Across the Hedge
Weekend Brief - August 27, 2021

MORGAN CREEK CAPITAL MANAGEMENT
Alternative Thinking About Investments
@HedgeD_Podcast

We would like to welcome you to Morgan Creek's *Across The Hedge* weekend brief. 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/hedge-funds/.

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 2013[1]. 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.

Upcoming Events Calendar

We hope you will be able to join us for our upcoming HedgeD, With A Capital "D" webinar on Thursday, September 30 - 3:00pm EDT. *Register Here*.

Manager Updates[2]

According to data from Morgan Stanley, August has seasonally been one of the weaker months for hedge fund performance. Overall, returns are tracking negative in August, mainly as a result of the long side being challenged. In light of the performance weakness, hedge funds have been selling longs over the last two months while continuing to add on the short side, suggesting a general bearish tone. While this has been harder to glean from gross and net leverage when looking over the long-term, we believe positioning has moderated over the more recent term. This would seem to suggest to us that funds are positioning for potential near-term market weakness driven by late summer/early fall seasonality as well as uncertainty around Q4 market directionality.

Along these lines, we have seen a fair amount of dispersion amongst Morgan Creek's underlying managers. The continued rotation away from Chinese equities and U.S. Shale E&Ps has served as a headwind for a number of our managers. This has been somewhat counteracted by managers with exposure away from these themes. While we believe that recent price dislocations will likely create buying opportunities for investors with multi-year time horizons, we are taking a measured and patient approach to deploying capital into such opportunities.

Direct Portfolio updates[3]

On August 11, 2021, Coupang (NYSE: CPNG) announced financial results for its second quarter ended June 30. Net revenue continued to grow at a multiple of the Korean e-commerce segment, growing 71% on a reported basis, and 57% on a constant-currency basis, as the Company's flywheel continues to propel strong growth across product offerings. Importantly, Q2 marked the 15th consecutive quarter with over 50% year-over-year growth on a constant-currency basis. Total active customers increased 26% year-over-year to 17 million, with revenue per active customer growing 36% year-over-year. The Company reported a gross profit of $658 million, with growth of approximately 50% year-over-year. It is also worth noting that new business lines (Fresh & Eats) continue to grow at a much faster pace than the broader platform. Coupang Fresh revenue grew over 100% year-over-year, exceeding $2 billion of run-rate revenue, with contribution margins improving by nearly 1000 basis points. Coupang Eats revenue nearly tripled over the past two quarters, with margins improving by nearly 50%. We continue to believe that growth within the grocery delivery segment will be a large driver of revenue growth, which should benefit our positions in both Coupang and Market Kurly.

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Current Themes

Growth-Oriented Long Focus

- Clean Energy Transition
- Cloud/Software
- Digital Ads/Social Media
- Digital Payments
- Dislocated SPACS
- Dislocated China ADRs
- Direct-To-Consumer
- Food & Drink Delivery
- Gaming
- Global eCommerce
- Internet of Healthcare
- Japan Digitization
- Live From Home
- Online RE
- Ride Share
- Semi Arms Race

Value-Oriented Long Focus

- Aerospace
- Agriculture
- Classic Value Stocks
- EM Financial Inclusion
- Energy Survivors
- European SMIDs
- Gold Miners
- Good Capital Allocators
- Healthcare
- Re-Opening Plays

Short Portfolio Focus

- Boom-Bust Cycles
- Electric Vehicles
- Frauds
- Great-To-Good
- Legacy Media Assets
- Levered Roll-Ups
- Overhyped New Listings
- Over-Earning Staples
- Pandemic Fads
- Renewable Energy Bubble
- Serial Promoters
- Tech Rust Belt
- Traditional Retail

Announcements

Webinar

On the most recent HedgeD, With A Capital "D" webinar, the team provided an update on Morgan Creek's conviction levels in pockets of Chinese Technology and U.S. Shale E&Ps. The team also provided an overview of July performance, while highlighting how managers within these themes typically have extended periods of outperformance following sharp drawdowns.

Replays for all webinars can be found on the HedgeD YouTube channel. *View Past Webinars*.

