HARBOR SPRING
CAPITAL

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Dear Investor,

Please see below the Q2 2018 update for Harbor Spring Capital Partners, LP and Harbor Spring Capital Partners Offshore, Ltd. (collectively, the "Funds").

SUMMARY[1]

In Q2 2018, the Funds generated a 4.6% gross return and 3.8% net return after incentive reallocation.[2,3] This performance compares to 3.4% for the S&P 500 and 1.9% for the MSCI World Index over the same period.[4] Average gross and net exposure for the Funds during the quarter was 162.4% and 81.0%, respectively.[5]

In the first half of 2018, the Funds generated a 8.8% gross return and 7.2% net return after incentive reallocation.[2,3] This performance compares to 2.6% for the S&P 500 and 0.8% for the MSCI World Index over the same period.[4] Average gross and net exposure for the Funds during this time was 160.7% and 78.9%, respectively.[5]

PERFORMANCE HISTORY OF FUNDS

	Q2 2018	2018 YTD	Since Inception (7/1/2013)	Annualized Since Inception (7/1/2013)
Gross	4.6%	8.8%	97.1%	14.5%
Net	3.8%	7.2%	75.3%	11.9%
S&P 500	3.4%	2.6%	87.7%	13.4%
MSCI World	1.9%	0.8%	65.1%	10.6%

In Q2 2018, the investment positions in the Funds generated a 5.2% return, with attribution as follows:[6]

Q2 2018 PERFORMANCE ATTRIBUTION[7]

						TOTAL
	Long	Short				
Long/Short	7.5%	-2.3%				5.2%
	Public Equity	Credit	Private Equity	Other		
Asset Class	5.2%	0.0%	0.0%	0.0%		5.2%
	United States	Americas	Europe	Asia	Other	
Geography	2.7%	-0.0%	1.6%	0.9%	0.0%	5.2%
	TMT[8]	Consumer/Retail	Business Services	Other	Index	
Sector	3.0%	-0.3%	1.6%	0.9%	0.0%	5.2%
	<$1 billion	$1-5 billion	>$5-10 billion	>$10 billion		
Market Capitalization	0.4%	2.4%	0.8%	1.6%		5.2%

FIVE LARGEST CONTRIBUTORS TO PERFORMANCE IN Q2 2018[7]					
Position	Asset Class	Geography	Sector	Market Capitalization	Attribution
Liberty Formula One	Public equity	Europe	Media and internet	>$5 billion - $10 billion	2.4%
Syneos Health	Public equity	United States	Healthcare	$1 billion - $5 billion	1.5%
Facebook	Public equity	United States	Media and internet	>$10 billion	1.0%
Live Nation Entertainment	Public equity	United States	Media and internet	>$10 billion	0.9%
Short A	Public equity	Asia	Healthcare	$1 billion - $5 billion	0.9%

FIVE LARGEST DETRACTORS FROM PERFORMANCE IN Q2 2018[7]					
Position	Asset Class	Geography	Sector	Market Capitalization	Attribution
Short B	Public equity	United States	Healthcare	$1 billion - $5 billion	-1.0%
Short C	Public equity	United States	Media and internet	>$10 billion	-0.8%
Short D	Public equity	Europe	Technology	>$5 billion - $10 billion	-0.7%
Middleby	Public equity	United States	Industrial and logistics	>$5 billion - $10 billion	-0.7%
Entercom	Public equity	United States	Media and internet	$1 billion - $5 billion	-0.6%

In the first half of 2018, the investment positions in the Funds generated a 9.9% return, with attribution as follows:[6]

2018 YTD PERFORMANCE ATTRIBUTION[7]						TOTAL
	Long	Short				
Long/Short	14.0%	-4.1%				9.9%
	Public Equity	Credit	Private Equity	Other		
Asset Class	9.9%	0.0%	0.0%	0.0%		9.9%
	United States	Americas	Europe	Asia	Other	
Geography	7.2%	0.1%	1.4%	1.2%	0.0%	9.9%
	TMT[3]	Consumer/Retail	Business Services	Other	Index	
Sector	6.6%	-0.4%	4.9%	-1.2%	0.0%	9.9%
	<$1 billion	$1-5 billion	>$5-10 billion	>$10 billion		
Market Capitalization	1.7%	-0.1%	-0.5%	8.8%		9.9%

