## Market Outlook

Protecting Capital & Capturing Alpha in Today's Environment

### **Words of Wisdom**

"Any plan conceived in moderation must fail when circumstances are set in extremes."

#### **Prince Metternich**

"We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next 10. Don't let yourself be lulled into inaction."

#### **Bill Gates**

## **Surprise!** First Member of Notre Dame Class of '33





### "Old Plan" Produced Poor Returns for Over a Decade



Source(s): Bloomberg.

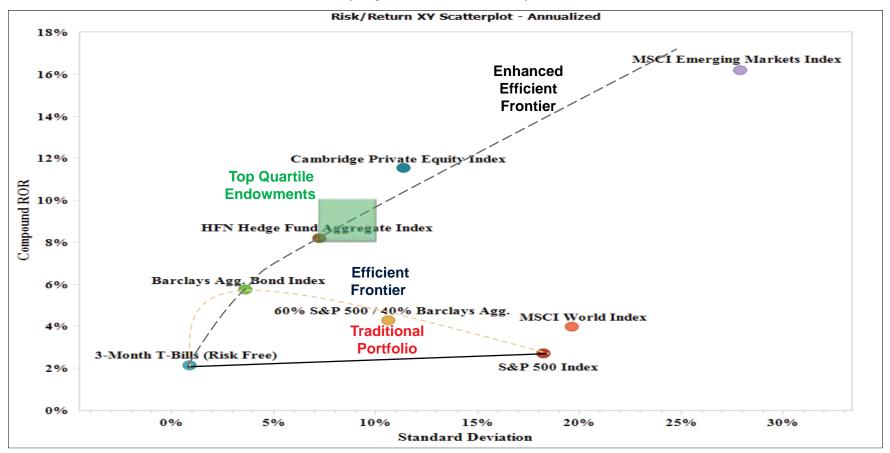
Note(s): Please see index definitions at the end of this presentation. Past performance is no guarantee of future results.

Definition(s): BRK/A = Berkshire Hathaway Inc. is a holding company owning subsidiaries in a variety of business sectors. Class A is one of its two classes of common stock. The Company's principal operations are insurance business conducted nationwide on a primary basis and worldwide on a reinsurance basis. Berkshire's other operations include a railway company, a specialty chemical company, and an international association of diversified businesses. Definition from Bloomberg.com. GOLDS Comdty = gold spot price as quoted in U.S.D. per Troy ounce.

## Making the Case for Building a Different CORE Portfolio

#### Last (LOST) Decade

(July 2001 to June 2011)

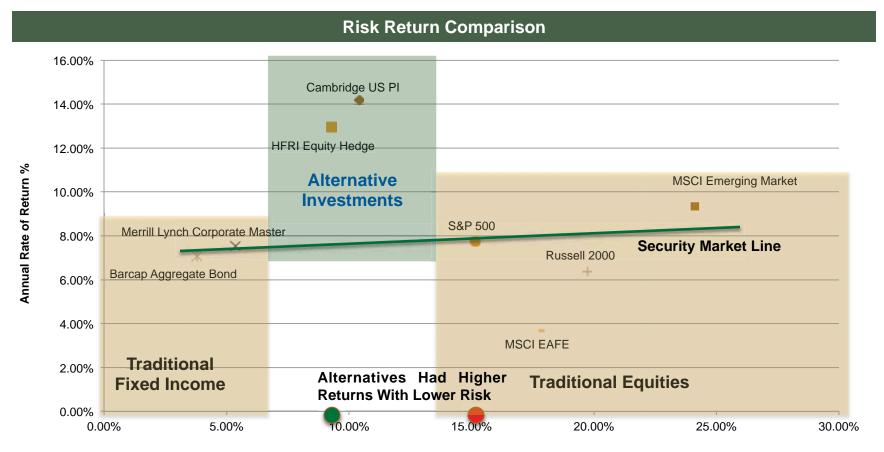


Note(s): Past performance is not indicative of future results. Please see index definitions at the end of this presentation. No investment is risk free; loss of principal is possible. Alternative investments involve specific risks that may be greater than those associated with traditional investments. One should consider the special risks with alternative investments, including limited liquidity, tax considerations, incentive fee structures, potentially speculative investment strategies, and different regulatory and reporting requirements. There can be no assurance that any investment will meet its performance objectives or that substantial losses will be avoided.

Source(s): Bloomberg, GMO, NACUBO, MCCM estimates.

Definition(s): Compound ROR = compound rate of return; Annualized standard deviation = risk as measured by the variability of performance. The higher the standard deviation, the greater the variability (and therefore, the risk) of the fund or index; Traditional Efficient Frontier = addition of traditional asset classes such as stocks and bonds; Enhanced Efficient Frontier = addition of more alternative asset classes.

### "Alternatives" Beat "Traditional" for Past Two Decades



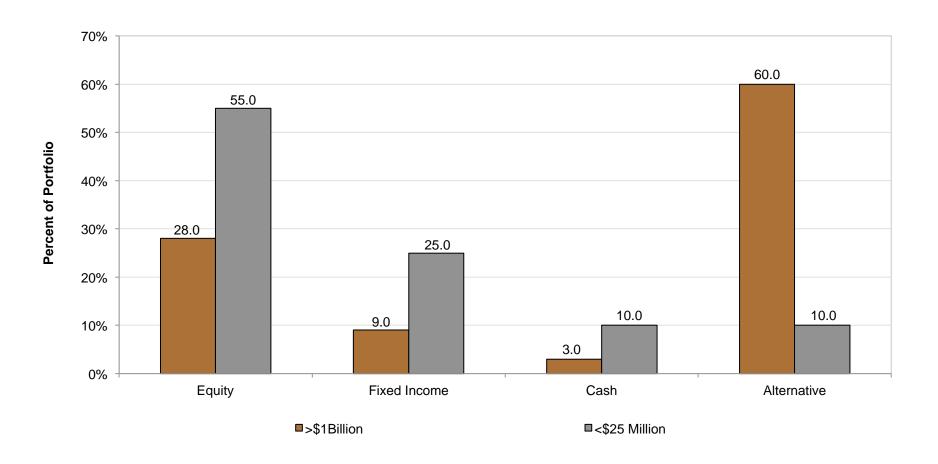
#### Standard Deviation %

Note(s): Past performance is no guarantee of future results. The illustrations are not intended to predict the performance of any specific investment or security. The unmanaged indices do not reflect fees and expenses and are not available for direct investment. The HFRI indices report performance monthly. Funds included in the HFRI monthly indices must report monthly returns, report net of all fees returns, report assets in USD and have at least \$50 Million under management or have been actively trading for at least twelve months. Please see index definitions at the end of this presentation. 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 regulatory and reporting requirements. There can be no assurance that any investment will meet its performance objectives or that substantial losses will be avoided.

Definition(s): Annualized standard deviation = risk as measured by the variability of performance. The higher the standard deviation, the greater the variability (and therefore, the risk) of the fund or index. Source(s): Morningstar, Hedge Fund Research, Inc., PerTrac. January 1999 to September 2011.

