

# ACROSS THE HEDGE

## WEEKEND BRIEF - MARCH 31, 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@morgancreekcap.com](mailto:HedgeD@morgancreekcap.com) or visit us on the web at [www.morgancreekcap.com/hedge-funds/](http://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<sup>1</sup>. 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, April 7th- 3:00pm EDT. [Register Here](#).

### MANAGER UPDATES<sup>2</sup>

Flows to global equities started to tilt towards net buying in the second-half of March, with hedge funds covering shorts across all regions while also adding long exposure in lesser amounts. According to data compiled by Morgan Stanley, hedge fund performance was positive across strategies last week (through March 24<sup>th</sup>) as global equities, outside of Europe, moved higher. The average global hedge fund finished up ~0.6% through last Thursday (vs. MSCI World Index ~1.1%), which placed the average global hedge fund down ~0.1% MTD and down ~2.8% YTD. The average U.S. Long/Short fund performed slightly better, returning ~0.7% (vs. S&P 500 ~1.3%), placing the cohort up ~0.1% MTD and down ~5.9% YTD. Asia-based Long/Short funds were the best absolute performers for the week, up ~1.3% (vs. MSCI Asia Pacific ~1.3%), though they were lagging most other strategies on a MTD (down ~2%) and YTD (down ~5.3%) basis. It is worth noting that the top 50 crowded hedge fund longs in North America and Asia were positive drivers of hedge fund returns during the week, returning ~2.1% and ~2.5% respectively. Looking at the data on a more granular level, the performance spread between the top 50 crowded hedge fund longs and shorts widened across all regions last week, led by Europe at positive ~2.6% (positive ~1.8% MTD), Asia at positive ~0.8% (positive ~1.3 MTD) and North America at positive ~0.6% (positive ~0.6% MTD). Like February, recent data may suggest a more broad uptick in alpha generation across regions.

Many of the above mentioned trends have been indicative of what we have seen across our underlying managers, with our dedicated manager within the Energy space once again leading the pack in March.

### DIRECT PORTFOLIO UPDATES<sup>3</sup>

PetLove, one of the portfolio's private co-investments, recently announced the acquisition of pet-health plan company Nofaro. The acquisition makes PetLove a leader within the in animal health care segment, and over the next two years the Company expects to generate R\$500 million of revenue in the space.<sup>4</sup> This is PetLove's sixth acquisition in the last three years, which in our minds, reflects of the growing strength of products and services within its ecosystem. As a result of the acquisition, PetLove's customer portfolio in the health sector now includes over seventy-thousand pets and almost one-thousand accredited partners.<sup>4</sup> The Company has been operating in this market since April 2021, and, according to the CEO of PetLove, the Company expects to double its customer count by the end of 2022. We view this acquisition as accretive to PetLove's existing product portfolio, and continue to believe the Company is well positioned to be a category leader in the region.

We are also pleased to report that Market Kurly has filed the preliminary review for its anticipated public market offering with South Korean regulatory authorities. While this is just the preliminary filing, we anticipate that the Company will likely make its public market debut in the third-quarter, market conditions permitting.



## 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 in-depth overview of the South Korean investment landscape. The team discussed what makes South Korea interesting at macro level, provided an overview of a few opportunities at the micro level and took a look at what is expected to be a banner year for IPOs (Initial Public Offerings).

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

### Podcast

In the last episode of HedgeD, the team tried something new by giving listeners the audio replay from the March 3rd, 2022 HedgeD With A Capital “D” webinar. We host this webinar series each month and in it we take a look at one of our most topical current investment themes. In March, we looked at South Korea, which we find particularly interesting on the Technology, Internet, Consumer and Fintech fronts for reasons described in the episode. The team walks listeners through the opportunity set at a high level with the support of the webinar slides which can be found on our YouTube channel (link above).

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

## PAST EVENTS CALENDAR

- March 22: Podcast—Surveying the South Korean Investment Landscape
- March 3: Webinar—Surveying the South Korean Investment Landscape
- 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



## INDUSTRY UPDATES

**Hedge Funds are Doubling Down on Commodities Bets with Some Notching Big Gains:** Hedge funds have ramped up their commodity bets as prices surged during geopolitical turmoil, and managers with big exposure are reaping sizable profits. [Read more.](#)

**‘Wakey, Wakey. We are Not Going Back to Normal Business in a Few Months’: A Top Hedge-fund Manager says Crude Oil Prices Could Hit \$250 this Year:** Energy industry experts are warning oil prices could double from current levels to \$250 per barrel this year amid an ongoing international boycott of Russian energy supplies. [Read more.](#)

**With Volatility Spiking, Allocators Swap Stocks and Bonds for Hedge Funds:** After enjoying a solid year of returns in 2021, allocators appear ready to head back to the hedge-fund well in 2022. [Read more.](#)

**Hedge Funds Performed Well in February Despite Market Turmoil, says PivotalPath:** The PivotalPath Composite Index, a broad measure of overall hedge fund performance, was up 0.3 per cent in February, outperforming most major indices, according to data released by hedge fund research and intelligence specialist PivotalPath. [Read more.](#)

**New Hedge Fund Launches Rise as Industry Capital Surpasses Historic Milestone:** New hedge fund launches rose to the highest level since 2017 as total industry capital remained above the historic USD4 trillion milestone to begin 2022, according to the latest HFR Market Microstructure Report. [Read more.](#)

**Wisconsin Approves USD4.4bn in Fresh Alternatives Commitments:** Fresh capital commitments across hedge funds, private equity and real estate of USD4.4 billion have been approved by The State of Wisconsin Investment Board in Madison, manager of state retirement assets and other portfolios, according to a report by AlternativesWatch. [Read more.](#)

## CONTACT INFORMATION

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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. The investments discussed do not represent all past investments. It should not be assumed that any of the investments discussed were or will be profitable, or that investments or decisions made in the future will be profitable.

### 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 source
  - PR Newswire ([read more](#))