FIVE LARGEST CONTRIBUTORS TO PERFORMANCE IN 2018 YTD[7]					
Position	Asset Class	Geography	Sector	Market Capitalization	Attribution
SS&C Technologies	Public equity	United States	Technology	>$10 billion	3.1%
Amazon	Public equity	United States	Media and internet	>$10 billion	1.7%
Liberty Formula One	Public equity	Europe	Media and internet	>$5 billion - $10 billion	1.6%
Travelport	Public equity	Europe	Business services	$1 billion - $5 billion	1.4%
Booking Holdings	Public equity	United States	Media and internet	>$10 billion	1.1%

FIVE LARGEST DETRACTORS FROM PERFORMANCE IN 2018 YTD[7]					
Position	Asset Class	Geography	Sector	Market Capitalization	Attribution
Short D	Public equity	Europe	Technology	>$5 billion - $10 billion	-1.9%
Short B	Public equity	United States	Healthcare	$1 billion - $5 billion	-1.4%
Middleby	Public equity	United States	Industrial and logistics	>$5 billion - $10 billion	-1.2%
Short E	Public equity	United States	Media and internet	$1 billion - $5 billion	-0.8%
Short C	Public equity	United States	Media and internet	>$10 billion	-0.8%

Exposure for the Funds at quarter end was 160.8% gross and 82.0% net, with gross exposure as follows:[5]

Q2 2018 ENDING GROSS EXPOSURE[7]						TOTAL
	Long	Short				
Long/Short	121.4%	39.4%				160.8%
	Public Equity	Credit	Private Equity	Other		
Asset Class	160.4%	0.0%	0.4%	0.0%		160.8%
	United States	Americas	Europe	Asia	Other	
Geography	117.6%	5.7%	27.7%	9.8%	0.0%	160.8%
	TMT[8]	Consumer/Retail	Business Services	Other	Index	
Sector	72.5%	20.9%	32.0%	35.4%	0.0%	160.8%
	<$1 billion	$1-5 billion	>$5-10 billion	>$10 billion		
Market Capitalization	2.7%	41.6%	25.3%	91.2%		160.8%

FIVE LARGEST LONG POSITIONS AT END OF Q2 2018[7]

Position	Asset Class	Geography	Sector	Market Capitalization	Gross Exposure
SS&C Technologies	Public equity	United States	Technology	>$10 billion	14.7%
Liberty Formula One	Public equity	Europe	Media and internet	>$5 billion - $10 billion	11.3%
United Rentals	Public equity	United States	Industrial and logistics	>$10 billion	5.3%
Amazon	Public equity	United States	Media and internet	>$10 billion	5.1%
Facebook	Public equity	United States	Media and internet	>$10 billion	5.0%

FIVE LARGEST SHORT POSITIONS AT END OF Q2 2018[7]

Position	Asset Class	Geography	Sector	Market Capitalization	Gross Exposure
Short C	Public equity	United States	Media and internet	>$10 billion	4.4%
Short F	Public equity	United States	Consumer staples	>$10 billion	2.8%
Short A	Public equity	Asia	Healthcare	$1 billion - $5 billion	2.7%
Short G	Public equity	Asia	Healthcare	>$10 billion	2.6%
Short B	Public equity	United States	Healthcare	$1 billion - $5 billion	2.4%

THE HARBOR SPRING APPROACH

As we noted in our Q4 2014 letter, age is the one thing that goes up but does not come down. Having recently crossed five years of investment operations, in the same year that various team members turned 30, 40 and 50, we have had occasion to reflect on the benefits of experience. Though we believe what some may call middle age provides advantages to us as individuals and as an organization in the pursuit of investment excellence, our state of mind reflects the Day 1 approach made popular by Amazon and highlighted in its first annual letter to shareholders, the 20th anniversary of which was passed this past quarter. The startup mentality of Day 1 emphasizes that substantial long-term value is created through the combination of an unchanging obsession over customers with a dynamism that avoids stasis. Just as it is always Day 1 at Amazon, despite the company's approaching $1 trillion in market capitalization, it is always Day 1 at Harbor Spring, despite our approaching $1 billion in assets under management.