## **Endowments Superior Returns from Better Asset Allocation**

#### **Average Asset Allocation Large University Endowments**

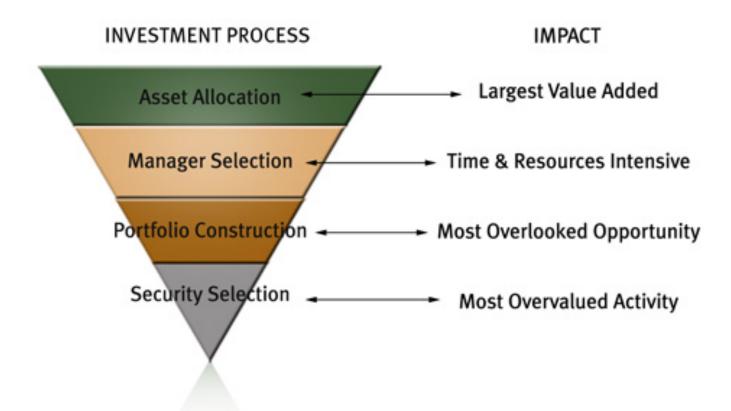


Source(s): 2011 NACUBO-Commonfund Benchmarks Study; data as of 06/30/11.

Note(s): Neither diversification nor asset allocation ensures a profit or guarantees against loss. Please see index definitions at the end of this presentation. Past performance is no guarantee of future results.

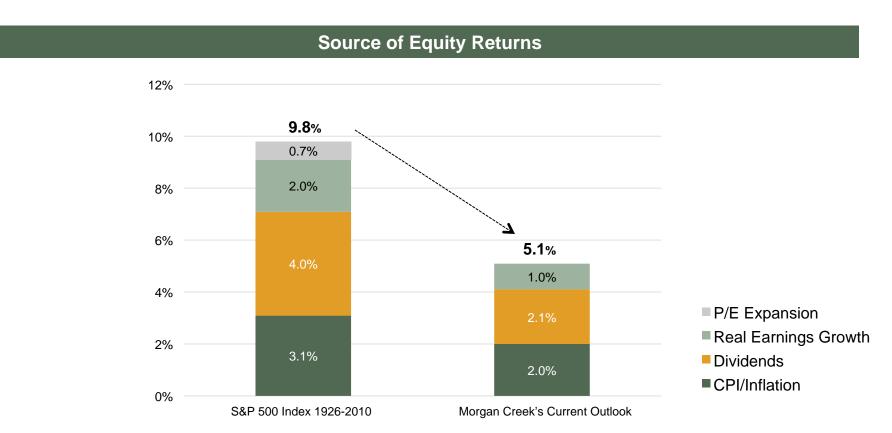
## **Large Endowments Focus on Highest Impact Areas**

Academic literature shows that 85-90% of portfolio returns comes from first three steps of the investment process, yet the bulk of the investment industry focuses on security selection<sup>1</sup>



## **Current Trends Suggests Lower Future Equity Returns**

#### May be difficult to match long-term domestic equity performance going forward



Source(s): Based on research study conducted by Ibbotson & Chen. Research Report dated 2000. Study has not been replicated since 2000. Dividends represent dividend yield of Standard & Poor's 500 as of 12/01/11. Inflation rate reflects CPI as of 12/31/11 (information from Bureau of Labor Statistics). MCCM believes that, following the Ibbotson model and methodology of forecasting, equity returns could stem from four sources that are added together to form a current outlook forecast. The four sources are Inflation, Dividends, Real Earnings Growth, and P/E Multiple Expansion. MCCM defines Inflation as the yield of the 10-year Treasury Note less the 10-year Treasury TIPS yield (+1.9 – (-0.1) = +2.0). Dividends are represented by the dividend yield of the S&P 500 as of 12/31/11 (+2.1). Real GDP Growth is estimated by World Bank's Economic Forecast of the U.S., and MCCM estimates/calculates Real Earnings Growth as current 10 year trend GDP growth less 1 (+2.0 – 1 = +1.0). Lastly, P/E multiples have been at historically high levels, so MCCM does not believe expansion is a likely source of growing equity returns and estimates the factor to be zero as of 12/31/11. Hatteras' forecast methodology is not a guarantee of future performance and should not be relied upon for any investment decisions.

## Traditional Portfolios May Struggle to Meet Objectives

In the past, a traditional portfolio of equities and bonds generated enough return to meet your investment objectives. However, given the current environment of Financial Repression, this is unlikely to be the case in the coming decade.

#### Risk and Return of Stocks, Bonds, and Cash



Source(s): MCCM's Current Outlook on equities. Based on research study conducted by Ibbotson & Chen. Cash is represented by the yield on a 90-day T Bill; Bonds are represented by the 10-Yr U.S. Treasury Yield; and Equities are depicted by Large Cap Domestic Equities.



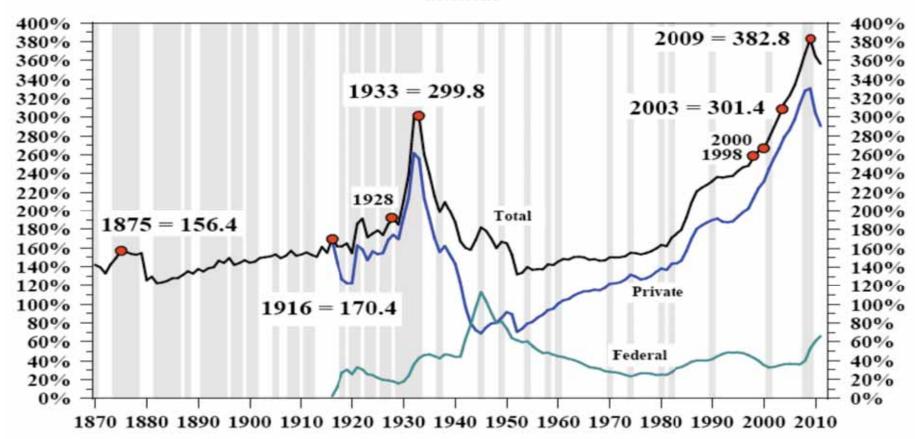
## **Words of Wisdom**



## Six Decades of Rising Debt Created "Bubble" World

U.S. Debt as a % of GDP

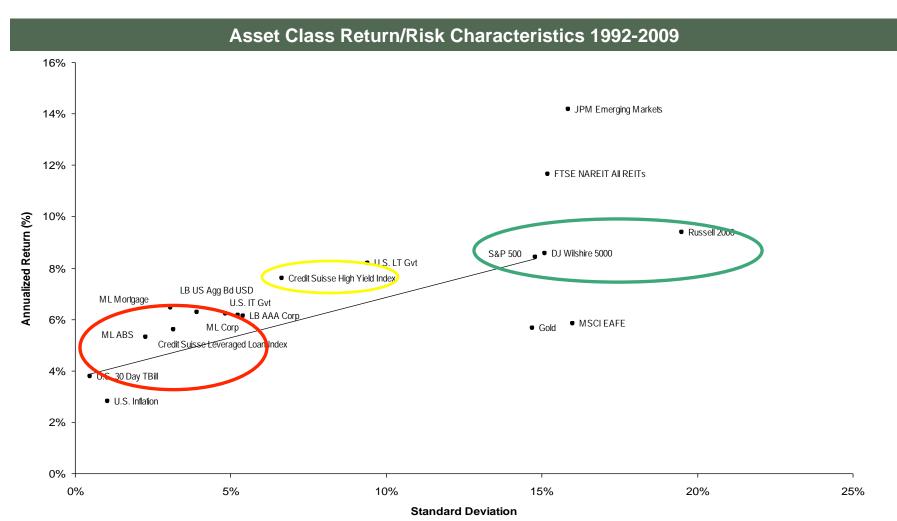
annual



Sources: Bureau of Economic Analysis, Federal Reserve, Census Bureau: Historical Statistics of the United States Colonial Times to 1970. Through Q4 2011.

