

# NICHOLAS INVESTMENT PARTNERS

## Nicholas Partners Small Cap Growth Fund

The Advisors' Inner Circle Fund III

Investment Adviser:  
**NICHOLAS INVESTMENT PARTNERS, L.P.**

**Semi-Annual Report**

**March 31, 2019**

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund electronically by contacting your financial intermediary.

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to inform it that you wish to continue receiving paper copies of your shareholder reports. If you invest directly with the Fund, you can inform the Fund that you wish to continue receiving paper copies of your shareholder reports by calling 1-833-810-7345. Your election to receive reports in paper will apply to the Small Cap Growth Fund held with your financial intermediary if you invest through a financial intermediary or Nicholas Investment Partners, L.P. if you invest directly with the Fund.

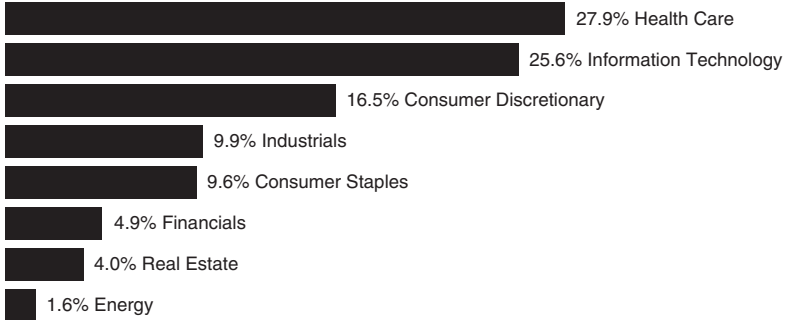
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The Fund files its complete schedule of investments with the Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-Q or as an exhibit to its reports on Form N-PORT within sixty days after period end. The Fund’s Form N-Q and Form N-PORT reports are available on the SEC’s website at <http://www.sec.gov>, and may be reviewed and copied at the SEC’s Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to Fund securities, as well as information relating to how a Fund voted proxies relating to fund securities during the most recent 12-month period ended June 30, is available (i) without charge, upon request, by calling 1-833-810-7345; and (ii) on the SEC’s website at <http://www.sec.gov>.

**SECTOR WEIGHTINGS†**



† Percentages are based on total investments.

**SCHEDULE OF INVESTMENTS**  
**COMMON STOCK\*\* — 95.4%**

	Shares	Value
<b>Consumer Discretionary — 15.8%</b>		
Callaway Golf .....	74,356	\$ 1,184,491
Chegg * .....	19,535	744,674
Clarus .....	31,748	406,692
Denny's * .....	32,937	604,394
Etsy * .....	7,595	510,536
Five Below * .....	5,879	730,466
Grand Canyon Education * .....	5,601	641,371
Planet Fitness, CI A * .....	13,316	915,076
Steven Madden .....	19,256	651,623
Stoneridge * .....	14,533	419,422
Wendy's .....	43,360	775,710
Zumiez * .....	16,555	412,054
		7,996,509
<b>Consumer Staples — 9.2%</b>		
Chefs' Warehouse * .....	14,744	457,801
Freshpet * .....	21,003	888,217
Hostess Brands, CI A * .....	44,746	559,325
Inter Parfums .....	3,503	265,773
Nomad Foods * .....	61,948	1,266,836
Simply Good Foods * .....	58,788	1,210,445
		4,648,397

The accompanying notes are an integral part of the financial statements.

THE ADVISORS' INNER CIRCLE FUND III

NICHOLAS PARTNERS  
SMALL CAP GROWTH FUND  
MARCH 31, 2019  
(Unaudited)

<b>COMMON STOCK — continued</b>		
	<b>Shares</b>	<b>Value</b>
<b>Energy — 1.5%</b>		
Matador Resources * .....	39,653	\$ 766,492
<b>Financials — 4.6%</b>		
Kemper .....	16,910	1,287,527
Moelis, CI A .....	11,872	493,994
Western Alliance Bancorp * .....	13,778	565,449
		<u>2,346,970</u>
<b>Health Care — 26.6%</b>		
Aerie Pharmaceuticals * .....	8,357	396,958
Amarin ADR * .....	19,407	402,889
Argenx ADR * .....	4,299	536,687
Array BioPharma * .....	19,730	481,017
Biohaven Pharmaceutical Holding * .....	9,660	497,200
BioTelemetry * .....	7,384	462,386
Blueprint Medicines * .....	6,481	518,804
Clovis Oncology * .....	10,654	264,432
Exact Sciences * .....	4,364	378,010
Global Blood Therapeutics * .....	7,795	412,589
Gossamer Bio * .....	12,392	268,535
GW Pharmaceuticals ADR * .....	2,694	454,128
Immunomedics * .....	20,452	392,883
Insmed * .....	9,663	280,903
Insulet * .....	4,889	464,895
Krystal Biotech * .....	10,116	332,816
MyoKardia * .....	9,116	473,941
NeoGenomics * .....	26,534	542,886
Nevro * .....	8,553	534,648
Novocure * .....	16,716	805,210
Reata Pharmaceuticals, CI A * .....	2,665	227,778
Repligen * .....	6,593	389,515
Sage Therapeutics * .....	3,326	529,000
Sarepta Therapeutics * .....	3,142	374,495
Tabula Rasa HealthCare * .....	6,479	365,545
Tactile Systems Technology * .....	7,099	374,259
Teladoc Health * .....	9,004	500,622
TherapeuticsMD * .....	84,606	412,031
uniQure * .....	7,646	456,084
Vapotherm * .....	12,754	250,616
Viking Therapeutics * .....	45,817	455,421
Wright Medical Group * .....	7,875	247,669
		<u>13,484,852</u>

The accompanying notes are an integral part of the financial statements.

