

ACROSS THE HEDGE

WEEKEND BRIEF - DECEMBER 10, 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 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.

UPCOMING EVENTS CALENDAR

We hope you will be able to join us for our upcoming HedgeD, With A Capital "D" webinar on Thursday, December 23rd- 3:00pm EDT. [Register Here](#).

MANAGER UPDATES²

Hedge funds struggled across regions and strategies in November, as global equity indices fell. The performance challenges began in the back half of the month amidst the sell-off in pockets of the Technology sector, which began on November 17th. The news of the Covid-19 Omicron variant on the 26th also negatively affected performance. Long/short performance was especially challenged at the end of the month, driven by the continued deterioration of long alpha. According to data compiled by Morgan Stanley, the average global hedge fund finished November down ~1.4% (vs. MSCI World Index down -2.4%), though the average global long/short fund fell roughly in-line with the index down ~2.5% in November. America-based long/short funds were the worst absolute performers in November, down ~2.9% despite the S&P 500 being down only ~70bps. The main driver behind the challenging returns in North American long/short funds has been the long side of portfolios. In fact, as of the beginning of December, the drawdown in North American long alpha on a 1-month rolling basis was the 3rd worst stretch Morgan Stanley has tracked since 2010. The top 50 most widely held hedge fund longs in North America were some of the most heavily impacted names as they depreciated ~8% (through 12/2). The top 50 most widely held hedge fund shorts were down ~7.2% which somewhat offset the pain.

Our managers were not immune to the above mentioned trends, with negative attribution across regions and themes. The portfolio's exposure within the Oil & Gas and Technology sectors were the biggest pain points in November, and accounted for most of the negative attribution during the month.

DIRECT PORTFOLIO UPDATES³

As previously highlighted, we recently had the opportunity to acquire private shares in a digital-freight technology company that we believe has the potential to provide meaningful returns for the portfolio. Founded in 2015, Convoy is a digital freight network, moving thousands of truckloads around the country each day through a network of carriers, saving money for shippers and increasing earnings for drivers. We believe Convoy is impacting the \$1.2 trillion global trucking and shipping industry. The company was recently featured as #12 on CNBC's 2021 Top 50 Disruptor list, with a total addressable market of \$800 billion in the US. alone.⁴ We think Convoy's automated network which connects shippers and trucking companies and drivers directly allows for a cost advantage versus incumbents, as the current market is inefficient and fragmented. We believe Convoy can help provide lower prices for shippers, higher wages for drivers and provides overall efficiencies in logistics.



CURRENT THEMES

Growth-Oriented Long Focus

- China Healthcare
- Clean Energy Transition
- Cloud Migration
- Cybersecurity
- Digital Ads/Social Media
- Digital Payments
- Direct-To-Consumer
- Food & Drink Delivery
- Gaming & Trading
- Global eCommerce
- Internet of Healthcare
- LatAm Tech
- Live From Home
- Online Real Estate
- Semi Arms Race
- Scientific Innovation
- SME Digitization
- The Space Race

Value-Oriented Long Focus

- Agriculture
- Chinese Industrials
- Energy Survivors
- European SMIDs
- Dislocated Chinese ADRs
- Dislocated SPACs
- Gold Miners
- Idiosyncratic Self Help
- Leisure Travel Surge
- Re-Opening Plays
- Traditional Financials
- Steeper Yield Curve Winners
- Vices

Short Portfolio Focus

- Boom-Bust Cycles
- EV/Renewable Bubbles
- Frauds
- Great-To-Good
- ICE Autos
- Legacy Media Assets
- Levered Roll-Ups
- Mall REITS
- Over-Earning Staples
- Pandemic Fads
- PCs & Tablets
- Serial Promoters
- Secular Decliners
- Tech Rust Belt

ANNOUNCEMENTS

Webinar

On the most recent HedgeD, With A Capital “D” webinar, the team provided an update on some of Morgan Creek’s high conviction Growth-oriented themes and positions heading into 2022. The team also set the stage for the upcoming webinar in December, which will highlight our high conviction Value-oriented themes and short ideas.

