

Darwin Venture Capital Fund of Funds III, L.P.

(A Delaware Limited Partnership)

Financial Statements as of and for the
Year Ended December 31, 2018,
and Independent Auditors' Report

DARWIN VENTURE CAPITAL FUND OF FUNDS III, L.P.
(A Delaware Limited Partnership)

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018	
Statement of Net Assets	2
Schedule of Portfolio Investments	3
Statement of Operations	4
Statement of Changes in Partners' Capital	5
Statement of Cash Flows	6
Notes to Financial Statements	7–14

INDEPENDENT AUDITORS' REPORT

To Darwin Venture Capital Fund of Funds III, L.P.:

We have audited the accompanying financial statements of Darwin Venture Capital Fund of Funds III, L.P. (the "Partnership"), which comprise the statement of net assets, including the schedule of portfolio 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.

Auditors' 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 Partnership'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 Partnership'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 Darwin Venture Capital Fund of Funds III, L.P. as of December 31, 2018, and the results of its operations, changes in its partners' capital, and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

June 26, 2019

DARWIN VENTURE CAPITAL FUND OF FUNDS III, L.P.
(A Delaware Limited Partnership)

STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2018

ASSETS:

Investments in venture funds - at estimated fair value (cost \$40,079,661)	\$ 59,718,413
Cash and cash equivalents	<u>734,996</u>
Total assets	<u>60,453,409</u>

LIABILITIES:

Due to affiliates	63,755
Due to Electing Limited Partner	<u>3,787</u>
Total liabilities	<u>67,542</u>

NET ASSETS	<u><u>\$ 60,385,867</u></u>
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NET ASSETS REPRESENTED BY PARTNERS' CAPITAL:

Capital transactions:

Contributed capital - net	\$ 49,473,453
Distributions to partners	<u>(6,676,517)</u>
Net increase in net assets from capital transactions	<u>42,796,936</u>

Cumulative investment performance:

Accumulated net operating loss	(2,057,070)
Net realized and change in unrealized gain on investments	<u>19,646,001</u>

Net increase in net assets resulting from operations	<u>17,588,931</u>
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NET ASSETS REPRESENTED BY PARTNERS' CAPITAL	<u><u>\$ 60,385,867</u></u>
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See notes to financial statements.

DARWIN VENTURE CAPITAL FUND OF FUNDS III, L.P.
(A Delaware Limited Partnership)

SCHEDULE OF PORTFOLIO INVESTMENTS
AS OF DECEMBER 31, 2018

	Cost	Fair Value	% of Partners' Capital
INVESTMENTS IN VENTURE FUNDS:			
8VC Co-Invest Fund I, L.P.	\$ 3,750,000	\$ 4,155,960	6.88%
8VC Fund I, L.P.	5,250,000	7,134,002	11.81%
First Round Capital IV, L.P.	440,498	1,149,118	1.90%
First Round Capital V, L.P.	850,257	1,106,073	1.83%
Founders Fund IV, L.P. (The)	87,262	3,559,841	5.90%
Founders Fund V, L.P. (The)	3,221,098	10,138,659	16.79%
Founders Fund VI, L.P. (The)	3,150,000	3,387,582	5.61%
Khosla Ventures Seed C, L.P.	2,786,308	2,760,018	4.57%
Khosla Ventures V, L.P.	5,721,520	5,656,080	9.37%
Kleiner Perkins Caufield & Byers XV, LLC	52,409	682,166	1.13%
Kleiner Perkins Caufield & Byers XVI, LLC	548,537	809,769	1.34%
KPCB Digital Growth Fund II, LLC	770,844	1,014,624	1.68%
Lightspeed Venture Partners Select, L.P.	984,236	1,743,795	2.89%
Lightspeed Ventures Partners X, L.P.	1,417,500	1,932,711	3.20%
Menlo Ventures XII, L.P.	2,733,529	2,862,400	4.74%
SherpaEverest Fund, L.P.	4,620,325	5,204,023	8.62%
Sherpa Ventures Fund II, L.P.	3,695,338	6,421,592	10.63%
Total investments in Venture Funds	<u>\$ 40,079,661</u>	<u>\$ 59,718,413</u>	<u>98.89%</u>

See notes to financial statements.