**THE ADVISORS' INNER CIRCLE FUND III**

**NICHOLAS PARTNERS  
SMALL CAP GROWTH FUND  
MARCH 31, 2019  
(Unaudited)**

**COMMON STOCK — continued**

	Shares	Value
<b>Industrials — 9.5%</b>		
Chart Industries *	6,419	\$ 581,048
Harsco *	46,462	936,674
Kennametal	16,326	599,980
RBC Bearings *	4,895	622,497
SkyWest	20,878	1,133,467
Timken	21,072	919,161
		<u>4,792,827</u>
<b>Information Technology — 24.4%</b>		
Advanced Energy Industries *	7,711	383,083
Alteryx, CI A *	3,481	291,951
Aspen Technology *	3,717	387,534
Avalara *	4,931	275,101
CACI International, CI A *	2,798	509,292
Cornerstone OnDemand *	13,019	713,181
EPAM Systems *	5,103	863,070
Everbridge *	13,144	985,931
ForeScout Technologies *	17,995	754,170
LiveRamp Holdings *	9,623	525,127
ManTech International, CI A	20,996	1,134,204
Monolithic Power Systems	9,441	1,279,161
Nutanix, CI A *	7,434	280,559
Q2 Holdings *	3,679	254,808
Radware *	25,354	662,500
Rapid7 *	17,585	889,977
SailPoint Technologies Holding *	15,701	450,933
Upland Software *	6,336	268,393
Virtusa *	7,605	406,487
Workiva, CI A *	5,615	284,681
Zscaler *	3,375	239,389
Zuora, CI A *	27,469	550,204
		<u>12,389,736</u>
<b>Real Estate — 3.8%</b>		
Americold Realty Trust ‡	18,021	549,821
Innovative Industrial Properties, CI A ‡	8,501	694,447
Terreno Realty ‡	15,980	671,799
		<u>1,916,067</u>
<b>Total Common Stock</b>		
(Cost \$39,209,029)		<u>48,341,850</u>
<b>Total Investments - 95.4%</b>		
(Cost \$39,209,029)		<u>\$ 48,341,850</u>

The accompanying notes are an integral part of the financial statements.

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*Percentages are based on Net Assets of \$50,672,711.*

- \* Non-income producing security.
- \*\* More narrow industries are utilized for compliance purposes, whereas broad sectors are utilized for reporting purposes.
- ‡ Real Estate Investment Trust.

ADR — American Depositary Receipt

CI — Class

As of March 31, 2019, all of the Fund's investments were considered Level 1, in accordance with the authoritative guidance of fair value measurements and disclosure under U.S. generally accepted accounting principles.

For the period ended March 31, 2019, there were no transfers between Level 1, Level 2 and Level 3 assets and liabilities. Transfers, if any, between levels are considered to have occurred at the end of the period.

For the period ended March 31, 2019, there were no Level 3 securities.

For more information on valuation inputs, see Note 2 – Significant Accounting Policies in the Notes to Financial Statements.

**THE ADVISORS' INNER CIRCLE FUND III**

**NICHOLAS PARTNERS  
SMALL CAP GROWTH FUND  
MARCH 31, 2019  
(Unaudited)**

**STATEMENT OF ASSETS AND LIABILITIES**

<b>Assets:</b>	
Investments, at Value (Cost \$39,209,029) .....	\$ 48,341,850
Cash .....	2,117,373
Receivable for Investment Securities Sold .....	221,980
Dividend and Interest Receivable .....	21,497
Deferred Offering Costs .....	81,204
Prepaid Expenses .....	952
<b>Total Assets</b> .....	<u>50,784,856</u>
<b>Liabilities:</b>	
Payable for Investment Securities Purchased .....	68,841
Payable Due to Adviser .....	9,026
Shareholder Servicing .....	8,509
Payable Due to Administrator .....	6,794
Chief Compliance Officer Fees Payable .....	1,271
Other Accrued Expenses .....	17,704
<b>Total Liabilities</b> .....	<u>112,145</u>
<b>Net Assets</b> .....	<u>\$ 50,672,711</u>
<b>Net Assets Consist of:</b>	
Paid-in Capital .....	\$ 41,181,713
Total Distributable Earnings .....	9,490,998
<b>Net Assets</b> .....	<u>\$ 50,672,711</u>
<b>Net Asset Value and Offering Price Per Share</b>	
Institutional Shares ( $\$50,672,711 \div 4,597,277$ shares) (unlimited authorization — no par value) .....	<u>\$ 11.02</u>

The accompanying notes are an integral part of the financial statements.