Since inception, the Funds have delivered a net annualized return of 11.9% on average gross exposure of 133.1% and average net exposure of 49.7%.[2,3,5] Performance contribution from long positions has been 17.3% annualized on average gross exposure of 91.4%, and performance contribution from short positions has been -1.6% annualized on average gross exposure of 41.7%.[5,6] This performance compares to 13.4% annualized for the S&P 500 and 10.6% annualized for the MSCI World Index over the same period.[4]

Though we are reasonably pleased with this performance given a market environment that we have generally characterized as exceptional not for its bountiful opportunities but rather for its historical anomalies, we are not satisfied. We believe our outcomes have been better than good but not excellent, and we remain committed to a level of process excellence that we view as critical to the delivery of long-term performance excellence across market and economic cycles. In our Q3 2013 letter, our first, we referenced a two-thousand-year-old quotation from Aristotle:

> "Excellence is an art won by training and habituation. We do not act rightly because we have virtue or excellence, but we rather have those because we acted rightly. We are what we repeatedly do. Excellence, then, is not an act, but a habit."

Inspiration and wisdom can also come from less ancient and recognized philosophers. Two years ago, our portfolio manager had an impactful conversation with an Uber driver.

Portfolio manager:	"How's it going?"
Uber driver:	"Almost ok."
Portfolio manager:	"Almost?"
Uber driver:	"If it was ok then there would be nothing to strive for."
Portfolio manager:	[Appreciative nodding and immediate note-taking]

To be the best, we believe you can never assume you are. There is always better. In our never-ending quest to improve, we do not believe we will outsmart our way to superior long-term performance, but we believe we can outhustle, outbrave and outlast our way there. Some of our best investments have resulted from digging where many others do not (e.g., orphaned securities that escape attention), going where many others will not (e.g., emerging markets during periods of global macroeconomic concerns) and sticking around when many others cannot (e.g., challenging short-term performance and negative headlines). We have yet to draw on what may be our most precious competitive advantage, duration of capital and robust relationships, as we have not experienced a market dislocation of significant magnitude and length.

In early July, we had the opportunity, as we turned from our first five years to our next five years, to spend time together at a firm offsite in the area surrounding and including Harbor Springs, Michigan that inspired our name.

Our business revolves around the evaluation of financial risks and rewards, and the words Harbor and Spring, as a derivative of Harbor Springs, captures that idea. Harbors provide safety and protection, so the risk management and capital preservation aspects of what we do are laid clear. Spring represents growth, so the reward-seeking and capital appreciation aspects of what we do are laid clear. But you have to simultaneously focus on both in order to achieve reliable and sustainable success in investing.

Harbor Springs and the surrounding towns on Lake Michigan are places that our portfolio manager grew up visiting with family. Our name serves as a constant reminder of the importance of roots, fundamentals and authenticity. It keeps us grounded in something real as we seek to take off in achieving what may seem unreal. We resolve to stay true to our foundations, as individuals and collectively as a firm, over time and through various market environments. Rather than try to be something to most, risking being very little to all, we would rather be everything to some.

Harbor Springs was incorporated in 1880, and its population is 1,194 as of the 2010 Census.[9] It is not famous, and it is not fancy or flashy. But it is, to those who know it, fantastic. We endeavor to have our firm exhibit these same characteristics. Day in, day out, operating with integrity, excellence and humility, in a gritty and step-by-step pursuit of lasting greatness for stakeholders.

