



We would like to welcome you to Morgan Creek's inaugural issue of *Across The Hedge*. It is comprised of research from Morgan Creek's Hedged Equity Team together with curated articles of interest. In addition to topical industry insights, we aim to provide timely in-depth perspectives on investments across Morgan Creek's Hedged Equity Platform. Our research leverages insights from the team, together with Morgan Creek's decades-long experience in covering and investing across asset classes, sectors and regions. To learn more about the team and our various investment offerings, please email HedgeD@morgancreekcap.com or visit us on the web at www.morgancreekcap.com.

UPCOMING EVENTS CALENDAR

We hope you will be able to join us for our upcoming HedgeD, With A Capital "D" webinar on Wednesday, April 21 - 3:00pm EDT. [Register Here](#).

PLATFORM OVERVIEW

With the backing of Tiger Management, Morgan Creek launched its flagship hedged equity strategy in 2005. While Morgan Creek's Hedged Equity Platform began as a traditional manager-of-managers model, it gradually transitioned to a more direct investment strategy with the implementation of the Hybrid Model in 2013¹. We seek to partner with a select group of what we deem to be best-in-class managers around the world and actively co-invest in their highest conviction ideas including public equities and select later-stage private co-investments.

CURRENT THEMES

Long Portfolio Focus

- Global eCommerce
- Cloud/Software
- Digital Payments
- Streaming
- Digital Advertising
- Food & Drink Delivery
- Gaming
- Direct-To-Consumer
- Japan Digitization
- Ride Sharing
- Financial Inclusion
- Classic Value Stocks
- Energy Survivors
- Innovative Healthcare
- Financials
- Post-Covid Re-Opening Plays

Short Portfolio Focus

- Traditional Retail
- Pandemic Fads
- Over-Earning Consumer Staples
- Hyped-Up New Listings
- Legacy Media Assets
- Overearning Dividend Plays
- The Tech Rust Belt
- Frauds
- Levered Roll-Ups

ANNOUNCEMENTS

Webinar

On the most recent HedgeD, With A Capital "D" webinar, the team provided an update on Morgan Creek's value-oriented theme "Post-Covid Re-Opening Plays." The team also discussed an exciting development in Morgan Creek's growth-oriented theme "Global eCommerce" – the March 2021 IPO of South Korean eCommerce giant Coupang.

Replays for all webinars can be found on the HedgeD YouTube channel. [View Past Webinars](#).

Podcast

In the final episode of our three-part series on Japan, released March 17, Cory Lester, Mark Yusko and Andrew Schmeelk spoke with Eddy Costa from Calixto Global Investments about a theme the team is excited to share with you - Japan Digitization. The team and Eddy talk about this theme in depth as it relates to Digital Payments, eCommerce and Cloud Services. Not only will listeners hear about these topics, but also learn more about Eddy's background as well as the origin story of the Calixto name and the firm's motto – hungry, humble, hustle. Please tune in to hear about these topics, and we hope you come away with a newfound perspective on the current opportunity set in Japan and how technology is changing the investment landscape.

HedgeD podcasts are available on [Apple Podcasts](#) and [Spotify](#).



MANAGER UPDATES

Hedge fund performance has been quite challenging over the past few weeks, with most strategies showing losses for the month of March. Hedge funds were only posting small gains through mid-month despite strong equity index returns. Unlike January, the recent decline in long/short alpha has been due to the long-side of portfolios (especially crowded longs).

As one might expect, many of Morgan Creek's more growth-oriented managers experienced headwinds given the heightened volatility in March. It is worth noting that many of these managers have been large drivers of performance in recent years, and we believe they are in a position of strength to take advantage of recent price dislocations. The more value-oriented exposure acted as somewhat of a counterbalance during the month, offsetting some of the growth-oriented losses. The broader sell-off within the energy complex also proved to be a headwind this month, which in our opinion, should be short lived as we transition to a more normal post-covid environment.

We believe that dislocations such as those experienced in March often create fantastic opportunities for investors with multi-year time horizons and we have ample dry powder to deploy into such opportunities.