**THE ADVISORS' INNER CIRCLE FUND III**

**NICHOLAS PARTNERS  
SMALL CAP GROWTH FUND  
PERIOD ENDED MARCH 31, 2019\*  
(Unaudited)**

**STATEMENT OF OPERATIONS**

**Investment Income:**

Dividend Income .....	\$ 69,176
Interest Income .....	5,981
Less: Foreign Taxes Withheld .....	<u>(426)</u>

**Total Investment Income** ..... 74,731

**Expenses:**

Investment Advisory Fees .....	74,156
Administration Fees .....	16,219
Shareholder Servicing Fees .....	8,509
Trustees' Fees .....	3,249
Chief Compliance Officer Fees .....	1,271
Professional Fees .....	15,905
Offering Costs .....	15,603
Transfer Agent Fees .....	5,715
Printing Fees .....	3,599
Registration Fees .....	1,549
Custodian Fees .....	1,231
Insurance and Other Expenses .....	<u>3,883</u>

**Total Expenses** ..... 150,889

**Less:**

Waiver of Investment Advisory Fees .....	<u>(53,002)</u>
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**Net Expenses** ..... 97,887

**Net Investment Loss** ..... (23,156)

**Net Realized Gain on Investments** ..... 381,333

**Net Unrealized Appreciation on Investments** ..... 4,341,861

**Net Realized and Unrealized Gain on Investments** ..... 4,723,194

**Net Increase in Net Assets Resulting from Operations** ..... \$ 4,700,038

\* The Fund commenced operations on January 16, 2019.

The accompanying notes are an integral part of the financial statements.



## STATEMENT OF CHANGES IN NET ASSETS

	Period Ended March 31, 2019* (Unaudited)
<b>Operations:</b>	
Net Investment Loss .....	\$ (23,156)
Net Realized Gain on Investments .....	381,333
Net Unrealized Appreciation on Investments .....	4,341,861
<b>Net Increase in Net Assets Resulting from Operations .....</b>	<b>4,700,038</b>
<b>Capital Share Transactions:</b>	
Institutional Shares:	
Issued in Connection with In-Kind Transfer** .....	45,972,673
<b>Net Increase in Net Assets from Share Transactions .....</b>	<b>45,972,673</b>
<b>Total Increase in Net Assets .....</b>	<b>50,672,711</b>
<b>Net Assets:</b>	
Beginning of Period .....	—
End of Period .....	<u>\$ 50,672,711</u>
<b>Shares Transactions:</b>	
Institutional Shares	
Issued in Connection with In-Kind Transfer** .....	4,597,277
<b>Net Increase in Shares Outstanding from Share Transactions .....</b>	<b>4,597,277</b>

\* The Fund commenced operations on January 16, 2019.

\*\* See Note 10 in Notes to Financial Statements.  
Amounts designated as “—” are \$0.

The accompanying notes are an integral part of the financial statements.

FINANCIAL HIGHLIGHTS

Selected Per Share Data & Ratios  
For a Share Outstanding  
Throughout the Period

	<b>Period Ended March 31, 2019* (Unaudited)</b>
<b>Institutional Shares</b>	
Net Asset Value, Beginning of Period .....	\$ 10.00
Income (Loss) from Operations:	
Net Investment Loss <sup>(1)</sup> .....	(0.01)
Net Realized and Unrealized Gain .....	1.03
Total from Operations .....	<u>1.02</u>
Net Asset Value, End of Period .....	<u>\$ 11.02</u>
<b>Total Return†</b> .....	<u>10.20%</u>
<b>Ratios and Supplemental Data</b>	
Net Assets, End of Period (Thousands) .....	\$ 50,673
Ratio of Expenses to Average Net Assets .....	0.99%**
Ratio of Expenses to Average Net Assets (Excluding Waivers and Fees Paid Indirectly) .....	1.53%**
Ratio of Net Investment Loss to Average Net Assets .....	(0.23)%**
Portfolio Turnover Rate .....	10%***

(1) Per shares calculations were performed using average shares for the period.

\* The Fund commenced operations on January 16, 2019.

\*\* Annualized

\*\*\* Portfolio turnover is for the period indicated and has not been annualized.

† Total return is for the period indicated and has not been annualized. Total return would have been lower had certain expenses not been waived and assumed by the Adviser during the period. Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

The accompanying notes are an integral part of the financial statements.

## NOTES TO FINANCIAL STATEMENTS (Unaudited)

## 1. Organization:

The Advisors' Inner Circle Fund III (the "Trust") is organized as a Delaware statutory trust under a Declaration of Trust dated December 4, 2013. The Trust is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company with 28 funds. The financial statements herein are those of the Nicholas Partners Small Cap Growth Fund (the "Fund"). The investment objective of the Fund is to seek long-term capital appreciation. The Fund is classified as a diversified investment company and invests 80% of its net assets in securities of small-capitalization companies. Nicholas Investment Partners, L.P. serves as the Fund's investment adviser (the "Adviser"). The Fund currently offers Institutional Class Shares. The Fund commenced operations on January 16, 2019. The financial statements of the remaining funds of the Trust are presented separately. The assets of each fund are segregated, and a shareholder's interest is limited to the fund in which shares are held.

