contributed	13,177,084
Management Fee	(2,204,120)
Legal fee	(173,609)
Audit fee	(11,834)
Tax fee	(8,542)
Bank charges and interest	(3,300)
Professional fees	(187,649)
Secretarial and administration fees	(57,514)
Other expenses	(3,927)
Loan interest expense	(1,696)
Facility fees	(612,678)
Establishment costs	(809,280)
Unrealised investment losses	(5,966)
Unrealised investment FX gains	17,120
Operational realised FX losses	(13,340)
Net Asset Value per Statement of Financial Position	9,100,750
Attribution of Net Asset Value	
Attributed to Limited Partners	9,100,750
Net Asset Value per Statement of Financial Position	9,100,750

Summary of Partners' Commitment
As at 30 September 2018 - all values in EUR

	% Interest	Commitment	Contributed Capital	Remaining Capital Commitment	Non - Recallable Distributions	Share of NAV before carried interest	Carried interest provision	Share of NAV after carried interest	Total allocation
					A			B	A+B
Affiliated Partner									
Investor 3	0.10%	200,000	10,570	189,430	-	8,765	-	8,765	8,765
Investor 19	0.10%	200,000	10,570	189,430	-	8,776	-	8,776	8,776
Investor 20	0.05%	100,000	5,285	94,715	-	4,386	-	4,386	4,386
Investor 21	0.10%	200,000	10,570	189,430	-	8,776	-	8,776	8,776
Investor 22	6.11%	12,700,000	671,180	12,028,820	-	557,222	-	557,222	557,222
Limited Partner									
Investor 1	0.10%	200,000	12,942	187,058	-	8,776	-	8,776	8,776
Investor 2	0.19%	400,000	26,268	373,732	-	17,934	-	17,934	17,934
Investor 4	12.04%	25,000,000	1,601,700	23,398,300	-	1,095,471	-	1,095,471	1,095,471
Investor 5	36.11%	75,000,000	4,805,100	70,194,900	-	3,286,419	-	3,286,419	3,286,419
Investor 6	0.02%	50,000	3,284	46,716	-	2,243	-	2,243	2,243
Investor 7	4.09%	8,500,000	544,578	7,955,422	-	372,460	-	372,460	372,460
Investor 8	1.93%	4,000,000	262,683	3,737,317	-	179,349	-	179,349	179,349
Investor 9	0.02%	50,000	3,235	46,765	-	2,194	-	2,194	2,194
Investor 10	2.41%	5,000,000	328,354	4,671,646	-	223,904	-	223,904	223,904
Investor 11	0.05%	100,000	6,471	93,529	-	4,380	-	4,380	4,380
Investor 12	9.63%	20,000,000	1,281,360	18,718,640	-	876,378	-	876,378	876,378
Investor 13	7.70%	16,000,000	1,030,217	14,969,783	-	701,102	-	701,102	701,102
Investor 14	7.70%	16,000,000	1,025,088	14,974,912	-	696,885	-	696,885	696,885
Investor 15	6.50%	13,500,000	864,918	12,635,082	-	587,998	-	587,998	587,998
Investor 16	1.69%	3,500,000	224,238	3,275,762	-	152,444	-	152,444	152,444
Investor 17	1.69%	3,500,000	224,238	3,275,762	-	152,444	-	152,444	152,444
Investor 18	1.69%	3,500,000	224,238	3,275,762	-	152,444	-	152,444	152,444
Total	100%	207,700,000	13,177,084	194,522,916	-	9,100,750	-	9,100,750	9,100,750

Portfolio Valuation Summary
As at 30 September 2018 - all values in EUR

	Original investment at cost	Capital returned	Capitalised income	Investment at cost	Realised capital gains/(losses)	Net income received	Investment at valuation	Total gain/(loss)	Total proceeds	Year of investment	Sector
Amphinte TopCo Limited	5,619,089	-	-	5,619,089	-	-	5,630,236	11,147	-	2018	N/A
Retrotri TopCo Limited	1,124	-	-	1,124	-	-	1,127	3	-	2018	N/A
Surible TopCo Limited	1,124	-	-	1,124	-	-	1,127	3	-	2018	N/A
Total investments	5,621,336	-	-	5,621,336	-	-	5,632,490	11,154	-		

Statement of Comprehensive Income
For the period ended 30 September 2018 - all values in EUR

	From 12 September 2017 to 30 September 2018	From inception to 30 September 2018
Investment Income		
Total Income	-	-
Expenses		
Management Fee	2,204,120	2,204,120
Legal fee	173,609	173,609
Audit fee	11,834	11,834
Tax fee	8,542	8,542
Bank charges and interest	3,300	3,300
Professional fees	187,649	187,649
Secretarial and administration fees	57,514	57,514
Other expenses	3,927	3,927
Loan interest expense	1,696	1,696
Facility fees	612,678	612,678
Establishment costs	809,280	809,280
Total Expenses	4,074,149	4,074,149
Net operating expenses	(4,074,149)	(4,074,149)
Operational realised FX losses	(13,340)	(13,340)
Net realised losses	(13,340)	(13,340)
Movement in net unrealised appreciations/(depreciation)		
Unrealised investment losses	(5,966)	(5,966)
Unrealised investment FX gains	17,120	17,120
Movement in net unrealised appreciation	11,154	11,154
Net unrealised and realised losses	(2,186)	(2,186)
Net decrease in Partners' Capital resulting from operations	(4,076,335)	(4,076,335)

Statement of Financial Position
As at 30 September 2018 - all values in EUR

	30 September 2018
Curent assets	
Cash at bank	10,394,026
Financial assets at fair value through profit or loss	5,632,490
Amounts receivable from investors	10,570
Total assets	16,037,086
 Current liabilities	
Loan - Sumitomo Mitsui Banking Corporation	900,000
Amounts payable to investments	5,136,935
Other amounts payable	899,401
Total liabilities	6,936,336
 Total Partners' Capital	9,100,750
 Partners' Capital	
Limited Partners	9,100,750
Total Partners' Capital	9,100,750
Total liabilities and Partners' Capital	16,037,086