Note(s): Private, Federal & Total refer to private debt, federal debt and total debt. All chart points reflect year and U.S. debt as a percentage of GDP. Source(s): Hoisington Capital Management.

## **Historically: Stocks > Bonds, Take Risk, Get Return**

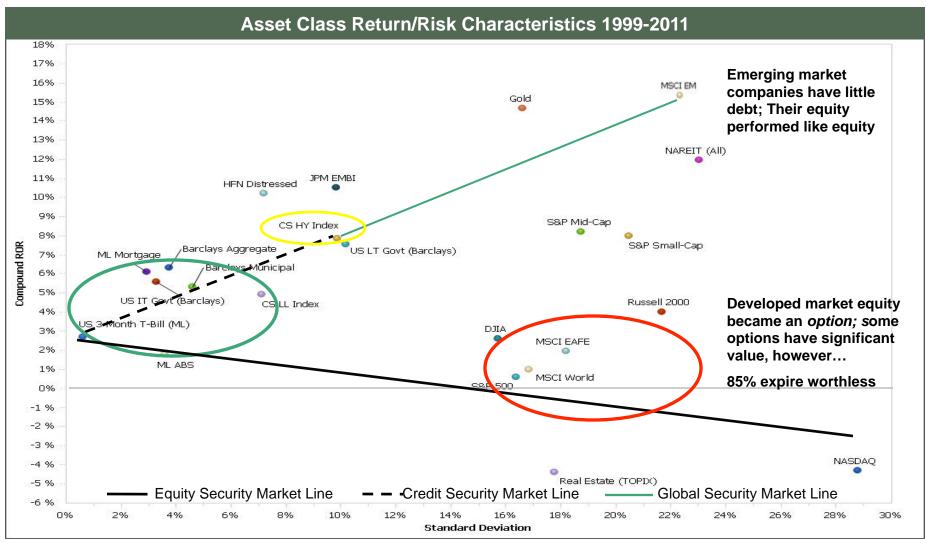


Source(s): Credit Suisse ("CS"), Ibbotson, Bloomberg.

Note(s): The above information reflects opinions of Morgan Creek as of the time this presentation is written and all such opinions are subject to change. No representation or warranty, express or implied, is given by Morgan Creek as to the accuracy of such opinions and no liability is accepted by such persons for the accuracy or completeness of any such opinions. Past performance is not indicative of future results. Please see index definitions at the end of this presentation.

Definition(s): U.S. Inflation = a measure of the rate of increase of a price index (i.e., goods and services) such as the consumer price index (CPI) over a period of time. Annualized standard deviation = risk as measured by the variability of performance. The higher the standard deviation, the greater the variability (and therefore, the risk) of the fund or index.

## Bubble World: "Risk" Not Rewarded, Less Debt Wins

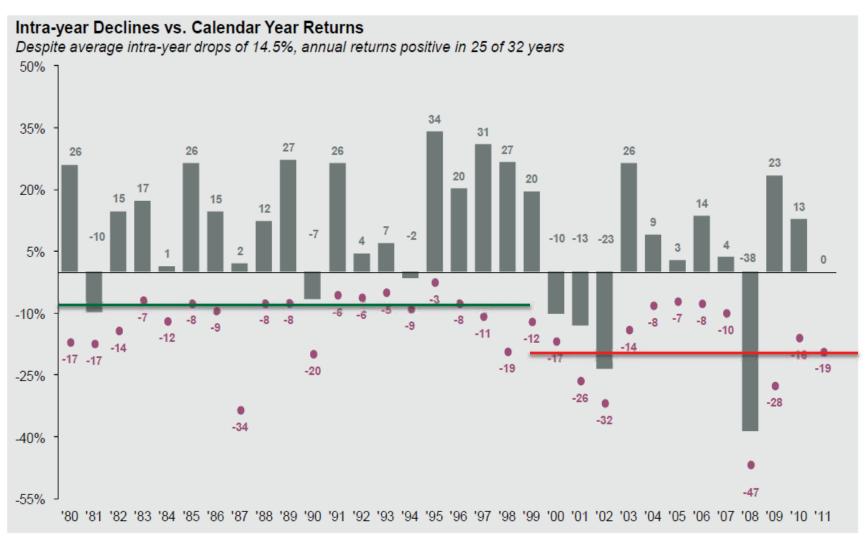


Source(s): CS, Ibbotson, PerTrac.

Definition(s): Security market line = simply a plot of expected returns of investments with respect to its beta, market risk; Annualized standard deviation = risk as measured by the variability of performance. The higher the standard deviation, the greater the variability (and therefore, the risk) of the fund or index.

Note(s): Please see index definitions at the end of this presentation.

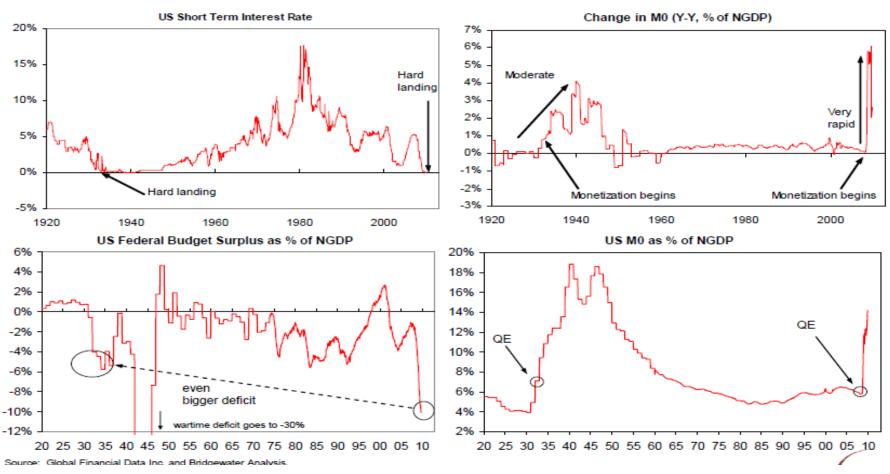
## Increased Volatility May Be Norm in the "New Abnormal"



Source: Standard and Poor's, FactSet, J.P. Morgan Asset Management.