DARWIN VENTURE CAPITAL FUND OF FUNDS III, L.P.
(A Delaware Limited Partnership)

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

OPERATING INCOME AND EXPENSES:

Expenses:	
Management fee	\$ 294,700
Professional fees	94,678
Other	<u>60,435</u>
 Total expenses	 <u>449,813</u>
 NET INVESTMENT LOSS	 <u>(449,813)</u>
 INVESTMENT GAIN/(LOSS):	
Net realized gain on investments	2,100,772
Net change in unrealized gain/(loss) on investments	<u>4,752,331</u>
 NET REALIZED AND CHANGE IN UNREALIZED GAIN/(LOSS) ON INVESTMENTS	 <u>6,853,103</u>
 NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	 <u>\$ 6,403,290</u>

See notes to financial statements.

DARWIN VENTURE CAPITAL FUND OF FUNDS III, L.P.
(A Delaware Limited Partnership)

STATEMENT OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Partner	Limited Partners	Total
BALANCE - January 1, 2018	\$ 556,828	\$ 46,765,550	\$ 47,322,378
Contributed capital	-	9,698,188	9,698,188
Distributions to partners	-	(3,037,989)	(3,037,989)
Net investment loss	-	(449,813)	(449,813)
Incentive allocation	319,478	(319,478)	-
Net realized and change in unrealized gain/(loss) on investments	<u>-</u>	<u>6,853,103</u>	<u>6,853,103</u>
BALANCE - DECEMBER 31, 2018	<u>\$ 876,306</u>	<u>\$ 59,509,561</u>	<u>\$ 60,385,867</u>

See notes to financial statements.

DARWIN VENTURE CAPITAL FUND OF FUNDS III, L.P.
(A Delaware Limited Partnership)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Net increase in net assets resulting from operations	\$ 6,403,290
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Net realized and unrealized (gain)/loss on investments	(6,853,103)
Purchase of investments	(9,864,200)
Distributions from investment funds	2,831,893
Proceeds from sale of in-kind distributions	206,080
Change in due to Electing Limited Partner	9,000
Change in due to affiliates	<u>50,111</u>
Net cash used in operating activities	<u>(7,216,929)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Capital contributions	9,698,188
Distributions to partners	<u>(3,037,989)</u>
Net cash provided by financing activities	<u>6,660,199</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (556,730)

CASH AND CASH EQUIVALENTS - Beginning of year 1,291,726

CASH AND CASH EQUIVALENTS - End of year \$ 734,996

NON-CASH ACTIVITY -

In-kind distributions from venture funds on the distribution date	<u>\$ 206,080</u>
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See notes to financial statements.

DARWIN VENTURE CAPITAL FUND OF FUNDS III, L.P.

(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

1. THE PARTNERSHIP

Darwin Venture Capital Fund of Funds III, L.P. (the “Partnership”) was formed on October 10, 2012. The Partnership consists of one general partner, Darwin Ventures III, LLC, a Delaware limited liability company (“General Partner”), and a number of limited partners. The Partnership’s primary emphasis is on venture capital-type investments, with the objective of seeking capital appreciation through investments, principally in other venture capital funds. The term of the Partnership extends to August 24, 2027, unless terminated sooner or extended under the terms of the Partnership Agreement.

Capitalized terms used, but not defined herein, shall have meanings assigned to them in the Partnership Agreement.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applying the guidance in Accounting Standards Codification (“ASC”) Topic No. 946, *Financial Services – Investment Companies*, which defines investment companies and prescribes specialized accounting and reporting requirements for investment companies.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. The Partnership reports as a venture capital investment company and, as a result, records investments at fair value.

Investments in Venture Funds — The Partnership will invest primarily in top-tier US-based early-stage venture capital funds (“Investee Funds”) and will pay the management of the Investee Funds an annual management fee of up to 2.5% of committed capital to that Investee Fund and an annual incentive compensation of up to 30% of the annual realized and unrealized net income received by that Investee Fund. The Partnership’s investments in Investee Funds are stated at fair value, generally, at an amount equal to net asset value (NAV) of the Partnership’s investments in the Investee Funds as reported by each Investee Fund’s money manager or administrator. Financial statements of the Investee Funds are generally audited on an annual basis. If no such information is deemed to be appropriate, an estimated fair value is determined in good faith by the General Partner of the Partnership. Generally, the Partnership records the investment in each Investee Fund at its acquisition cost, and the fair value is adjusted to reflect the Partnership’s share of income or losses, and additional subscriptions to, or withdrawals from, the Investee Fund. The change in the unrealized gain or loss on the investments owned by the Partnership is reflected in the statement of operations.

Cash and Cash Equivalents — Cash and cash equivalents include cash in demand deposit accounts and highly-liquid marketable securities with an original maturity of three months or less. At December 31, 2018, there were no cash equivalents and all cash was on deposit in one bank. The Partnership

maintains cash balances at major banks which, at times, may exceed the limits of amounts insured by the Federal Deposit Insurance Corporation (FDIC).