## 2. Significant Accounting Policies:

The following are significant accounting policies, which are consistently followed in the preparation of the financial statements of the Fund. The Fund is an investment company that applies the accounting and reporting guidance issued in Topic 946 by the U.S. Financial Accounting Standards Board ("FASB").

*Use of Estimates* — The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the fair value of assets and liabilities and disclosure 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 and such differences could be material.

*Security Valuation* — Securities listed on a securities exchange, market or automated quotation system for which quotations are readily available (except for securities traded on the NASDAQ Stock Market (the "NASDAQ")), including securities traded over the counter, are valued at the last quoted sale price on an exchange or market (foreign or domestic) on which they are traded on valuation date (or at approximately 4:00 pm Eastern Standard Time if a security's primary exchange is normally open at that time), or, if there is no such reported sale on the valuation date, at the most recent quoted bid price. For securities traded on NASDAQ, the NASDAQ Official Closing Price will be used. If available, debt securities are priced based upon valuations provided by independent, third-party

pricing agents. Such values generally reflect the last reported sales price if the security is actively traded. The third-party pricing agents may also value debt securities at an evaluated bid price by employing methodologies that utilize actual market transactions, broker supplied valuations, or other methodologies designed to identify the market value for such securities. Such methodologies generally consider such factors as security prices, yields, maturities, call features, ratings and developments relating to specific securities in arriving at valuations. On the first day a new debt security purchase is recorded, if a price is not available on the automated pricing feeds from our primary and secondary pricing vendors nor is it available from an independent broker, the security may be valued at its purchase price. Each day thereafter, the debt security will be valued according to the Trusts' Fair Value Procedures until an independent source can be secured. Debt obligations with remaining maturities of sixty days or less may be valued at their amortized cost, which approximates market value provided that it is determined the amortized cost continues to approximate fair value. Should existing credit, liquidity or interest rate conditions in the relevant markets and issuer specific circumstances suggest that amortized cost does not approximate fair value, then the amortized cost method may not be used. The prices for foreign securities are reported in local currency and converted to U.S. dollars using currency exchange rates.

Securities for which market prices are not "readily available" are valued in accordance with "Fair Value Procedures" established by the Fund's Board of Trustees (the "Board"). The Fund's Fair Value Procedures are implemented through a Fair Value Committee (the "Committee") designated by the Board. Some of the more common reasons that may necessitate that a security be valued using Fair Value Procedures include: the security's trading has been halted or suspended; the security has been de-listed from a national exchange; the security's primary trading market is temporarily closed at a time when under normal conditions it would be open; the security has not been traded for an extended period of time; the security's primary pricing source is not able or willing to provide a price; or trading of the security is subject to local government imposed restrictions. When a security is valued in accordance with the Fair Value Procedures, the Committee will determine the value after taking into consideration relevant information reasonably available to the Committee.

In accordance with U.S. GAAP, the Fund discloses fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between

market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1 — Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Fund has the ability to access at the measurement date;
- Level 2 — Other significant observable inputs (includes quoted prices for similar securities, interest rates, prepayment speeds, credit risk, referenced indices, quoted prices in inactive markets, adjusted quoted prices in active markets, adjusted quoted prices on foreign equity securities that were adjusted in accordance with pricing procedures approved by the Board, etc.); and
- Level 3 — Prices, inputs or exotic modeling techniques which are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Investments are classified within the level of the lowest significant input considered in determining fair value. Investments classified within Level 3 whose fair value measurement considers several inputs may include Level 1 or Level 2 inputs as components of the overall fair value measurement.

For the period ended March 31, 2019, there have been no significant changes to the Fund's fair valuation methodology.

*Federal Income Taxes* — It is the Fund's intention to qualify as a regulated investment company for Federal income tax purposes by complying with the appropriate provisions of Subchapter M of the Internal Revenue Code of 1986 (the "Code"), as amended. Accordingly, no provisions for Federal income taxes have been made in the financial statements.

The Fund evaluates tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether it is "more-likely than-not" (i.e., greater than 50-percent) that each tax position will be sustained upon examination by a taxing authority based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current period. The Fund did not record any tax provision in the current period. However, management's conclusions regarding tax positions taken may be subject to review and adjustment at a later date based on factors including, but not limited to, examination by tax

authorities (i.e., from commencement of operations, as applicable), on-going analysis of and changes to tax laws, regulations and interpretations thereof.

As of and during the period ended March 31, 2019, the Fund did not have a liability for any unrecognized tax benefits. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the period ended March 31, 2019, the Fund did not incur any interest or penalties.

*Security Transactions and Investment Income* — Security transactions are accounted for on trade date. Costs used in determining realized gains and losses on the sale of investment securities are based on the specific identification method. Dividend income and expense are recorded on the ex-dividend date. Interest income is recognized on the accrual basis from settlement date and includes the amortization of premiums and the accretion of discount. Certain dividends from foreign securities will be recorded as soon as the Fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Discounts and premiums on fixed income securities are accreted and amortized using the effective interest method. Realized gains (losses) on paydowns of mortgage-backed and asset-backed securities are recorded as an adjustment to interest income.