## U.S. Starting to Look and Feel Like 1930s All Over Again

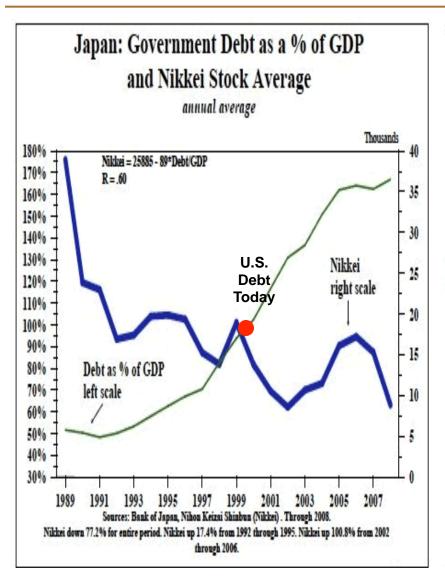
## 0% INTEREST RATE, CENTRAL BANK PRINTING AND LARGE GOVERNMENT DEFICITS

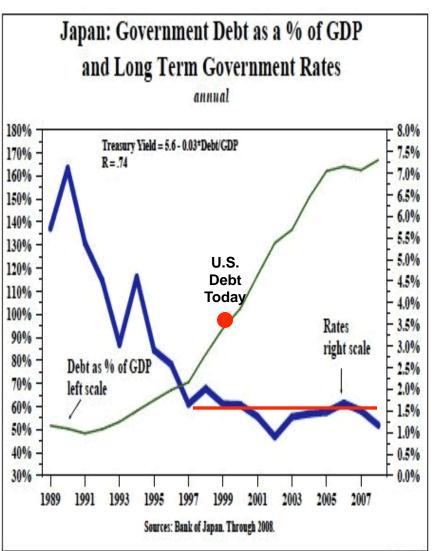


Source(s): Bridgewater

Definition(s): QE = quantitative easing; NGDP = net GDP; M0 = a measure of the money supply which combines any liquid or cash assets held within a central bank and the amount of physical currency circulating in the economy.

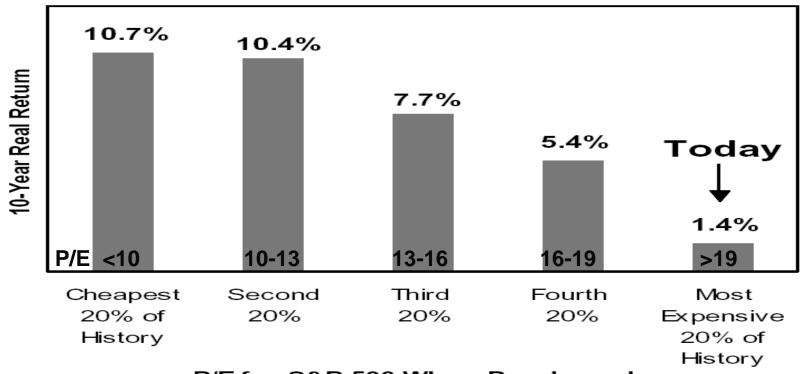
## Seen This Movie Before; More Debt, Stocks & Yields Fall





## Price Paid at Purchase Always Determines Future Returns

## Quintiles of Price/10-Year Earnings\* to Predict 10-Year Returns

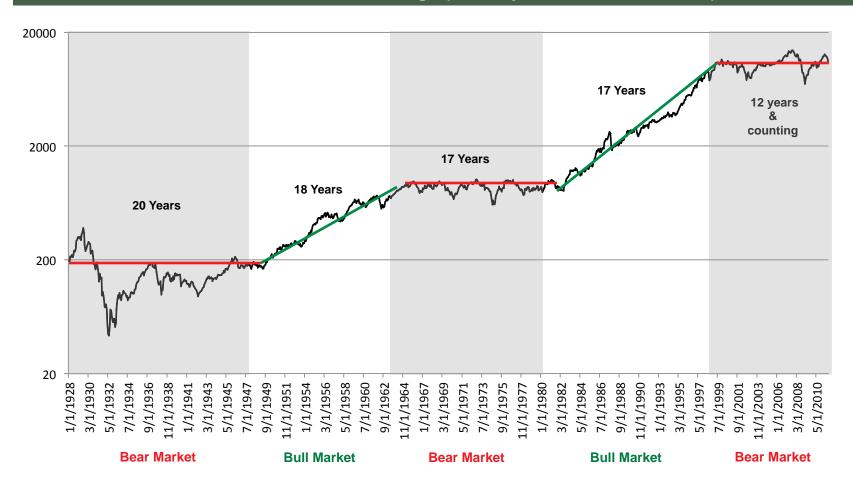


#### P/E for S&P 500 When Purchased

\* Replacement Cost (Tobin's Q) is even more predictive (see Matthew Harney and Edward Tower, The Journal of Investing, Fall 2003).

## U.S. Equity Market Has Followed a Stair Step Pattern

#### **Dow Jones Industrial Average (January 1928-December 2011)**

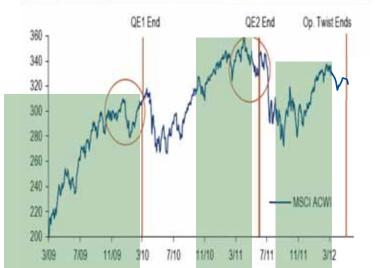


Source(s): Bloomberg

Note(s): Past performance is no guarantee of future results. The illustrations are not intended to predict the performance of any specific investment or security. Please see index definitions at the end of this presentation.

## Fed (and ECB) Keep Pumping Up Stocks & Commodities







## QE1, No QE and QE2: Critical Market Values Positive Responders to Inflation/Risk

		QE1 Change	No QE	QE2 Change	No QE	QE3 (SWAP)
l.	S&P 500	36.4%	-9.0%	24.1%	-5.6%	12.9%
2.	Dow Jones Global Stock Index	48.4%	-8.0%	22.4%	-12.7%	11.1%
3.	Gasoline	30.3%	-8.6%	36.8%	-5.5%	19.3%
4.	10-year break even yield	1.1%	-1.5%	1.0%	-0.6%	0.746
5.	Dollar (DXY)	4.6%	2.3%	-10.4%	5.5%	0.8%

Source: Federal Reserve, Bloomberg, Haver Analytics, NYMEX, Standard and Poors, Moodys. Through Q1, 2011.

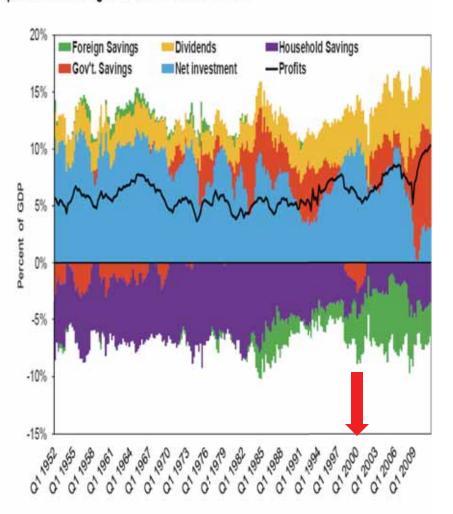
## Stock Prices & EPS Doubled, No Rev Growth? All Debt

A STUDY IN CONTRAST: COMPARING THE STOCK
MARKET LOW (3/9/09) VERSUS 3 YEARS LATER

	March 9, 2009	March 8, 2012	Pct. Chg.
Oil (\$/bbl)	47.1	106.7	126.7%
S&P 500 Market Cap (\$Bn)	5,895	12,371	109.9%
S&P 500 Index Price	676.5	1365.9	101.9%
S&P 500 Operating EPS (TTM)	49.51	96.44	94.8%
S&P 500 Operating Margin	4.7%	9.1%	92.6%
Gold (\$/oz.)	922.0	1700.7	84.5%
Fed Balance Sheet Assets (\$Bn)	2,012	2,886	43.5%
Total Gov't Debt (\$Tn)	10.89	15.46	42.0%
Forward P/E	9.8x	13.4x	36.7%
12 Mo. Rolling Budget Deficit (\$Bn)	923.4	1227.2	32.9%
Nominal GDP* (\$Bn)	13,894	15,472	11.4%
Real GDP* (\$Bn)	12,663	13,497	6.6%
Trailing P/E	13.7x	14.2x	3.6%
S&P 500 Revenue Per Share (TTM)	1,042.5	1,052.9	1.0%
Nonfarm Payrolls (Thous)	132,038	132,697	0.5%
US 10 Yr. Yield	2.86%	2.01%	-29.6%
Corporate Bond Credit Spreads (bps)	597	202	-66.2%
*GDP includes 1Q 2012 Est.			