Podcast

In this episode, the HedgeD team dives into the current regulatory landscape in China. Recent developments have served as a stark reminder that understanding the Chinese mindset is essential to successfully investing in China as a foreigner. The team unpacks this topic in grave detail with Credit Suisse's Chief China Economist David Wang. David shares many helpful insights on the ongoing regulatory crackdown from a local perspective and provides a unifying framework for thinking about China's ongoing long-term policy goals. We hope you take away as much from our conversation with David as we did. Enjoy.

HedgeD podcasts are available on *Apple Podcasts* and *Spotify*.

Past Events Calendar

- August 12: Webinar—The Case for China Technology and U.S. Shale E&Ps
- August 11: Podcast—An Update On The Chinese Regulatory Landscape (David Wang)
- July 22: Webinar—New High Conviction Themes
- July 16: Podcast—The Bear Case For Oil (Matt Niblack)
- July 13: Podcast—The Bull Case For Oil (Dan Pickering)
- July 1: Podcast—2021 Mid-Year High Conviction Theme Review & Update
- June 17: Webinar— 1H21 Review & 2H21 Preview
- June 2: Podcast—Brasil Part 4 (José Carlos Reis de Magalhães Neto)
- May 20: Webinar—April Performance Review & Technology Opportunities in Latin America
- May 18: Podcast—Brasil Part 3 (Pedro Faria & Paulo Passoni)
- May 5: Podcast—Brasil Part 2 (Eduardo Mufarej)
- April 21: Podcast—Brasil Part 1
- April 21: Webinar—First Quarter Performance Review & High Conviction Themes
- April 7: Podcast—Alpha Theory

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Industry updates

What the Next Decade for Hedge Funds Could Look Like: An analysis of performance, changing investor expectations, and the market opportunity shows fertile conditions for hedge funds to thrive in the years ahead. *Read more.*

Bigger is Better in July, as Larger Hedge Fund Managers' Returns Outweigh Industry Average: The biggest hedge fund managers outflanked the wider industry in July, with larger managers edging into the black and the broader sector suffering its first down month since the start of 2021. *Read more.*

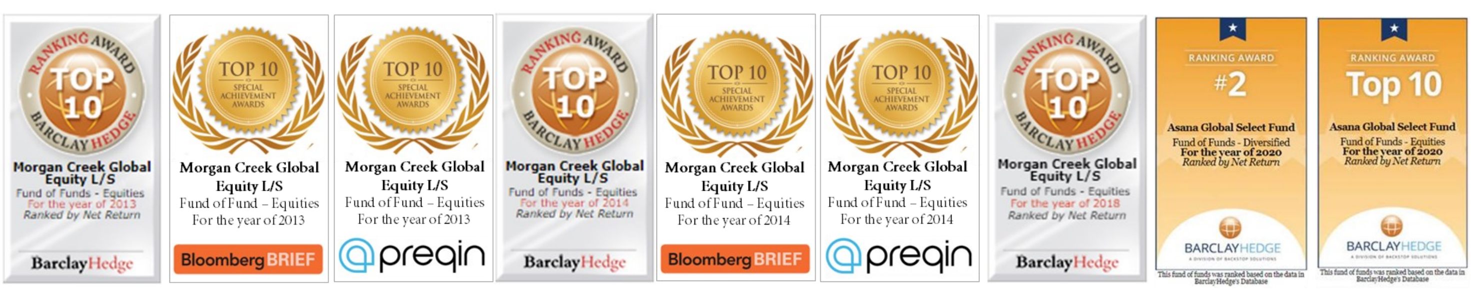
Hedge Fund Industry AUM Swells to USD4.32tn in June: Investors diverted an additional USD16.6 billion to hedge funds in June. The month's inflows represented 0.4 per cent of assets and continued an inflow trend that saw USD36 billion in new assets in May, USD23.3 billion in April and USD19.1 billion in March, according to the Barclay Fund Flow Indicator published by BarclayHedge, a division of Backstop Solutions. *Read more.*

How Alternative Data is Reshaping Investor Insights During the IPO Process: The rise of alternative data, and the exponential growth of new datasets, continues to influence the decision-making process for hedge funds and other asset managers across the investment spectrum. *Read more.*

