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Hamilton Lane

Hamilton Lane
Strategic Opportunities Fund III
Third Quarter 2023 Investor Letter

HAMILTON LANE ADVISORS, L.L.C.
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Dear Limited Partner,

We are pleased to provide you with the third quarter investor letter for Hamilton Lane Strategic Opportunities Fund III – the 2017 vintage of our flagship direct credit fund series. The Fund was fully invested over a one-year period with commitments totaling $432.5 million across 20 portfolio investments, of which 6 remain active. The Fund's remaining market value totaled $125.1 million as of September 30, 2023.

Since inception, the Fund has generated a gross Internal Rate of Return ("IRR") of 11.9% and a total value multiple of 1.34x. On a net basis, the Fund has generated a net IRR of 9.5% and a net multiple of 1.26x. The Fund's net IRR has outperformed the Credit Suisse Leveraged Loan PME of 4.1% by 536 basis points and the Credit Suisse High Yield PME of 4.0% by 550 basis points. Additionally, the Fund has returned 102% of capital to limited partners in the form of distributions.

Quarterly Cash Flow Highlights

Distributions: The Fund experienced a number of liquidity events during the third quarter which continued into the fourth quarter. Distributions during the quarter totaled $25.9 million from four of the remaining six investments. The Fund received an $18 million distribution from the 2nd Lien refinancing of Learning Care Group, a $4.7 million distribution from the exit of the majority of the Fund's remaining equity position in Focus Financial Partners and a $2.4 million distribution from the exit of the Fund's remaining equity position in PatientPoint. Lastly, the remaining distributions were in the form of a cash coupon payment from Highgate Hotels ($0.8 million) which represented the last remaining credit instrument in the Fund as of September 30, 2023, and was refinanced subsequent to quarter-end as detailed on the following page.

PatientPoint: The Fund initially invested $15 million in PatientPoint in June 2017 through a preferred equity position. The preferred equity was refinanced in March 2021, resulting in a 15.7% IRR and 1.72x MOIC for the investment. The Fund continued to hold warrants that could only create additional upside. During the third quarter, the remaining portion of our equity investment was exited, resulting in a $2.4 million distribution. The Company is the 2nd largest Point-of-Care media company that develops and deploys patient engagement solutions in healthcare offices and hospitals in the U.S. The exit of PatientPoint resulted in an IRR of 17.6% and a DPI of 1.88x as of September 30, 2023.

Performance: The remaining investments continue to generate strong performance and the portfolio has seen particularly strong performance during the last year with a one-year gross IRR of 18%. The portfolio experienced a slight decline during the third quarter with a gross IRR of (0.8%). Details on the performance drivers are provided below.

Existing Portfolio Value Drivers

- **Highgate Hotels:** The investment experienced a net value appreciation of $2.3 million during the quarter, primarily driven by the expected refinancing of the Fund's 1st lien position. The Fund invested

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in the Company in February 2018, and it initially performed well. Highgate Hotels is an industry-leading operator of hospitality real estate assets and hospitality-adjacent operating businesses, including urban gateway hotels, resorts, and select service and extended stay hotels. In 2020, the Company was heavily impacted by the COVID-19 pandemic, bringing revenue to near zero for a period as hotels were temporarily closed. Hamilton Lane worked closely with the credit sponsor and company management as they worked to navigate an uncertain environment. Highgate made a strategic acquisition in 2021 and was ultimately able to successfully rebound from their pandemic-related challenges. Subsequent to quarter end, the Fund's 1st Lien investment was refinanced (in October 2023), resulting in a $25.7 million distribution bringing the realized IRR to 7.6% and DPI to 1.43x.

- Learning Care Group: The investment experienced a net value appreciation of $2.3 million during the quarter, which was driven by increased pricing QoQ on the preferred equity by 6.1% and another write-up in value of the warrants, which increased by ~3.9% in value QoQ. These value improvements were primarily due to upticks in the Company's revenues and EBITDA, reporting 5.7% and 3.6% increases, respectively, on a QoQ basis during FY 2023. In August 2023, our 2nd lien investment was refinanced, resulting in an $18 million distribution bringing the DPI to 1.1x. The preferred equity and warrants remain outstanding. The Company is a provider of early childhood care and education services in the United States and is currently generating an IRR of 14.1% and a TVPI of 1.89x as of September 30, 2023.

- Preston Hollow Capital: The investment experienced a net value depreciation of $4.4 million during the quarter following a $6.1 million net value appreciation in the previous quarter. The volatility in marks has been driven by timing of an equity investment from a large asset manager that occurred at the end of the second quarter as well as mark-to-market volatility of the underlying municipal bond holdings of the company. Overall, the Company continues to be a strong performer for the portfolio, and the value shifts in Q2 and Q3 ultimately equate to a modest increase in value YTD for the Fund with a year-to-date IRR of 6.9%. An opportunistic equity investment, the Company specializes in originating and trading in complex middle-market municipal debt. The investment is currently generating an IRR of 10.3% and a TVPI of 1.54x as of September 30, 2023.

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As always, we want to thank you for your continued partnership. Should you have any questions on the fund or want to discuss the private markets more broadly, please don't hesitate to reach out.

Kind Regards,

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The past performance information contained in this report is not necessarily indicative of future results and there is no assurance that the funds will achieve comparable results or that they will be able to implement their investment strategy or achieve their investment objectives. The actual realized value of currently unrealized investments will depend on a variety of factors, including future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which the current unrealized valuations are based.

Any tables, graphs or charts relating to past performance included in this report are intended only to illustrate the performance of the funds or the portfolio companies referred to for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

As of September 30, 2023

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