*Investments in Real Estate Investment Trusts ("REITs")* — With respect to the Fund, dividend income is recorded based on the income included in distributions received from REIT investments using published REIT reclassifications including some management estimates when actual amounts are not available. Distributions received in excess of any estimated amount are recorded as a reduction of the cost of investments or reclassified to capital gains. The actual amounts of income, return of capital, and capital gains are only determined by each REIT after its fiscal year-end, and may differ from estimated amounts.

*Expenses* — Most expenses of the Trust can be directly attributed to a particular fund. Expenses which cannot be directly attributed to a particular fund are apportioned among the funds of the Trust based on the number of funds and/or relative net assets.

*Cash* — Idle cash may be swept into various time deposit accounts and is classified as cash on the Statement of Assets and Liabilities. The Fund maintains cash in bank deposit accounts which, at times may exceed United States federally insured limits. Amounts invested are available on the same business day.

*Dividends and Distributions to Shareholders* — The Fund distributes its net investment income monthly. Any net realized capital gains are distributed annually. All distributions are recorded on ex-dividend date.

*Deferred Offering Costs* — Offering costs of the Fund, including costs of printing the initial prospectus, legal, and registration fees, are being amortized to expense over a twelve month period. As of March 31, 2019, the Fund had \$81,204 remaining to be amortized.

### 3. Transactions with Affiliates:

Certain officers of the Trust are also employees of SEI Investments Global Funds Services (the "Administrator"), a wholly owned subsidiary of SEI Investments Company, and/or SEI Investments Distribution Co. (the "Distributor"). Such officers are paid no fees by the Trust, other than the Chief Compliance Officer ("CCO") as described below, for serving as officers of the Trust.

The services provided by the ("CCO") and his staff are paid for by the Trust as incurred. The services include regulatory oversight of the Trust's Advisors and service providers as required by SEC regulations. The CCO's services and fees have been approved by and are reviewed by the Board.

### 4. Administration, Distribution, Shareholder Servicing, Custodian and Transfer Agent Agreements:

The Fund and the Administrator are parties to an Administration Agreement under which the Administrator provides administration services to the Fund. For these services, the Administrator is paid an asset based fee, which will vary depending on the number of share classes and the average daily net assets of the Fund. For the period ended March 31, 2019, the Fund paid \$16,219 for these services.

The Fund has adopted a shareholder servicing plan (the "Service Plan") under which a shareholder servicing fee of up to 0.10% of average daily net assets of Institutional Servicing Shares of the Fund's will be paid to other service providers. Under the Service Plan, other service providers may perform, or may compensate other service providers for performing certain shareholder and administrative services. For the period ended March 31, 2019, the Fund paid \$8,509 for these services.

Brown Brothers Harriman & Co. acts as custodian (the "Custodian") for the Fund. The Custodian plays no role in determining the investment policies of the Fund or which securities are to be purchased or sold by the Fund.

DST Systems, Inc., serves as the transfer agent and dividend disbursing agent for the Fund under a transfer agency agreement with the Trust.

**5. Investment Advisory Agreement:**

Under the terms of an investment advisory agreement, the Adviser provides investment advisory services to the Fund at a fee calculated at an annual rate of 0.75% of the Fund's average daily net assets.

In addition, The Adviser has contractually agreed to waive fees and reimburse expenses to the extent necessary to keep total annual Fund operating expenses (excluding interest, taxes, brokerage commissions, acquire fund fees and expenses, and extraordinary expenses (collectively, "excluded expenses")) from exceeding 0.99% of the Fund's average daily net assets until January 31, 2021 (the "expense cap"). This agreement may be terminated by: (i) the Board, for any reason at any time; or (ii) the Adviser, upon ninety (90) days' prior written notice to the Trust, effective as of the close of business on January 31, 2021. As of March 31, 2019, the fees which were previously waived and reimbursed to the Fund by the Adviser which may be subject to possible future reimbursement, up to the expense cap in place at the time the expenses were waived and reimbursed to the Fund, to the Adviser were \$53,002 expiring in 2021.

**6. Investment Transactions:**

For the period ended March 31, 2019, the Fund made purchases of \$4,655,476 and sales of \$10,760,491 in investment securities, excluding in-kind transactions, long-term U.S. Government and short-term securities. For the period ended March 31, 2019, there were no purchases or sales of long-term U.S. Government securities.

**7. Federal Tax Information:**

For Federal income tax purposes the difference between Federal tax cost and book cost primarily relates to wash sales which cannot be used for Federal income tax purposes in the current year and have been deferred for use in future years and passive foreign investment companies. The Federal tax cost and aggregate gross unrealized appreciation and depreciation for the investments held (excluding foreign currency) by the Fund at March 31, 2019, were as follows:

	Federal Tax Cost	Aggregate Gross Unrealized Appreciation	Aggregate Gross Unrealized Depreciation	Net Unrealized Appreciation
Nicholas Partners Small Cap Growth Fund .....	\$39,209,029	\$10,225,113	\$(1,092,292)	\$9,132,821



#### 8. Concentration of Risks:

As with all management investment companies, a shareholder of the Fund is subject to the risk that his or her investment could lose money. The Fund is subject to the principal risks noted below, any of which may adversely affect the Fund's net asset value ("NAV") and ability to meet its investment objective.