## Gov't Dis-Savings 70% of Corporate Profits, Sustainable?

#### U.S. Corporate Profit Margins and Their Macro-Drivers



#### Breakdown of 2011 Profits

Driver	% of GDP
+ Investment	+3.2%
– Household Savings	-3.4%
– Government Savings	7.6%
– Foreign Savings	-2.7%
+ Dividends	+5.5%
= Profits	10.2%

Source: NIPA, Flow of Funds, GMO A

## Three Big Risks Facing Investors Today



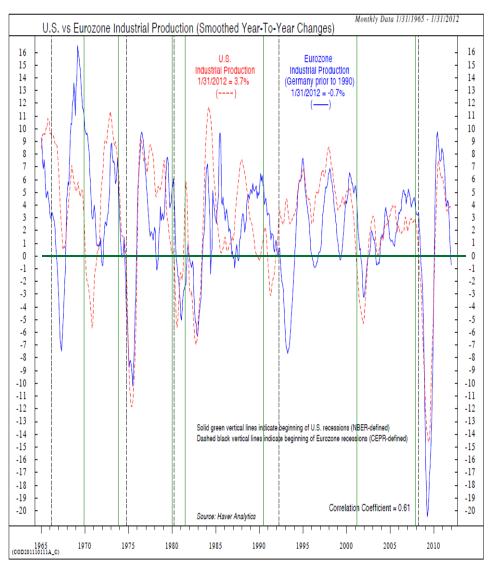
## 3 Big Risks: Euro Crisis, US Fiscal Cliff, China Slowdown

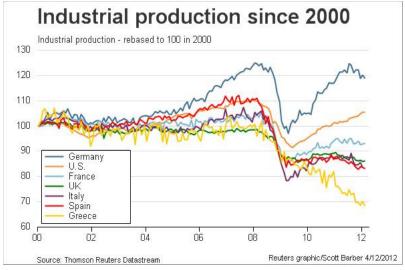
Chart 2: Different Assets, Different Risks

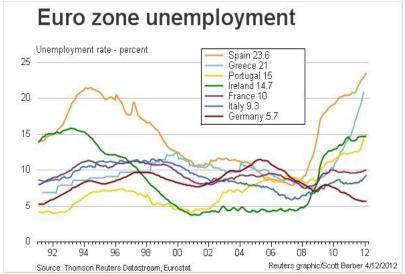


Source: GS Global ECS Research

## **Eurozone Growth Not Pretty, Downright Ugly in Periphery**







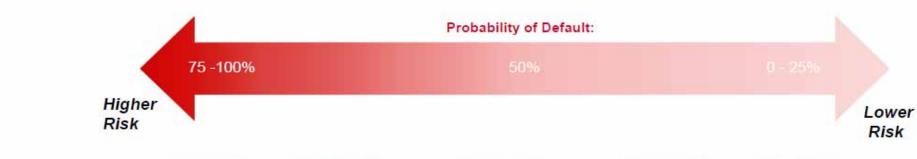
## ECB Trying to Fix Solvency Problem With Liquidity...



Debt must be forgiven, restructured, or liquidated, then economic growth will return.

Source(s): TIS Group, Yahoo Finance.

## Sovereign Risk: STUUPIIID Debt Crisis Will Accelerate















Risk Measures	Greece	Portugal	Ireland	Spain	Italy
% of Euro Zone					
Economy	2.5%	1.9%	1.7%	11.6%	16.9%
Debt / GDP (%)	152%	91%	114%	64%	120%
10y bond yield (%)	17.8%	10.1%	8.6%	5.1%	4.5%
5-year CDS (bps)	1,582 bps	1,083 bps	804 bps	578 bps	524 bps
5-year implied prob. of default	87%	57%	51%	27%	27%

Source(s): Deutsche Bank.

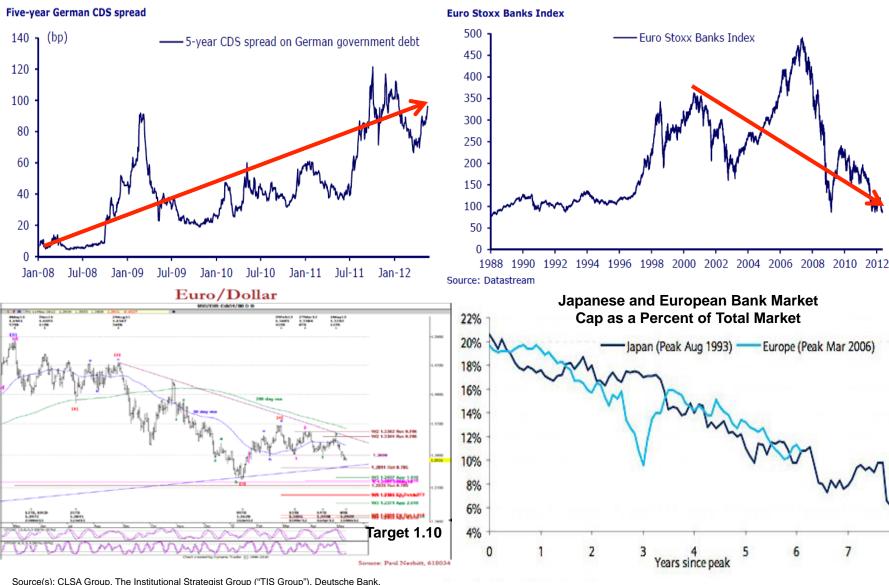
Definition(s): BPS = basis points; STUUPIID currently references the following countries: Spain, Turkey, the U.K., the U.S., Portugal, Ireland, Italy and Dubai.

## Real Problem with PIIGS is the BANKS Own the Bonds...

s at end une 2010	French banks	German banks	Greek banks	Irish banks	Italian banks	Portuguese banks	Spanish banks	UK banks
xposure D France		\$196.8bn	\$1.9bn	\$18.1bn	\$31.6bn	\$8.2bn	\$26.3bn	\$257.1br
Germany	\$255bn		\$5.7bn	\$32.1bn	\$254.4bn	\$3.9bn	\$39.1bn	\$172.2br
Greece	\$53.5bn	\$36.8bn		\$7.8bn	\$5.3bn	\$10.0bn	\$925m	\$12.0bn
Ireland	\$50.1bn	\$138.6bn	\$461m		\$15.3bn	\$19.4bn	\$14.0bn	\$148.5bi
Italy	\$418.9bn	\$153.7bn	\$485m	\$40.9bn		\$3.4bn	\$32.6bn	\$66.8br
Portugal	\$41.9bn	\$37.2bn	\$101m	\$5.1bn	\$4.7bn		\$78.3bn	\$22.4br
Spain	\$162.4bn	\$181.6bn	\$673m	\$25.3bn	\$25.6bn	\$23.1bn		\$110.8bi
UK	\$327.7bn	\$462.1bn	\$19.7bn	\$209bn	\$44.0bn	\$7.7bn	\$386.4bn	