Evolution, of course, is required. What served us well Day 1 (July 1, 2013) may not be the same that serves us well today, Day 1,851 (July 25, 2018), which is not necessarily what will serve us well on Day 10,000 (November 15, 2040). Adjustments must be made and tweaks implemented in our aim to learn (through a focus on continuous improvement), earn (over and again, the privilege of managing your capital) and return (a rate of long-term capital compounding superior to that of alternatives). Recent developments, such as the announced liquidation of retailer Toys"R"Us and the removal of General Electric from the Dow Jones Industrial Average, itself an archaic market index, remind us that historical quality, performance and relevance are no guarantee of future results. Adaptation to structural trends and changing circumstances is important. We recently learned that City Winery, the New York City restaurant where we celebrated our firm's three-year anniversary in 2016, will have to leave its flagship location to make room for a large corporate tenant. Though the look and location may differ, we expect the substance and quality of this boutique establishment will remain and grow.

In the past five years, we have enhanced our team, built additional infrastructure, refined our processes and focused our efforts. Our firm philosophy and investment strategy have not budged. We are grateful to enjoy clarity of purpose, an alignment of motivations among a high-quality team and the support of like-minded partners. We believe, in many ways, we are just getting started, making it particularly meaningful that our firm could convene as a group earlier this month in Harbor Springs, where, in many ways, much of what drives our firm's values and approach actually got started, on Day 0.

We trust that with this 20th quarterly letter, The Harbor Spring Approach is well understood by now. Please forgive us if we spend less time in the future describing who we are in these letters so we can devote more time to demonstrating what we can do. We will continue to disclose as much or more about the portfolio and its performance while including somewhat less discussion. Our approach, market view and portfolio do not vary much from quarter to quarter, so we will not always have meaningful content to offer every three months. Our goal is to align our observations more closely with the time horizon of our investment program and the frequency with which we believe we have broadly applicable market insights and important organizational updates to share. We are always available telephonically and in person to answer questions and provide commentary.

PORTFOLIO UPDATE

In the past quarter, our gross exposure grew from 148.9% to 160.8% and our net exposure grew from 80.1% to 82.0%.

In Q2 2018, we initiated five long and six short positions. The long positions (Santander Consumer, Micron Technology, Smiles, PagSeguro Digital and QTS Realty Trust) are diversified across geography (United States and Americas), sector (financials, technology and business services) and market capitalization ($1 billion - $5 billion, >$5 billion - $10 billion and >$10 billion). The short positions are diversified across geography (United States and Asia), sector (consumer discretionary, healthcare, industrial and logistics and retail) and market capitalization (<$1 billion, $1 billion - $5 billion and >$10 billion). We closed three long positions (Arris International – detractor from performance; Cotiviti Holdings – contributor to performance; and Middleby – detractor from performance). We closed five short positions, four of which detracted from performance.

At the end of the quarter, we held 47 total positions.[10] Our largest 10 long and short positions represented 65.2% and 25.6% of the Funds' net asset value, respectively.

We highlight below one exited short, one exited long and four current long positions from the portfolio:

Exited Short Position – "TechnologyCo"

In Q2 2018, we exited a short position that we had established in the equity of "TechnologyCo" in Q1 2015. Our second-worst performer since inception and worst performer this year, the position detracted 1.9% from 2018 YTD and 1.6% from 2017 performance after contributing 0.3% to 2016 and 0.4% to 2015 performance. The share price more than tripled from its Q4 2017 low to the time of our exit.

We discussed "TechnologyCo" in our Q2 2015 letter. Since then, the online grocery retailer in the United Kingdom has experienced deteriorating core business fundamentals, as we expected, but we incorrectly judged the company's ability to license its technology to others around the world. Though we assumed the company might sign up a grocer or two, our research indicated the terms of any such deal would be economically unattractive. Beginning in Q4 2017, after years of disappointing investors on the timeline of such announcements, "TechnologyCo" announced several partnerships. In our view, just because it makes headlines does not mean that it makes sense. With minimal details about the deals, whose financial impact will not be demonstrable for at least two years, we were left to fight a battle against bullish investors when our skepticism of the ultimate economic impact of the partnerships cannot be tested for a while. We downsized the position in Q1 2018 given what we believed to be a favorable risk-reward and deferred catalyst.

