

Welcome to Morgan Creek Digital's digital asset update. It is comprised of a thought piece from our team. We hope you find this content interesting. Please let us know if you have any comments or questions or if you would like to speak to a member of the [Morgan Creek Digital team](#).

Digital Insights 2023: A Year-End Odyssey

With Renewed Optimism We Wish our LPs and Morgan Creek Network a Prosperous New Year.

“The past year was the year of the builder, 2024 will be the year of execution .”

~ Xavier Segura

Review of 2023

We entered the year with disappointing VC deals, fundraising, and IPO figures, and ultimately 2023 could be described as a turbulent year with seismic macro shifts rocking the startup landscape. Before 2023 (late 2021 to 2022), investors flocked to tech startups like moths to a flame, fueled by the allure of buzzwords like 'blockchain' and 'AI.' But quickly the tides turned, ushering in a period defined by high-interest rates, economic uncertainty, and the meltdown of Silicon Valley Bank and the subsequent banking liquidity. According to PitchBook data, venture capital funding for startups worldwide plummeted by more than 50% since the previous year. With a lack of funds and exit strategies, early-stage companies struggled to raise capital, while late-stage counterparts teetered on the brink of distress due to an inactive public market and valuation gaps. By December 2023, nearly 20% of startups raised money at a lower valuation than before, a staggering rise from just 5% in 2021. However, venture funding increased by 11% in Q3 2023 compared to the prior quarter, suggesting momentum.¹ And with a record \$283 billion in VC dry powder in the US alone, we believe new funding momentum will begin soon.²

MCD Investment Team Perspective

Q4 2021 to 2022 was a period in which a lot of early-stage deals were closed simply because it was opportunistic to do so, skewing deal counts and funding statistics. Founders were smart and raised significant capital when the cost of capital was cheap and valuations were elevated, extending runways further than the typical 12–18-month period (in some cases 3+ years). Therefore, in 2023, fewer companies raised capital in subsequent rounds, and many that did were diligent to rectify the valuation gaps set in 2022, resulting in flat or down valuations. While media outlets like to slam companies for lower valuations, prudent founders and operators recognized the need to align incentives for investors and motivations for employees as they anticipate later-stage funding rounds in the future. Ultimately startups were responsible for recalibrating, and we must remind ourselves that a company's **ability to execute** in the long term is a true determinant of value.

2024 Outlook

While returns from 2023 may take longer to materialize as multiples have come down, we view this as an opportunity for greater and sustained value creation in the long term. Further, we believe that with deal counts down in 2023 largely due to the extended runways, operators have been prudent in keeping their heads down and **building their companies**—which will ultimately bridge valuation gaps. Further, noteworthy improvements in fundraising, deal volume, and valuations from one quarter to the next suggest venture capital activity is gradually picking up momentum. In addition, there are hints, however faint, that initial public offerings (IPOs) may also pick up steam in 2024. Following a period of relative restraint, IPO activity is expected to expand as venture-backed companies reach a level of maturity where they opt to go public, seizing the opportunity to tap into broader capital markets. The decision to go public by marketing automation startup Klaviyo, supermarket delivery service Instacart, and AI chip manufacturer Arm in Q3 2023 spurred renewed optimism. More than merely giving investors access to liquidity, a revival of IPOs may boost investor confidence and reaffirm the promise of new technologies reaching wider audiences. Finally, we think the macro-environment will likely improve as the Federal Reserve is forecasting rate cuts for 2024, but it is possible that the Fed will be even more aggressive, perhaps penciling in 3-6 rate cuts. (Not because the holiday spirit has invoked a sense of generosity within the Fed, but rather because it is an election year and inflation is on the decline)

For further insights into our 2024 outlook and thesis, please tune into our podcast episode linked below.

[Click Here to listen to the latest episode of Digital Currents](#)



¹ [CB Insights Q3 2023 State of Venture Report](#)

² [State of the Markets Report H2 2023 | Silicon Valley Bank \(svb.com\)](#)

Important Disclosures

The above information reflects the opinions of Morgan Creek Digital as of the time this is written and all such opinions are subject to change. No representation or warranty, express or implied, is given by Morgan Creek Digital as to the accuracy of such opinions, and no liability is accepted by such persons for the accuracy or completeness of any such opinions.

No Warranty

Neither Morgan Creek Capital Management, LLC nor Morgan Creek Digital warrants the accuracy, adequacy, completeness, timeliness, or availability of any information provided by non-Morgan Creek sources.

This information 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. Alternative investments involve specific risks that may be greater than those associated with traditional investments.

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 reflect all 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. Past performance is no guarantee of future results. The illustrations are not intended to predict the performance of any specific investment or security.

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.

Risk Summary

Interests in the Morgan Creek Digital Fund IV, LP ("Fund") are speculative and involve a significant degree of risk. Cryptocurrencies and related businesses have limited performance histories, can be extremely volatile, and are not subject to many of the regulatory oversights over which other investable assets are subject. An investment in the Fund is suitable only for sophisticated investors and requires the financial ability and willingness to accept the high risks and limited liquidity inherent in the Units.

There can be no assurance that the Fund will be successful or that losses will not be incurred by the Fund. Each investor in the Fund must have the ability to bear the risk of loss of their entire investment and must be prepared to bear such risks for an extended period of time. Investors are strongly urged to consult with their professional advisors and to carefully review the risk prior to investing.

Performance Disclosures

There can be no assurance that the investment objectives of any fund managed by Morgan Creek Capital Management, LLC will be achieved. 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.

[Unsubscribe ljacob@morgancreekcap.com](mailto:ljacob@morgancreekcap.com)

Constant Contact Data Notice

Sent by mcdigital@morgancreekcap.com