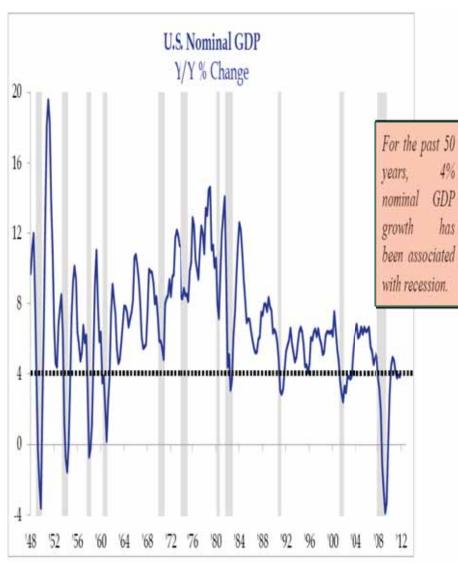
Definition(s): PIIGS currently references the following countries: Portugal, Italy, Ireland, Greece and Spain. Source(s): *The Financial Times*, 12/01/10.

## **Opportunities:** Buy CDS on Guarantor, Short Euro & Banks



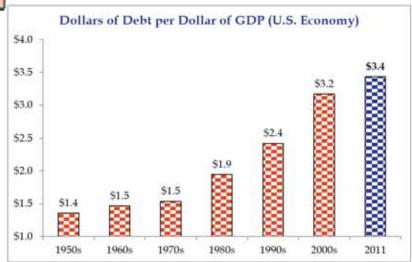
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## Number 4 is Bad Omen in Chinese and Economics...



	Nominal GDP (Y/Y)	Real GDP (Y/Y)	Ratio (Real % Nominal)
1950s	6.7	4.2	62%
1960s	6.9	4.5	65%
1970s	10.1	3.3	32%
1980s	7.9	3.1	39%
1990s	5.5	3.2	58%
2000s	4.1	1.7	41%
2010-11	4.1	2.4	59%

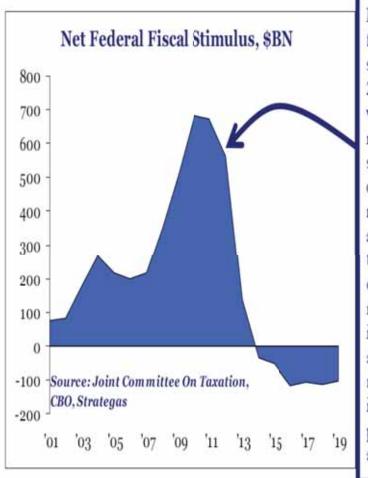
#### NOMINAL GDP GROWTH HARDER TO ACHIEVE AS MARGINAL ACCESS TO CREDIT WANES



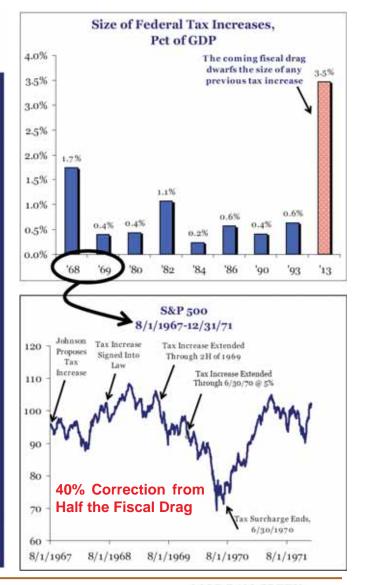
Source(s): Strategas.

## Fiscal Cliff is Larger than Largest U.S. Tax Increase Ever

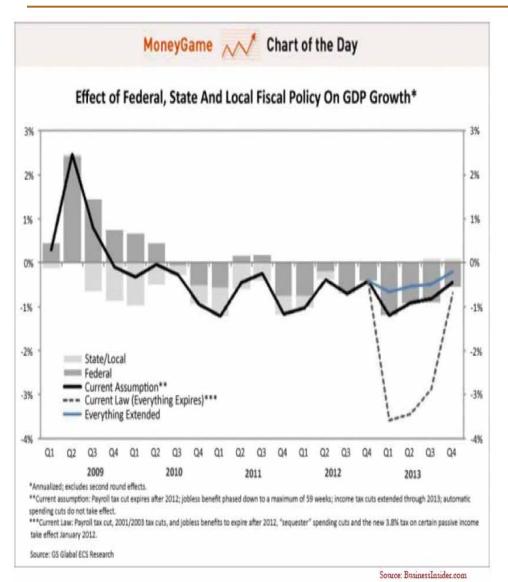
# WITH NO ACTION BY CONGRESS, THE FISCAL CLIFF IS ROUGHLY \$537BN IN 2013, OR 3.5 PERCENT OF GDP



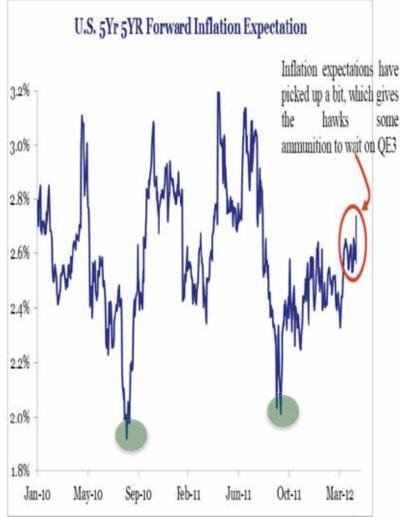
Most of the fiscal drag stems from the loss of previous stimulus. Unlike the 2008 and stimulus measures which were focused on tax government and spending, the stimulus roll off consists of increases in marginal tax rates on savings and investment. This includes tax increases on income. capital gains, and dividends, a pct tax investment income, and no accelerated depreciation. The multiplier effect on these tax increases could be quite large, particularly if they all happen at once.



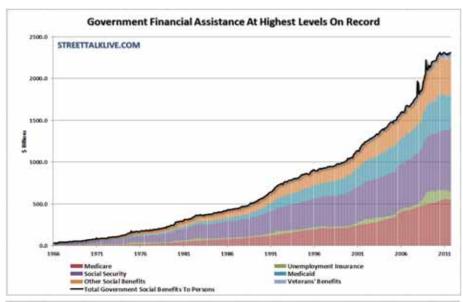
## Need Congressional Miracle, Inflation Too High for QE III