Income Taxes — The Partnership is subject to the provision of the Financial Accounting Standards Board (“FASB”) ASC 740, *Income Taxes*. This standard established consistent thresholds as it relates to accounting for income taxes. It defines the threshold for recognizing the benefits of tax-return positions in the financial statements as “more-likely-than-not” to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based on the largest benefit that is more than 50% likely to be realized. Management has analyzed the Partnership’s inventory of tax positions taken with respect to all applicable income tax issues for all open tax years (in each respective jurisdiction), and has concluded that no provision for income tax is required in the Partnership’s financial statements.

The Partnership files tax returns as prescribed by the tax laws of the jurisdiction in which it operates. In the normal course of business, the Partnership is subject to examination by federal, state, and local jurisdictions, where applicable. As of December 31, 2018, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations is generally three to four years from when filed.

The Partnership recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the statement of operations. During the year ended December 31, 2018, the Partnership did not accrue any interest or penalties.

The accompanying financial statements of the Partnership reflect no provision or liability for income taxes because the Partnership is treated as a partnership for federal income tax purposes; accordingly, profits and losses are allocated to the partners and are includable in the income tax returns of the partners.

Allocation of Profits and Losses — Profits and losses attributable to fund investments and expenses of the Partnership will be allocated among all the partners initially in proportion to their respective Partnership Percentage. Thereafter, the amount of profits and losses are allocated as follows:

- i.) Any profit is allocated to the limited partners and the General Partner such that profits allocated to limited partners equals the cumulative amount of management fees and Partnership expenses allocated to the limited partners during the current accounting period and all prior accounting periods. Any remaining profit is then allocated on a basis of ninety-five percent (95%) to limited partners and five percent (5%) to the General Partner.
- ii.) Any loss is allocated in a manner to reverse the portion of profit previously allocated on a basis of ninety-five percent (95%) to limited partners and five-percent (5%) to the General Partner. Any remaining loss amount is then allocated in a manner to reverse any profits allocated to the limited partners equal to the cumulative management fees and Partnership expenses allocated to the limited partners during the current and previous accounting periods. Any additional loss amount is allocated based on the Partners’ respective Partnership Percentage.

Net Realized and Unrealized Gain or Loss on Investments — Net realized and unrealized gain or loss on investments consists of realized gains or losses on the sale of securities, distributions received from Investee Funds in excess of the Partnership’s cost basis in such funds, and unrealized gains or losses on the Partnership’s investments. Realized gains or losses on the sale of securities represent the difference between the value of marketable securities distributed to the Partnership by Investee Funds and the value received from the sale of such securities by the Partnership. Securities transactions are recorded on a

trade date basis. All items of income allocated to the Partnership from investments in Investee Funds are treated as unrealized gains or losses on the books of the Partnership.

Distributions — The Partnership received tax distributions during 2018 from the underlying Investee Funds for some portion of the gains realized by such Investee Fund.

The Partnership made distributions in the amount of \$3,037,989 during the year ended December 31, 2018. Per the Partnership Agreement, there are no requirements for mandatory tax distributions.

Recent Accounting Pronouncements — In August 2018, the FASB issued Accounting Standards Update (ASU) No 2018-13, Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”), which modifies the disclosure requirements for fair value measurements. The Partnership adopted ASU 2018-13 as of January 1, 2018. The adoption of this accounting guidance resulted in the removal or modification of certain fair value measurement disclosures presented in the Partnership’s financial statements.

3. FAIR VALUE

The Partnership applies ASC 820, *Fair Value Measurements and Disclosures* (ASC 820) which clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. The Partnership primarily invests in other venture capital funds. All investments are recorded at fair value with any changes in fair value recognized in the statement of operations as the change in unrealized gain (loss) on investments. ASC 820 permits the Partnership, as a practical expedient, to estimate the fair value of this type of investment based on the net asset value (NAV) per share, or its equivalent, if the NAV of such investments is calculated in a manner consistent with the measurement principles of ASC 946, *Financial Services — Investment Companies*. As such the General Partner’s estimate of fair value is generally based on the NAV provided to the General Partner by each Investee Fund, supported by the independently audited financial statements of the Investee Fund, when available.

Investments measured and reported at fair value are classified and disclosed in one of the following categories.

Level 1 — Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 — Inputs to the valuation methodology are unobservable.

Estimated fair value of the carrying amounts of cash and cash equivalents, receivables and accrued liabilities approximate their estimated fair values because of their short-term nature.