Big Data Accelerates the Rush for the Cloud: There is one giant reason why asset managers have been accelerating their shift into the cloud in recent years: big data. The sheer scale of the data sets fund managers now use every day to shape their investment decisions is so large, that cloud-based data management and analytics solutions have become the most obvious choice. *Read more.*

Hedge Funds Fall into the Red as Volatility and Variants Halt Nine-month Rise: Hedge funds' nine-month consecutive run of positive returns has been halted, with managers ending last month in the red as market volatility and renewed uncertainty over the impact of coronavirus variants. *Read more.*

Awards



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Important Disclosures & Footnotes

General
This is neither an offer to sell nor a solicitation of an offer to buy interests in any investment fund managed by Morgan Creek Capital Management, LLC or its affiliates, nor shall there be any sale of securities in any state or jurisdiction in which such offer or solicitation or sale would be unlawful prior to registration or qualification under the laws of such state or jurisdiction. Any such offering can be made only at the time a qualified offeree receives a Confidential Private Offering Memorandum and other operative documents which contain significant details with respect to risks and should be carefully read. Neither the Securities and Exchange Commission nor any State securities administrator has passed on or endorsed the merits of any such offerings of these securities, nor is it intended that they will. This document is for informational purposes only and should not be distributed. Securities distributed through Morgan Creek Capital Distributors, Member FINRA/SIPC.

Performance Disclosures
There can be no assurance that the investment objectives of any fund managed by Morgan Creek Capital Management, LLC will be achieved or that its historical performance is indicative of the performance it will achieve in the future. Past performance is not indicative of the performance that any fund managed by Morgan Creek will achieve in the future. Although Morgan Creek Capital Management, LLC has been presented with co-investment opportunities in the past, there can be no assurance that Morgan Creek will be presented with similar opportunities in the future. Further, there can be no assurance that co-investment opportunities will be available in the future.

Forward-Looking Statements
This presentation contains certain statements that may include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, included herein are "forward-looking statements." Included among "forward-looking statements" are, among other things, statements about our future outlook on opportunities based upon current market conditions. Although the company believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. One should not place undue reliance on these forward-looking statements, which speak only as of the date of this discussion. Other than as required by law, the company does not assume a duty to update these forward- looking statements.

No Warranty
Morgan Creek Capital Management, LLC does not warrant the accuracy, adequacy, completeness, timeliness or availability of any information provided by non-Morgan Creek sources.

Risk Summary
Investment objectives are not projections of expected performance or guarantees of anticipated investment results. Actual performance and results may vary substantially from the stated objectives with respect to risks. Investments are speculative and are meant for sophisticated investors. An investor may lose all or a substantial part of its investment in funds managed by Morgan Creek Capital Management, LLC. There are also substantial restrictions on transfers. Certain of the underlying investment managers in which the funds managed by Morgan Creek Capital Management, LLC invest may employ leverage (certain Morgan Creek funds also employ leverage) or short selling, may purchase or sell options or derivatives and may invest in speculative or illiquid securities. Funds of funds have a number of layers of fees and expenses which may offset profits. This is a brief summary of investment risks. Prospective investors should carefully review the risk disclosures contained in the funds' Confidential Private Offering Memoranda. No investment is risk free; loss of principal is possible. Alternative investments involve specific risks that may be greater than those associated with traditional investments. One should consider the special risks with alternative investments, including limited liquidity, tax considerations, incentive fee structures, potentially speculative investment strategies, and different regularly and reporting requirements. There can be no assurance that any investment will meet its performance objectives or that substantial losses will be avoided.

Footnotes
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 MCGELSIF. "Morgan Creek Direct Qualitative" is a portfolio of equities sourced from the underlying portfolios of the current managers in MCGELSIF. "Morgan Creek Tactical" includes ETFs and other passive instruments.
2. Hedge fund performance data provided by Morgan Stanley Prime Brokerage—Strategic Content Group.
3. Information has been provided by underlying managers/co-investment partners as well as publically available sources, and are believed to be reasonable but have not been independently verified by Morgan Creek. Do not place undue reliance on the above as actual results may vary depending on future market conditions.