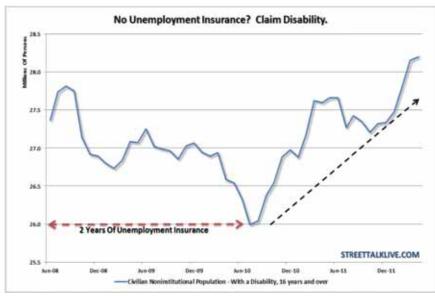


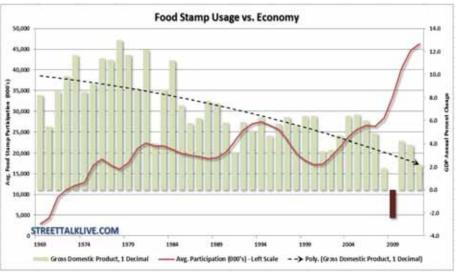
### **QE3 INFLATION MONITOR**

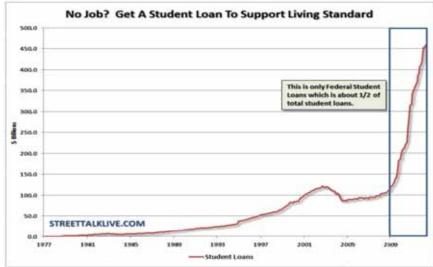


## Hidden Depression: Food Stamps, Disability, Student Loans



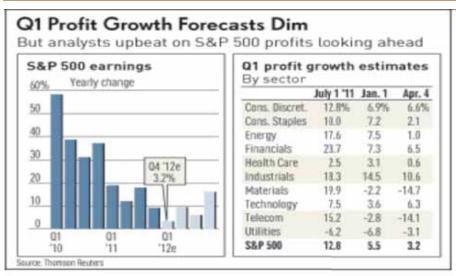




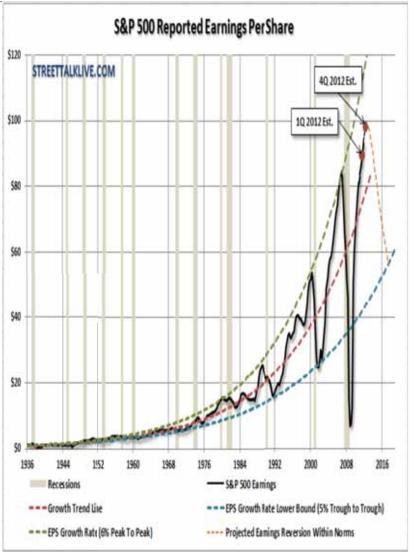


Source(s): dshort.com

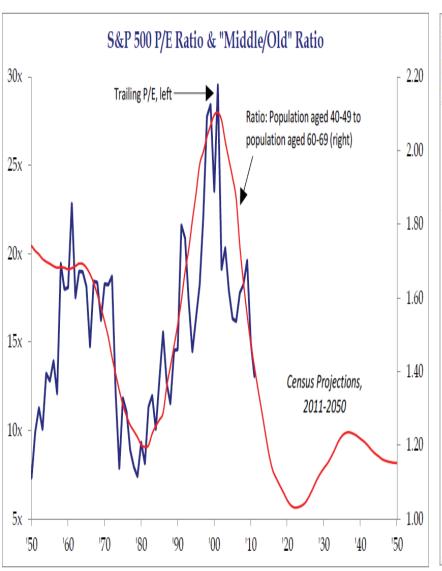
## **Analyst Estimates More Optimistic than Expected Trend**

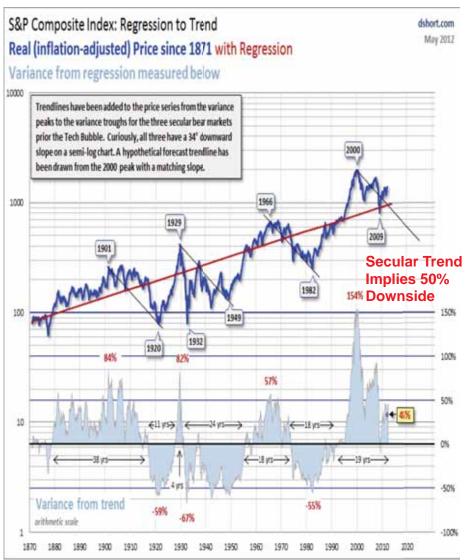






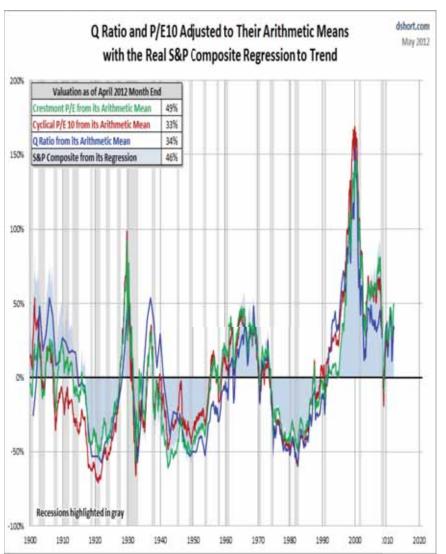
## **Demographics Points to Long Period of Secular Decline**

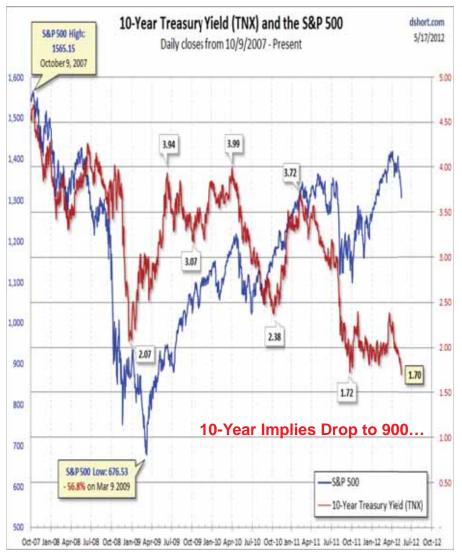




Source(s): Strategas, dshort.com.

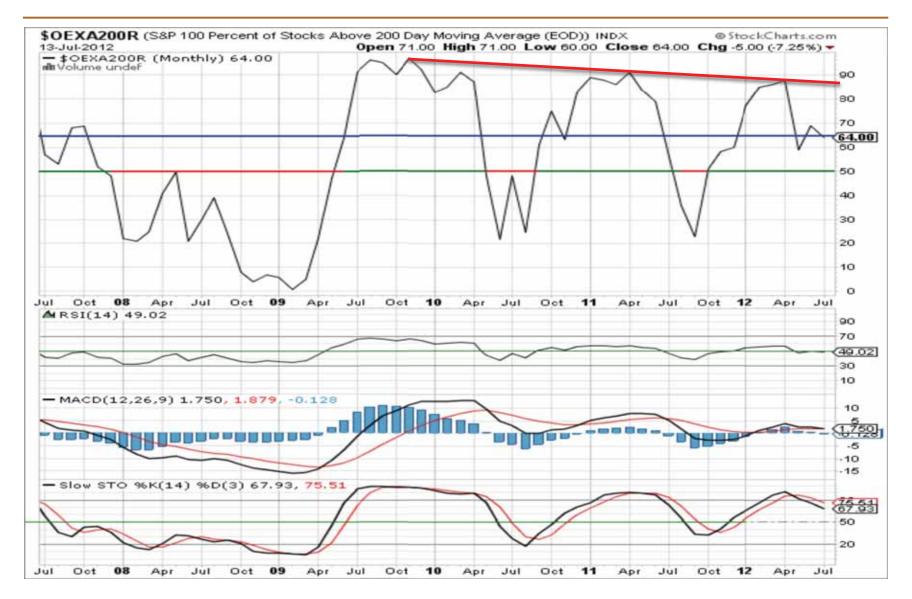
# Valuations Metrics & 10-Year Signal Large S&P 500 Decline