In Q2 2018, the company announced a large strategic partnership with a United States grocer, including an investment in "TechnologyCo" equity. We fully exited the position after this announcement, which the market cheered, because we did not wish to maintain short exposure to a company whose value is being supported by a series of strategic partnerships when the hopes tied to them cannot be dashed for a while. Though we are patient, we try not to be stubborn. We continue to believe these deals are likely to be structured in a manner unfavorable to "TechnologyCo" and therefore unlikely to generate nearly as much value as the market has ascribed to them, but we clearly misjudged the momentum that has been building among traditional grocery retailers to take steps, even if experimental, to defend against Amazon's global food and grocery ambitions while positioning for efficient delivery services. Despite our exit, we believe this idea has revisit potential when the impact of the company's partnerships will be on the horizon and easier to evaluate.

Exited Long Position – Cotiviti Holdings (COTV)

In Q2 2018, we exited a long position in the equity of Cotiviti Holdings that we had initiated in Q1 2018. The position, which we discussed in our last quarterly letter, contributed 0.8% to 2018 YTD performance.

The largest provider of payment and claims auditing services to commercial health insurers in the United States, Cotiviti enjoys sticky customer relationships based on a clear value proposition, high incremental margins and returns on invested capital and substantial free cash flow. We established our position after a share price decline resulting from what we believed to be a temporary hiccup in operating performance in late 2017. Our visit with senior management at company headquarters in May provided us with conviction that the issues would be short-lived and wishing that we could own the healthcare technology company privately.

Apparently we were not alone. In June, Verscend Technologies, a private equity-backed company, offered to acquire Cotiviti at a 32% premium to its unaffected share price. While we believed that we would experience the multiple years of capital compounding that often accompany ownership of quality companies run by shareholder-focused executives, we were pleased to have the opportunity to quickly realize reasonably fair value with the announced acquisition.

Despite generally high market valuations, we continue to identify idiosyncratic opportunities where we believe public market investors, due to myopia or misunderstanding, underestimate long-term intrinsic value that may be better captured in a private setting. We believe other such examples in our portfolio of long positions include Amerco, Intertrust, Syneos Health, Travelport, QTS Realty Trust and Entercom Communications.

Long Position – Entercom Communications (ETM)

We initiated a long position in the equity of Entercom Communications in Q1 2018. Entercom is a family-run operator of broadcast radio stations across the United States. Having completed a transformative merger with a larger business, CBS Radio, in Q4 2017, the company is now the second largest radio broadcaster in the country.

Our research suggests that CBS Radio was neglected and mismanaged within the larger CBS media empire, whereas Entercom has been a well-managed company focused purely on radio. CBS Radio did not invest efficiently in content, leading to ratings woes and, in turn, advertising revenue declines, at several stations. Since the merger's closing, Entercom has taken steps to change the culture and approach at the former CBS Radio properties. Actions include station format changes, executive shuffling, new hires and the tackling of national advertising budgets now that the combined company has sufficient scale. We believe that improved performance will be revealed in the financials over the next several quarters in the form of growth in the former CBS Radio revenue base and improved margins relative to a conservative synergy target. With minimal ongoing capital requirements and manageable leverage, the company should experience significant improvements in an already substantial free cash flow generation profile. We believe additional upside exists from better monetization of the company's valuable and proprietary local news and sports content either through its digital property, radio.com, or via licensing arrangements.