DIRECT PORTFOLIO UPDATES²

We are excited to report that on March 11, 2021 Coupang completed its Initial Public Offering ("IPO"), listing on the New York Stock Exchange under the ticker "CPNG." Often referred to as the Amazon of South Korea, Coupang opened for trading at \$63.50 a share, up 81% from its IPO price of \$35 a share. At the opening trade, the Company on a fully-diluted basis was worth approximately \$114 billion. It was the largest U.S. listing of an Asian company since Alibaba in 2014, making Coupang the largest Korean company listed on a U.S. stock exchange. Prior to Coupang's listing on March 11, the company raised the expected price to a range of \$32 to \$34 a share, from a previous target range of \$27 to \$30.

We believe that the eCommerce market in South Korea provides a compelling value proposition as the country is one of the most advanced internet markets globally, with the fastest average broadband speeds and pervasive 5G service. The country's high population density also provides a distinct advantage to the eCommerce business model, as 92% of the population lives in dense urban areas. As a result, the nation has evolved as an internet-first economy with eCommerce penetration of 31% today, compared to the United States at just 15%, and South Korea is now the third-largest eCommerce market globally. It is worth noting that South Korea is the largest eCommerce market in the world in which neither Amazon nor Alibaba currently compete.

While we used recent strength to lock-in a portion of our gains, we remain constructive on the Company's long-term outlook.

PAST EVENTS CALENDAR

- April 7: Podcast—Alpha Theory
- March 30: Webinar—Re-Opening Plays & Coupang IPO Update
- March 17: Podcast—Nippon Part 3 (Eduardo Costa)
- March 3: Podcast —Nippon Part 2 (Russell Clark)
- February 18: Podcast—Nippon Part 1 (Land of the Rising Sun)
- February 17: Webinar—January Highlights & Lowlights + Japan Digitization
- January 27: Webinar—2020 Review & 2021 Preview + Energy Survivors
- January 19: Podcast—Project Quantum
- December 11: Podcast—Morgan Creek's Top Long & Short Equity Market Themes for 2021
- December 8: Webinar—High Conviction Themes For 2021 and Beyond
- November 12: Podcast—You Will Not Take This Conversation With Charlie About The Coronavirus For Granted
- October 28: Webinar—Third Quarter Performance Review



INDUSTRY UPDATES

New hedge fund launches hit highest level in three years, as managers seize on growing opportunities: The number of new hedge funds being launched has reached its highest level in three years, as managers look to capitalize on the nascent economic recovery, idiosyncratic and volatility-based opportunities, and a shifting macro environment.

[Read more.](#)

Hedge funds now front-runners to boost investor returns this year, says Credit Suisse survey: A majority of investors now believe hedge funds are best placed to enhance the performance of a traditional 60/40 equities and bonds portfolio, with the prevailing rate environment driving a “sense of urgency” among allocators to tap into new sources of returns, a new Credit Suisse survey has found. [Read more.](#)

Demand for Hedge Funds is Rising, These Are the Strategies Investors Like Most: Health-care strategies and private market hedge funds are catching allocators’ eyes, according to a new Credit Suisse survey. [Read more.](#)

What a ‘Superior’ Hedge Fund Team Looks Like: New research finds that diversity in education, work experience, and nationality is linked to excess annual returns of 3.6 to 6.2 percent. [Read more.](#)

Hedge funds cash in on the ‘great reflation trade’: High-profile managers profit from this year’s tumble in global bond prices. [Read more.](#)

Hedge fund investors with US\$812 billion see Asia as preferred bet: Hedge funds focused on Asia are predicting a surge of new money from North America and Europe as investors move away from overvalued US assets to tap the early pandemic recovery in China and other parts of the region. [Read more.](#)

AWARDS



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1. The “Hybrid Model” or “Morgan Creek Direct” consists of “Morgan Creek Direct Top 20”, “Morgan Creek Direct Qualitative”, the Fund’s direct private co-investments and “Morgan Creek Tactical”. “Morgan Creek Direct Top 20” is a basket of 20 equally-weighted equities and reflects the top long positions in the underlying portfolios of the current managers in the MCGELISF. “Morgan Creek Direct Qualitative” is a portfolio of equities sourced from the underlying portfolios of the current managers in MCGELISF. “Morgan Creek Tactical” includes ETFs and other passive instruments.

2. Coupang IPO information taken from Barron’s as well as Managers within Morgan Creek’s network. [Korea’s Coupang Opens for Trading at \\$63.50. It’s Now Worth \\$114 Billion.](#)