

ACROSS THE HEDGE

WEEKEND BRIEF - FEBRUARY 2, 2022



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@morgancreekcip.com or visit us on the web at www.morgancreekcip.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, March 3rd- 3:00pm EDT. [Register Here](#).

MANAGER UPDATES²

Hedge fund performance, while negative in January, has largely been in-line with net exposure profiles. According to data compiled by Morgan Stanley, as of January 25th, the average global hedge fund was down -3.1% for the month (vs. MSCI World Index -6.3%), and the average US L/S fund down -5.9% (vs. S&P -7.4%). The performance spread between the top 50 crowded hedge fund longs and the S&P 500 in North America over the past ~2 months has been one of the more challenging stretches Morgan Stanley has tracked since 2010. Since November 17th, crowded hedge fund longs are down ~22% vs. the S&P 500 down ~6%. Even though the top 50 crowded hedge fund shorts have worked, down ~21% over the same period, the level of exposure to the top 50 crowded hedge fund longs is approximately ~2x greater than the level of exposure to crowded shorts, despite declining over recent months. There has been a consistent trend of shorting equities in North America in January, with shorts added broadly across most sectors. Net leverage has fallen ~13% from its recent peak in December, representing one of the larger drops over the past decade. With that said, net exposures are now near more normalized levels relative to the past five years.

Our managers have not been immune to the above mentioned trends, with the portfolio's exposure to Technology being the biggest headwind to performance in January. This was somewhat been counteracted by our more Value-oriented managers who continued their strong run of performance. Our dedicated manager within the Energy space had a very good month performance-wise, and was the largest contributor to performance in January.

DIRECT PORTFOLIO UPDATES³

The IPO market in South Korea is set for its busiest year ever, with a robust pipeline of private companies that should benefit from strong investor demand. More than 20 million investors participated in South Korea's IPO market in 2021, an increase of ~11x over the prior year. By some estimates, the South Korean IPO market could top the previous record of \$16.8 billion raised last year, with the majority of big mandates and IPO themes being Technology centric.

This year's bellwether, LG Energy Solution, recently tapped public markets with a historic IPO of nearly \$11 billion. Initial demand for the listing far exceeded estimates, with strong support from institutional and retail investors alike. Notably, bids from institutional investors outpaced the supply of shares by more than 2,000 to 1. Along those lines, around 4.4 million retail investors submitted bids worth approximately \$95.6 billion. Shares in LG Energy Solution jumped ~68% on their first day of trading. Given the quality and depth of the current IPO pipeline in the region, we believe that 2022 could prove to be a pivotal year for private companies listing in South Korea. If the offering of LG Energy Solution is any indication of investor appetite, high quality assets with strong underlying fundamentals and investor support should be well received by public markets.

ACROSS THE HEDGE

WEEKEND BRIEF - FEBRUARY 2, 2022



MORGAN CREEK
CAPITAL MANAGEMENT

ALTERNATIVE THINKING ABOUT INVESTMENTS



@HEDGED_PODCAST

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 explored Morgan Creek’s highest conviction equity themes by taking a look back at our top picks for 2021 to see what we got wrong, what we got right and what we still like.

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

Podcast

In the last episode of our holiday series, the HedgeD team explores Morgan Creek’s highest conviction equity themes by taking a look back at our top picks for 2021 to see what we got wrong, what we got right and what we still like. We hope you enjoyed this three-part series and if you missed Part I, which focused on our top Growth themes, or Part II, which focused on our top Value & Short themes, please give them a listen, as they set the stage for a lot of the content we will be talking about with the help of some outside guests throughout 2022.

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

PAST EVENTS CALENDAR

- January 28: Webinar—What Went Wrong, Right & What do We Still Like (Part 3—2021 Review)
- January 28: Podcast—What Went Wrong, Right & What do We Still Like (Part 3—2021 Review)
- December 23: Podcast—High Conviction Equity Themes for 2022 & Beyond (Part 2—Value & Short Ideas)
- December 23: Webinar—High Conviction Equity Themes for 2022 & Beyond (Part 2—Value & Short Ideas)
- December 7: Podcast—High Conviction Equity Themes for 2022 & Beyond (Part 1—Growth Ideas)
- November 19: Webinar—High Conviction Equity Themes for 2022 & Beyond (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)



INDUSTRY UPDATES

Green Energy Stocks Attract Hedge Fund Short-Sellers: Sustainable energy stocks have attracted the interest of hedge fund short sellers, according to a report in the Financial Times, with managers betting that the prospect of interest rates rise will mean companies with strong environmental credentials but weak earnings are less attractive to investors.

[Read more.](#)

SEC Considering New Disclosure Deadlines for Activist Hedge Funds: The Securities & Exchange Commission (SEC) is considering proposals to tighten the disclosure deadline for hedge funds that hold significant shares in companies, according to a report by Bloomberg. [Read more.](#)

December Outflows Dampen Hedge Fund AUM Growth, says eVestment: Investors pulled USD19.96 billion from the global hedge fund business in December, bringing full-year 2021 hedge fund AUM growth to +USD15.90 billion, according to eVestment's December and Full Year 2021 Hedge Fund Asset Flows report. [Read more.](#)

Commodity Hedge Funds Post 'Strong Performance' in 2021 as Energy Transition Opportunity Looms: Commodity-focused hedge funds saw "strong performance" in 2021, with many seeing the energy transition towards renewables as a big opportunity and a USD3 billion uplift in investment across the index, according to Bridge Alternatives. [Read more.](#)

Top 20 Hedge Funds Earned USD65.4bn for Investors in 2021, says LCH: The world's top 20 hedge funds in terms of performance generated a record USD65.4 billion for investors in 2021, according to data released by LCH Investments, a fund of funds firm that tracks returns and is part of Edmond de Rothschild group. [Read more.](#)

AWARDS



CONTACT INFORMATION

Morgan Creek Capital Management
301 West Barbee Chapel Road, Suite 200
Chapel Hill, NC 27517

Chris Arnold
carnold@morgancreekap.com
Phone: 919-933-4004



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. Information taken from the below publically available sources
 - The Korea Economics Daily ([read more](#))
 - Pulse by Maeil Business News South Korea ([read more](#))
 - Nikkei Asia ([read more](#)).