*Convertible Securities Risk* — The value of a convertible security is influenced by changes in interest rates (with investment value declining as interest rates increase and increasing as interest rates decline) and the credit standing of the issuer. The price of a convertible security will also normally vary in some proportion to changes in the price of the underlying common stock because of the conversion or exercise feature.

*Currency Risk* — As a result of the Fund's investments in securities denominated in, and/or receiving revenues in, foreign currencies, the Fund will be subject to currency risk. Currency risk is the risk that foreign currencies will decline in value relative to the U.S. dollar, in which case the dollar value of an investment in the Fund would be adversely affected. Currency exchange rates may fluctuate in response to, among other things, changes in interest rates, intervention (or failure to intervene) by U.S. or foreign governments, central banks or supranational entities, or by the imposition of currency controls or other political developments in the United States or abroad.

*Depository Receipts Risk* — Depository receipts, such as ADRs, are certificates evidencing ownership of shares of a foreign issuer that are issued by depository banks and generally trade on an established market. Depository receipts are subject to many of the risks associated with investing directly in foreign securities, including, among other things, political, social and economic developments abroad, currency movements and different legal, regulatory and tax environments.

*Equity Market Risk* — The risk that stock prices will fall over short or extended periods of time.

*ETFs Risk* — The risks of owning shares of an ETF generally reflect the risks of owning the underlying securities the ETF is designed to track, although lack of liquidity in an ETF could result in its value being more volatile than the underlying portfolio securities. When the Fund invests in an ETF, in addition to directly bearing the expenses associated with its own operations, it will bear a pro rata portion of the ETF's expenses.

*Foreign Investment/Emerging Markets Risk* — The risk that non-U.S. securities may be subject to additional risks due to, among other things, political, social and economic developments abroad, currency movements and different legal, regulatory and tax environments. These additional risks may be heightened with respect to emerging market countries because political

turmoil and rapid changes in economic conditions are more likely to occur in these countries. Emerging market countries are countries that major international financial institutions, such as the International Monetary Fund or the World Bank, generally consider to be less economically mature than developed nations.

*Growth Style Risk* — The Adviser's growth investment style may increase the risks of investing in the Fund. Because the prices of growth stocks are based largely on the expectation of future 5 earnings, growth stock prices can decline rapidly and significantly when it appears that those expectations will not be met. In addition, a growth investing style may go in and out of favor over time, causing the Fund to sometimes underperform other equity funds that use differing investing styles

*IPO Risk* — The market value of shares issued in an IPO may fluctuate considerably due to factors such as the absence of a prior public market, unseasoned trading, the small number of shares available for trading and limited information about a company's business model, quality of management, earnings growth potential, and other criteria used to evaluate its investment prospects. Accordingly, investments in IPO shares involve greater risks than investments in shares of companies that have traded publicly on an exchange for extended periods of time. Investments in IPO shares may also involve high transaction costs, and are subject to market risk and liquidity risk, which are described below.

*Liquidity Risk* — The risk that certain securities may be difficult or impossible to sell at the time and the price that the seller would like. The seller may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on Fund management or performance.

*Management Risk* — The risk that the Fund may not meet its investment objective based on the Adviser's success or failure to implement investment strategies for the Fund.

*Market Risk* — The risk that the market value of a security may move up and down, sometimes rapidly and unpredictably. Market risk may affect a single issuer, an industry, a sector or the equity or bond market as a whole.

*New Fund Risk* — Because the Fund is new, investors in the Fund bear the risk that the Fund may not be successful in implementing its investment strategy, may not employ a successful investment strategy, or may fail to attract sufficient assets under management to realize economies of scale, any of which could result in the Fund being liquidated at any time without shareholder approval and at a time that may not be favorable for all shareholders. Such liquidation could have negative tax consequences for shareholders and will cause shareholders to incur expenses of liquidation.

*Portfolio Turnover Risk* — The Fund is subject to portfolio turnover risk because it may buy and sell investments frequently. Such a strategy often involves higher expenses, including brokerage commissions, and may increase the amount of capital gains (in particular, short term gains) realized by the Fund. Shareholders may pay tax on such capital gains.

*REITs Risk* — REITs are trusts that invest primarily in commercial real estate or real estate-related loans. The Fund's investments in REITs will be subject to the risks associated with the direct ownership of real estate. Risks commonly associated with the direct ownership of real estate include fluctuations in the value of underlying properties, defaults by borrowers or tenants, changes in interest rates and risks related to general or local economic conditions. Some REITs may have limited diversification and may be subject to risks inherent in financing a limited number of properties.

*Sector Emphasis Risk* — The securities of companies in the same business sector, if comprising a significant portion of the Fund's portfolio, may in some circumstances react negatively to market conditions, interest rates and economic, regulatory or financial developments and adversely affect the value of the portfolio to a greater extent than if such securities comprised a lesser portion of the Fund's portfolio or the Fund's portfolio was diversified across a greater number of industry sectors.