At initiation, we believed an attractive opportunity existed due to a misplaced narrative about the death of radio broadcasting, some of which has been tied to the financial challenges of operators in bankruptcy and some of which results from the ascendancy of online music services. Our research suggests that, with broad and stable reach and engaged listenership, radio provides an attractive outlet and reasonably priced medium for advertisers. We believe the opportunity improved in the wake of Entercom's Q1 earnings results. The company's share price fell substantially due to what we believe to be mostly one-time items and noise from early merger integration efforts. Our conversations with company management about execution strategy provided us with conviction to add to our position with a view that the key elements of our long-term investment thesis are intact. Interestingly, the founder of the company, who is also the father of its current Chairman and CEO, has been aggressively buying shares in the open market over the past several months. Perhaps he believes, as we do, that the market is missing something and that the company represents both a compelling take-private opportunity for financial buyers and a strategic takeover target for other media company complexes.

Long Position – Activision Blizzard (ATVI)

We initiated a long position in the equity of Activision Blizzard in Q1 2018. A leading global video game software company with over 370 million monthly average users, Activision Blizzard operates across all major gaming platforms through its three main studios: Activision (primarily console), Blizzard (primarily PC) and King (primarily mobile). The video game industry is large and growing, generating over $100 billion in annual revenue, similar in size to the film industry and twice as large as the music industry with significantly higher growth. More people are playing games, playing longer and paying more per person, as consumer engagement shifts from linear entertainment to non-linear and interactive.

We believe Activision Blizzard is best positioned among its peers given its ownership of leading franchises and significant scale. The company owns eight franchises that have each generated over $1 billion in revenue, and it continues to execute on a successful strategy of new content development and sequels. The company also benefits from a shift from a physical and traditional license model to a digital and recurring revenue model, as an increasing share of its revenue, now over half, comes from in-game spend, such as micro-transactions and downloadable content. This revenue garners higher margins and becomes more predictable with real-time, data-driven enhancements to products.

We believe mobile represents a significant opportunity to expand Activision Blizzard's addressable market, because consumers now effectively carry gaming consoles in their pockets. Management is currently focused on leveraging the company's substantial existing IP and developing new IP to tap the mobile market. eSports represents another area of upside, as the company launched its Overwatch League earlier this year, modeling it after traditional sports leagues. The company has already sold a dozen teams, licensed broadcasting rights to ESPN, Disney and Twitch and brought in major corporate sponsors. Lastly, Activision Blizzard has opportunities to further monetize its franchises through advertising, merchandising and other media as a more expansive media and entertainment company.

We believe the combination of sector tailwinds, multiple growth drivers and margin improvement, along with an excellent management team, will make Activision Blizzard an attractive investment for the long term.

Long Position – Smiles (SMLS3)

We re-initiated a long position in the equity of Smiles in Q2 2018. We had previously invested in the company from Q1 2014 through Q1 2017, exiting based on a view that the company was fairly valued. Smiles is the second largest coalition loyalty program in Brazil, with over 14 million members. Formerly the frequent flyer program of GOL, the second largest airline in Brazil, Smiles completed its spinoff with an IPO in April 2013. The company sells points to customers such as banks, retailers and consumers, who typically earn points indirectly through credit card rewards. Smiles purchases goods that are eventually exchanged for redeemed points.

Smiles benefits from multiple growth drivers, including passenger-miles flown, credit card penetration and loyalty program uptake, all of which are significantly lower in Brazil but converging toward levels comparable to more developed markets. Exposure to these trends positions the company for attractive revenue and earnings growth. Smiles enjoys a favorable business model, in which it generates cash upfront from sales but incurs cash costs later when points are redeemed. It also generates 100% margin on miles that expire unused, so its growth is extremely cash generative.

The company recently announced it will enter the Argentinian market. We believe this expansion is underappreciated by investors and should yield additional upside over the next few years. Loyalty program penetration in Argentina is very low and Smiles is partnering with Argentina's largest airline, Aerolineas Argentina.