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

Podcast

In this episode, the HedgeD team continues the holiday tradition started this time last year with the second installment of Morgan Creek’s top equity themes for the year ahead and beyond. The goal of the series is to talk through a lot of ideas at a high level in hopes of encouraging further research and due diligence by you, our listeners. We hope you find the Growth-oriented ideas in today’s episode interesting and provocative, and would encourage you to reach out with any follow-up questions. Enjoy.

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

PAST EVENTS CALENDAR

- December 7: Podcast—High Conviction Equity Themes for 2022 & Beyond (Part 1—Growth Ideas)
- November 19: Webinar— High Conviction Equity Themes for 2022 (Part 1— Growth Ideas)
- November 11: Podcast—A Conversation About Crossover Investing (Bill Martin)
- October 20: Webinar— 3Q21 Review & 4Q21 Preview
- September 30: Webinar—Why Long/Short Equity Is The New 60/40
- September 29: Podcast—Why Long/Short Equity Is The New 60/40
- 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)



INDUSTRY UPDATES

JP Morgan Offers Hedge Funds a Way to Dodge Meme-Stock Shocks: JP Morgan Chase & Co. is testing a new research product to guard big-ticket clients from losses linked to the meme stock phenomenon that has captivated Wall Street this year. [Read more.](#)

Hedge Funds Hammered After Omicron Variant Spooks Markets: New data published on Wednesday by Hedge Fund Research reveals managers shed 2.17 per cent during November, reversing October's 1.85 per cent gain, with strategies of all stripes losing money. [Read more.](#)

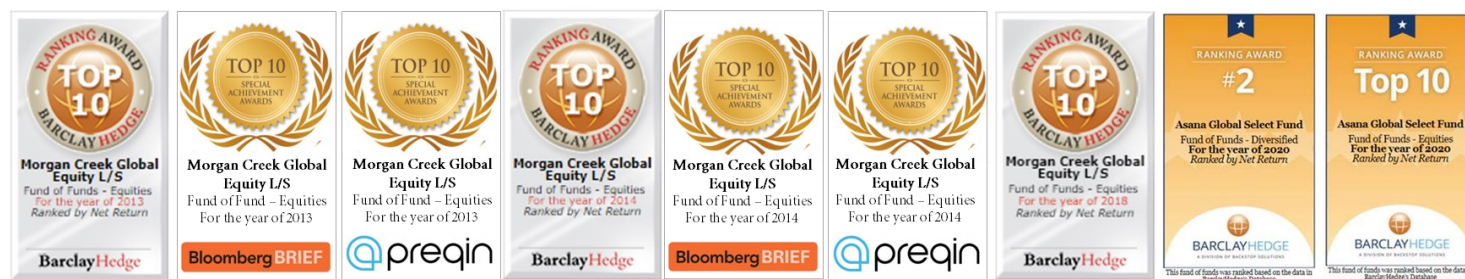
"Standards are rising": New Landytech White Paper Explores the Evolving Challenges Around the True Cost of Risk Management: As risk management processes become increasingly challenging, with asset managers caught in a pincer movement between greater regulatory burdens and more complex client demands, a well-run managed service solution can help investment firms meet the institutional standards of today's allocators, according to a new white paper published by Landytech. [Read more.](#)

Why Hedge Funds Must Refocus ESG Research Efforts in Data Battle: With ESG data now a hot commodity across the financial services sector, hedge funds and other asset managers must dig deeper into company metrics to gain an edge, as the industry continues to grapple with a lack of consistent standardization of sustainability scoring. [Read more.](#)

Hedge Fund Flows Rebound in October, as New Data Suggests Growing Capital Concentration: Investors poured more than USD7 billion of new capital into hedge funds globally in October, the strongest capital inflows recorded in more than a decade for what is a traditionally quiet month for industry coffers – but there are warnings that new allocations are becoming concentrated in a small handful of funds and strategies. [Read more.](#)

Trend-following Hedge Funds' Momentum Halted Following Market Wobble: CTAs and trend-following hedge funds have seen their recent advance halted, as anxieties over the new Omicron variant of Covid-19 punctured market momentum towards the end of last month. [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 MCGEL-SIF. "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. Information is believed to be reasonable, but it has 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.
4. Data provided by www.worldfinance.com ([read more](#)).