The following table summarizes the valuation of the Partnership's investments by the ASC 820 fair value hierarchy levels as of December 31, 2018:

	Level 1	Level 2	Level 3	NAV Practical Expedient (A)	Total
Investments in venture funds	\$ -	\$ -	\$ -	\$59,718,413	\$59,718,413
Total	\$ -	\$ -	\$ -	\$59,718,413	\$59,718,413

(A) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amount presented in the statement of net assets.

The Partnership records its pro-rata allocation of venture capital activity including the net operating loss from investments in various Investee Funds, realized gains or losses on investments and net change in unrealized appreciation (depreciation) on investments. If the Partnership determines, based on its own due diligence and valuation procedures, that the valuation for an Investee Fund does not represent fair value, the General Partner shall estimate the fair value of the Investee Fund.

Fair value for other investments that may be distributed to the Partnership by Investee Funds from time to time are estimated by the General Partner using valuation methodologies that consider a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, financial condition and financing transactions subsequent to the acquisition of the investment.

These valuation methodologies involve a significant degree of judgment. Due to the absence of readily determinable fair values and the inherent uncertainty of valuations, the estimated fair values for private investments may differ significantly from values that would have been used had a ready market for the securities existed, and the differences could be material. 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 General Partner'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.

The Partnership does not have the ability to liquidate or redeem from its Partnership investments and estimates that it will receive liquidating distributions from its investments over a period consistent with the Partnership's estimated life plus available extension periods.

4. RELATED-PARTY TRANSACTIONS

The managers of the General Partner may serve on the Board of Directors of venture fund partnerships in which the Partnership has investments.

5. MANAGEMENT FEE

Commencing on the Final Closing Date of the Partnership, the Partnership Agreement provides that an annual management fee be paid to the General Partner as compensation for its services in the administration of the portfolio of the Partnership. The management fee is to be paid quarterly in

advance. The annual management fee rate shall be 0.5% of the aggregate capital commitments of the partners as of the first day of each quarter.

The management fee shall be reduced by any amounts paid directly to the General Partner by an Electing Limited Partner's Affiliate. The management fee was \$294,700 for the year ended December 31, 2018.

The General Partner pays for all normal, recurring operating expenses of the Partnership, as defined in the Partnership Agreement. Direct costs and expenses for investment purchases and sales are paid by the Partnership, as well as certain other direct expenses, such as organization costs, legal, insurance and accounting fees.

6. PARTNERS' CAPITAL

The Partnership's total subscribed capital is \$60,740,000 of which, \$51,325,300, or 84.5%, has been called as of December 31, 2018. The managing members of the General Partner have made \$4,000,000 in capital commitments as individuals to the Partnership. The General Partner's interest in the partnership is for the collection of carried interest and management fees. Capital contributions by the Limited Partners are being made upon 10 business days' written notice by the General Partner. As of December 31, 2018, there are capital contributions receivable from partners of \$1,789,025 which are presented as a reduction of capital contributions.

7. COMMITMENTS

In the normal course of operations, the Partnership has made commitments to invest in certain venture capital partnerships totaling \$60,700,000. The Partnership has funded \$46,826,950 or 77.14% of this total commitment as of December 31, 2018.

The commitments to make the following investments at December 31, 2018 follow:

Venture Fund Partnerships	Investment Commitment	Remaining Commitment
8VC Fund I, L.P.	\$ 7,000,000	\$ 3,750,000
8VC Co-Invest Fund I, L.P.	7,500,000	1,750,000
First Round Capital IV, L.P.	1,100,000	39,050
First Round Capital V, L.P.	1,100,000	220,000
Founders Fund IV, L.P. (The)	1,000,000	30,000
Founders Fund V, L.P. (The)	5,000,000	100,000
Founders Fund VI, L.P. (The)	7,000,000	3,850,000
Khosla Ventures Seed C, L.P.	3,000,000	165,000
Khosla Ventures V, L.P.	7,000,000	924,000
Kleiner Perkins Caufield & Byers XV, LLC	1,000,000	90,000
Kleiner Perkins Caufield & Byers XVI, LLC	1,000,000	90,000
KPCB Digital Growth Fund II, LLC	1,000,000	97,500
Lightspeed Venture Partners Select, L.P.	1,500,000	105,000
Lightspeed Ventures Partners X, L.P.	1,500,000	82,500
Menlo Ventures XII, L.P.	3,000,000	150,000
SherpaEverest Fund, L.P.	6,000,000	780,000
SherpaVentures Fund II, L.P.	<u>6,000,000</u>	<u>1,650,000</u>
Total at December 31, 2018	<u>\$ 60,700,000</u>	<u>\$ 13,873,050</u>