Despite solid operational performance and growth upside from a new geographical market, which was not contemplated in our original thesis, recent macroeconomic weakness and political uncertainty in Brazil have provided an attractive re-entry point. We experienced a similar dynamic during our previous holding period, when we added to our position after a steep share price decline that proved to be advantageous for long-term shareholders with dry powder.

Long Position – PagSeguro Digital (PAGS)

We re-initiated a long position in the equity of PagSeguro Digital in Q2 2018. We had participated in the company's IPO in Q1 2018 but sold our small position because the rapid ascent in share price following the offering left a less attractive risk-reward. A subsequent decline in share price coincided with our building additional conviction in the investment opportunity through ongoing research, leading to our re-initiation.

PagSeguro is the leading provider of mobile point-of-sale devices to small and medium-sized merchants in Brazil, much like Square in the United States. As a merchant acquirer, the company enables its customers to accept card-based and other electronic payments. The company began as a wholly owned subsidiary of Brazil's largest internet company, United Online. In 2013, the company up-ended the existing merchant acquiring business model by: (1) offering cheap equipment; (2) allowing merchants to purchase devices and pay no ongoing rental fee, unlike the offering of competitors; (3) creating a viral, self-service model which required little to no customer service; and (4) advertising the product broadly to kickstart adoption. These four innovations have propelled the company to nearly 4 million active merchants and over $10 billion of total payment volume, a figure that is expected to almost double this year. Despite this early success, PagSeguro still operates in a largely unserved addressable market, with an estimated 12-25 million potential customers. The company's market share in Brazil is still under 3% of its core market and under 1% of the overall market, leaving plenty of room to grow within its core customer base and the potential to gain traction with larger merchants. Our research suggests that larger retailers have already begun approaching the company.

We believe an opportunity exists to own a stake in one of the fastest-growing publicly traded payments companies in the world at a substantial discount to its intrinsic value, as a result of investor fears that we believe are overstated. These concerns include potential competition, the peculiarity of a high-margin stream of low-risk financing income endemic to the Brazilian market, weakness in the local economy and uncertainty about upcoming elections.

In May, we visited PagSeguro, its competitors, regulators and several other stakeholders in Brazil. We believe that competition, while a real threat, is more likely to validate the market opportunity and potentially even enhance PagSeguro's position than to erode its existing business. Incumbent merchant acquirers, tied to their major bank shareholders, are hesitant to disrupt a system that has served the banks well. Our discussions with regulators suggest a measured approach to any potential changes in the Brazilian payments ecosystem. We believe that any adjustments to the system would likely occur over time and entrench the first movers. We have no strong view on the current economic and political climate in Brazil but have conviction that a high quality payments company with a leadership position in a market with substantial long-term growth potential is a good place to invest. We also believe investors ignore PagSeguro's product pipeline, which includes a market leading e-wallet solution, prepaid cards, bill payment and other simple software systems for small businesses. These incremental offerings can help entrench PagSeguro with its core customers and provide incremental monetization opportunities.

SPECIAL PURPOSE VEHICLE

In Q2 2018 we launched Harbor Spring Capital SPV Partners, LP (the "SPV") to offer investors the opportunity to achieve increased and dedicated exposure to the equity securities of SS&C Technologies. The company has been a core position in our portfolio since Day 1, and it is our largest position on Day 1,851. SS&C Technologies has delivered a 26.5% annualized total shareholder return over the past five years and a 28.6% total shareholder return over the past six months, and it represents the largest position-level contributor to our performance since inception and in 2018 YTD. We believe it continues to offer a particularly compelling risk-reward profile today.[6] With a 0% management fee, 20% incentive allocation over a 10% annually compounding hurdle rate and quarterly liquidity, the SPV in most cases provides improved net return potential and enhanced liquidity relative to additional exposure to the company in the Funds. Please reach out to us if you are interested in following up on the SPV.

As always, we are grateful for your trust, partnership and support. We look forward to writing again next quarter, and in the meantime, please reach out with any questions, concerns or suggestions.

Best regards,

Harbor Spring Capital, LLC