*Small Capitalization Companies Risk* — Small capitalization companies in which the Fund may invest may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, small capitalization companies may have limited product lines, markets and financial resources and may depend upon a relatively small management group. Therefore, small capitalization stocks may be more volatile than those of larger companies. Small capitalization stocks may be traded over-the-counter or listed on an exchange.

#### 9. Concentration of Shareholders:

At March 31, 2019, 100% of total shares outstanding were held by one affiliated shareholder owning 10% or greater of the aggregate total shares outstanding. This shareholder is comprised of omnibus accounts that are held on behalf of various shareholders.

In the normal course of business, the Fund enters into contracts that provide general indemnifications. The Fund's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be established; however, based on experience, the risk of loss from such claim is considered remote.

**10. In-Kind Transactions:**

The Fund received contributions in-kind of investment securities. The securities were received in a tax-free transaction at their current fair value of \$44,932,711 including unrealized appreciation of \$4,790,960 on the date of the transactions. As a result of this contribution, the following units of the Fund were issued for assets valued at:

Transaction Date	Units Issued	Securities at Value	Cash	Total Assets
1/16/2019	4,597,277	\$44,932,711	\$1,039,962	\$45,972,673

**11. New Accounting Pronouncements:**

In August 2018, the FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820). The new guidance includes additions and modifications to disclosures requirements for fair value measurements. For public entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. At this time, management is currently evaluating the impact of this new guidance on the financial statements and disclosures.

**12. Subsequent Events:**

The Fund has evaluated the need for additional disclosures and/or adjustments resulting from subsequent events through the date the financial statements were issued. Based on this evaluation, no additional disclosures and/or adjustments were required to the financial statements as of March 31, 2019.

**DISCLOSURE OF FUND EXPENSES (Unaudited)**

All mutual funds have operating expenses. As a shareholder of a mutual fund, your investment is affected by these ongoing costs, which include (among others) costs for Fund management, administrative services, and shareholder reports like this one. It is important for you to understand the impact of these costs on your investment returns.

Operating expenses such as these are deducted from the mutual fund's gross income and directly reduce your final investment return. These expenses are expressed as a percentage of the mutual fund's average net assets; this percentage is known as the mutual fund's expense ratio.

The following examples use the expense ratio and are intended to help you understand the ongoing costs (in dollars) of investing in your Fund and to compare these costs with those of other mutual funds. The examples are based on an investment of \$1,000 made at the beginning of the period shown and held for the entire period from October 1, 2018 to March 31, 2019.

The table on the next page illustrates your Fund's costs in two ways:

- **Actual Fund Return.** This section helps you to estimate the actual expenses after fee waivers that your Fund incurred over the period. The "Expenses Paid During Period" column shows the actual dollar expense cost incurred by a \$1,000 investment in the Fund, and the "Ending Account Value" number is derived from deducting that expense cost from the Fund's gross investment return.

You can use this information, together with the actual amount you invested in the Fund, to estimate the expenses you paid over that period. Simply divide your ending starting account value by \$1,000 to arrive at a ratio (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply that ratio by the number shown for your Fund under "Expenses Paid During Period."

- **Hypothetical 5% Return.** This section helps you compare your Fund's costs with those of other mutual funds. It assumes that the Fund had an annual 5% return before expenses during the year, but that the expense ratio (Column 3) for the period is unchanged. This example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to make this 5% calculation. You can assess your Fund's comparative cost by comparing the hypothetical result for your Fund in the "Expense Paid During Period" column with those that appear in the same charts in the shareholder reports for other mutual funds.

**DISCLOSURE OF FUND EXPENSES (Unaudited)**

**Note:** Because the return is set at 5% for comparison purposes — NOT your Fund's actual return — the account values shown may not apply to your specific investment.

	<b>Beginning Account Value 10/1/18</b>	<b>Ending Account Value 3/31/19</b>	<b>Annualized Expense Ratios</b>	<b>Expenses Paid During Period</b>
<b>Nicholas Partners Small Cap Growth Fund*</b>				
Actual Fund Return	\$ 1,000.00	\$ 1,102.00	0.99%	\$ 2.11 <sup>(1)</sup>
Hypothetical 5% Return	1,000.00	1,020.00	0.99	4.99 <sup>(2)</sup>

(1) Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied 74/365 (to reflect the period from commencement to period end).

(2) Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied 182/365 (to reflect the one-half year period).

\* Commenced operations on January 16, 2019.

**APPROVAL OF INVESTMENT ADVISORY AGREEMENT (Unaudited)**

Pursuant to Section 15 of the Investment Company Act of 1940 (the "1940 Act"), the Fund's advisory agreement (the "Agreement") must be approved: (i) by a vote of a majority of the shareholders of the Fund; and (ii) by the vote of a majority of the members of the Board of Trustees (the "Board" or the "Trustees") of The Advisors' Inner Circle Fund III (the "Trust") who are not parties to the Agreement or "interested persons" of any party thereto, as defined in the 1940 Act (the "Independent Trustees"), cast in person at a meeting called for the purpose of voting on such approval.