8. CONCENTRATION OF INVESTMENTS

At December 31, 2018, the Partnership's pro-rata share of portfolio investments held by Investee Funds by industry and geographic region are as follows:

	Cost	Fair Value
Investments by industry:		
Information technology	\$ 36,771,301	\$ 46,019,913
Business products/services	<u>3,308,360</u>	<u>13,698,500</u>
Total	<u>\$ 40,079,661</u>	<u>\$ 59,718,413</u>
Investments by region:		
United States	\$ 36,907,626	\$ 55,433,315
Foreign	<u>3,172,035</u>	<u>4,285,098</u>
Total	<u>\$ 40,079,661</u>	<u>\$ 59,718,413</u>

The following table summarizes the investment objective for all fund investments which exceed 5% of the net asset value of the Partnership as of December 31, 2018:

Fund Investment	Investment Objective
8VC Co-Invest Fund I, L.P.	Invests in follow-on and co-invest venture capital investments in securities of the companies currently held by one or more of the Core Funds.
8VC Fund I, L.P.	Organized for the purpose of making or acquiring portfolio investments.
Founders Fund IV, L.P. (The)	Invests in innovative technology companies for long-term capital appreciation.
Founders Fund V, L.P. (The)	Invests in early stage, high growth technology companies for long-term capital appreciation.
Founders Fund VI, L.P. (The)	Invests in early stage, high growth technology companies for long-term capital appreciation.
Khosla Ventures V, L.P.	Invests in early stage technology companies.
SherpaEverest Fund, L.P.	Organized for the purpose of making or acquiring portfolio investments.
SherpaVentures Fund II, L.P.	Organized for the purpose of making or acquiring portfolio investments.

The Partnership's indirect ownership of portfolio companies invested in through the underlying Investee Funds that were 5% or more of its Partners' Capital as of December 31, 2018, are as follows:

Portfolio Company (Type of Securities Held by Investee Fund)	% of Partners' Capital	Estimated Fair Value
Wish (Preferred Stock) - 8VC Co-Invest Fund I, LP & The Founders Fund V, LP	6.62 %	\$ 3,997,110

9. FINANCIAL HIGHLIGHTS

The Partnership is required to disclose financial highlights for the common interest in the Partnership (i.e., the Limited Partners' interest). These financial highlights consist of the operating expenses and net investment loss ratios for the year ended December 31, 2018.

The Internal Rate of Return (IRR) since inception of the limited partners, net of all fees and profit allocations to the General Partner, through December 31, 2017 and December 31, 2018, and the Limited Partners' financial highlights are summarized below:

Net investment loss	<u>(0.83) %</u>
Operating expenses	0.83 %
Incentive allocation	<u>0.59 %</u>
Total expense and incentive allocation	<u>1.42 %</u>
Cumulative internal rate of return through December 31, 2017	<u>16.27 %</u>
Cumulative internal rate of return through December 31, 2018	<u>14.59 %</u>

The ratios of net investment loss to average net assets and operating expenses to average net assets are calculated for the Limited Partners as a class. Net investment loss is the Limited Partners' share of interest income, dividends, and other income earned, net of expenses. Operating expenses include the Limited Partners' share of management fees and other Partnership expenses. The ratios reported above have been computed based upon the Limited Partners' share of the aggregate weighted-average net assets of the Partnership at the end of each quarter.

The IRR was computed based on the monthly cash inflows (capital contributions), outflows (cash and stock distributions), and the ending net assets at the end of the period (residual value) of the Limited Partners' capital accounts as of each measurement date.

These financial highlights may not be indicative of the future performance of the Partnership.

The computation of such ratios based on the amount of expenses and incentive allocation assessed to an individual Limited Partner's capital, and an individual Limited Partner's return, may vary from the above amounts based on the timing of capital transactions.

10. GENERAL INDEMNIFICATION

Generally, no partner is individually liable for any debts or obligations of the Partnership in excess of its unpaid capital commitments. Pursuant to the terms of the Partnership Agreement, the General Partner is indemnified and held harmless by the Partnership in connection with its activities on behalf of the Partnership. The Partnership has not had any claims or losses pursuant to these indemnifications and expects the risk of loss to be remote.

11. SUBSEQUENT EVENTS

The General Partner has evaluated all activity of the Partnership through June 26, 2019, the date the financial statements were available to be issued. From January 1, 2019 to June 26, 2019, the General Partner called \$3,037,000 of capital from the Limited Partners. The Partnership is not aware of any other events or transactions that occurred subsequent to the statement of net assets date but prior to June 26, 2019 that would require recognition or disclosure in its financial statements.