A Board meeting was held on December 7, 2018 to decide whether to approve the Agreement for an initial two-year term. In preparation for the meeting, the Trustees requested that the Adviser furnish information necessary to evaluate the terms of the Agreement. The Trustees used this information, as well as other information that the Adviser and other service providers of the Fund presented or submitted to the Board at the meeting, to help them decide whether to approve the Agreement for an initial two-year term.

Specifically, the Board requested and received written materials from the Adviser and other service providers of the Fund regarding: (i) the nature, extent and quality of the services to be provided by the Adviser; (ii) the Adviser's investment management personnel; (iii) the Adviser's operations and financial condition; (iv) the Adviser's brokerage practices (including any soft dollar arrangements) and investment strategies; (v) the Fund's proposed advisory fee to be paid to the Adviser and overall fees and operating expenses compared with a peer group of mutual funds; (vi) the Adviser's compliance program, including a description of material compliance matters and material compliance violations; (vii) the Adviser's policies on and compliance procedures for personal securities transactions; (viii) the Adviser's investment experience; (ix) the Adviser's rationale for introducing the Fund as well as the Fund's proposed objective and strategy; and (x) the Adviser's performance in managing similar accounts.

Representatives from the Adviser, along with other Fund service providers, presented additional information and participated in question and answer sessions at the meeting to help the Trustees evaluate the Adviser's services, fee and other aspects of the Agreement. The Independent Trustees received advice from independent counsel and met in executive session outside the presence of Fund management and the Adviser.

At the Board meeting, the Trustees, including all of the Independent Trustees, based on their evaluation of the information provided by the Adviser and other service providers of the Fund, approved the Agreement. In considering the approval of the Agreement, the Board considered various factors that they

determined were relevant, including: (i) the nature, extent and quality of the services to be provided by the Adviser; and (ii) the fees to be paid to the Adviser, as discussed in further detail below.

### **Nature, Extent and Quality of Services to be Provided by the Adviser**

In considering the nature, extent and quality of the services to be provided by the Adviser, the Board reviewed the portfolio management services to be provided by the Adviser to the Fund, including the quality and continuity of the Adviser's portfolio management personnel, the resources of the Adviser, and the Adviser's compliance history and compliance program. The Trustees reviewed the terms of the proposed Agreement. The Trustees also reviewed the Adviser's proposed investment and risk management approaches for the Fund. The most recent investment adviser registration form ("Form ADV") for the Adviser was available to the Board, as was the response of the Adviser to a detailed series of questions which included, among other things, information about the investment advisory services to be provided by the Adviser to the Fund.

The Trustees also considered other services to be provided to the Fund by the Adviser such as selecting broker-dealers for executing portfolio transactions, monitoring adherence to the Fund's investment restrictions, and monitoring compliance with various Fund policies and procedures and with applicable securities laws and regulations. Based on the factors above, as well as those discussed below, the Board concluded, within the context of its full deliberations, that the nature, extent and quality of the services to be provided to the Fund by the Adviser would be satisfactory.

### **Costs of Advisory Services**

In considering the advisory fee payable by the Fund to the Adviser, the Trustees reviewed, among other things, a report of the proposed advisory fee to be paid to the Adviser. The Trustees also reviewed reports prepared by the Fund's administrator comparing the Fund's net and gross expense ratios and advisory fees to those paid by a peer group of mutual funds as classified by Lipper, an independent provider of investment company data. The Trustees reviewed pro forma fee and expense information, as well as the management fees charged by the Adviser to other clients with comparable mandates. The Trustees considered any differences in management fees and took into account the respective demands, resources and complexity associated with the Fund and other client accounts as well as the extensive regulatory, compliance and tax regimes to which the Fund is subject. The Board concluded, within the context of its full deliberations, that the advisory fee was reasonable in light of the nature and quality of the services expected to be rendered by the Adviser. The Board also considered the Adviser's



commitment to managing the Fund and its willingness to enter into an expense limitation and fee waiver arrangement with the Fund.

### **Investment Performance, Profitability and Economies of Scale**

Because the Fund was new and had not commenced operations, it did not yet have an investment performance record and it was not possible to determine the profitability that the Adviser might achieve with respect to the Fund or the extent to which economies of scale would be realized by the Adviser as the assets of the Fund grow. Accordingly, the Trustees did not make any conclusions regarding the Fund's investment performance, the Adviser's profitability, or the extent to which economies of scale would be realized by the Adviser as the assets of the Fund grow, but will do so during future considerations of the Agreement.

### **Approval of the Agreement**

Based on the Board's deliberations and its evaluation of the information described above and other factors and information it believed relevant in the exercise of its reasonable business judgment, the Board, including all of the Independent Trustees, with the assistance of Fund counsel and Independent Trustees' counsel, unanimously concluded that the terms of the Agreement, including the fees to be paid thereunder, were fair and reasonable and agreed to approve the Agreement for an initial term of two years. In its deliberations, the Board did not identify any absence of information as material to its decision, or any particular factor (or conclusion with respect thereto) or single piece of information that was all-important, controlling or determinative of its decision, but considered all of the factors together, and each Trustee may have attributed different weights to the various factors (and conclusions with respect thereto) and information.

**Nicholas Partners Small Cap Growth Fund**

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This information must be preceded or accompanied by a current prospectus for the Fund described.

NIC-SA-001-0100