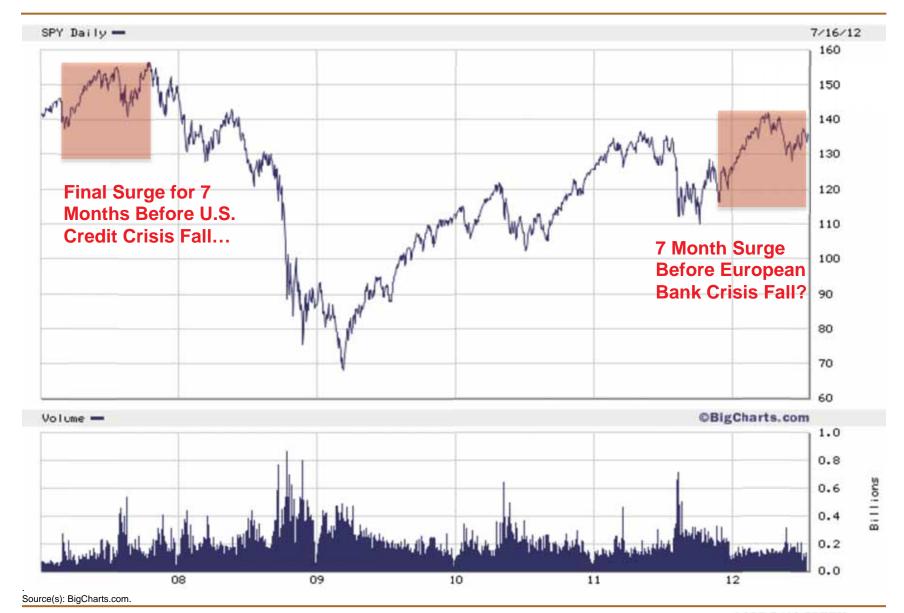


Source(s): dshort.com.

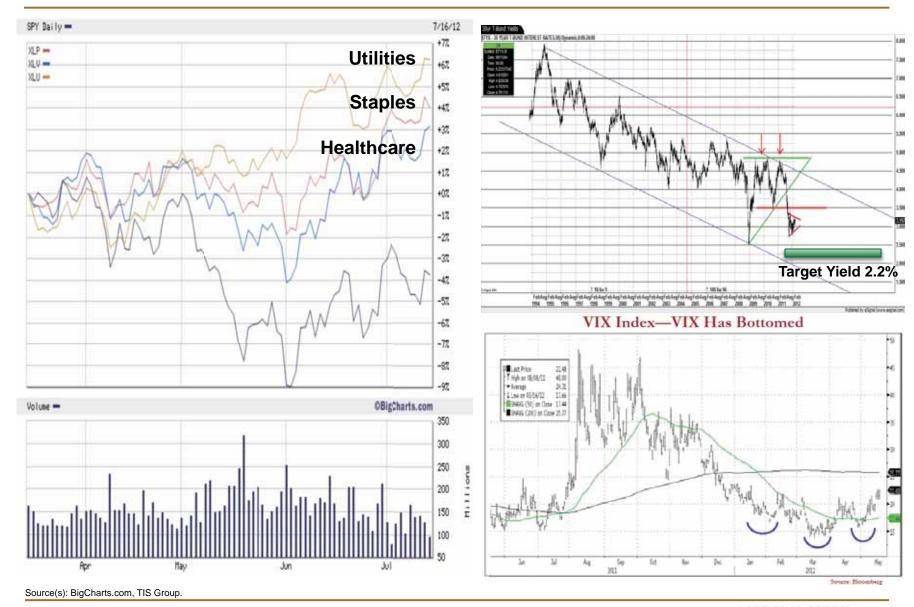
## Treja Vu? Reliable Correction Indicator Turns Down Again



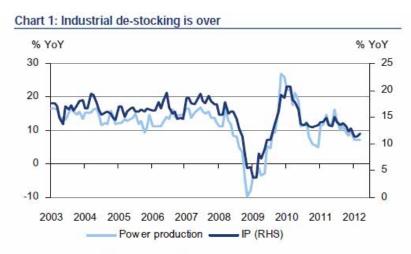
## History Doesn't Repeat, But It Rhymes...



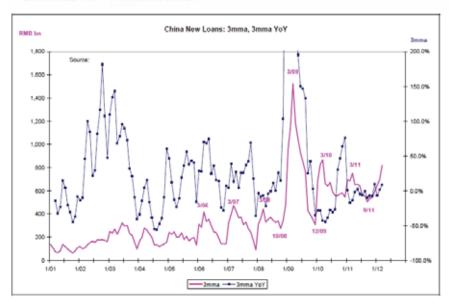
## Opportunities: Play Defense, Long Bonds & Options on VIX

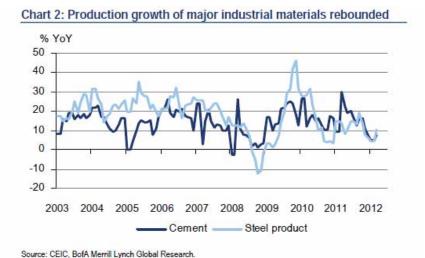


# China Hard Landing Debate, Money Supply Rising is Good







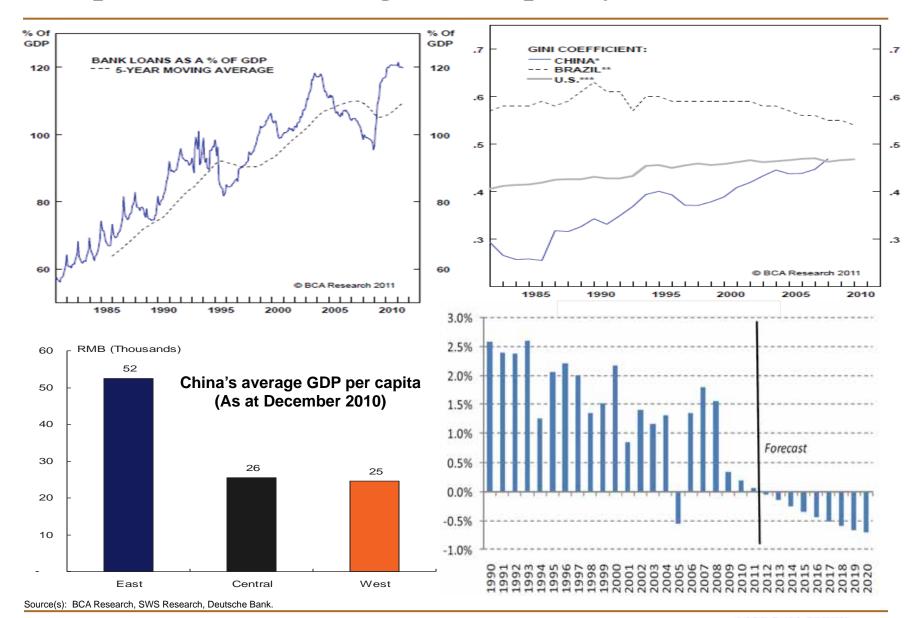


March	New loans Outstanding loans		MO	M1	M2	FX reserves
	RMB bn	%YoY	% YoY	% YoY	%YoY	USD bn
Actual	1,010.0	15.7	10.6	4.4	13.4	3,305 (end-Mar)
Previous	710.7	152	8.8	4.3	13.0	3,181 (end-Dec)
Consensus	797.5		10.0	5.0	13.0	3,200
BotAML	800.0	15.3	10.0	7.5	12.7	

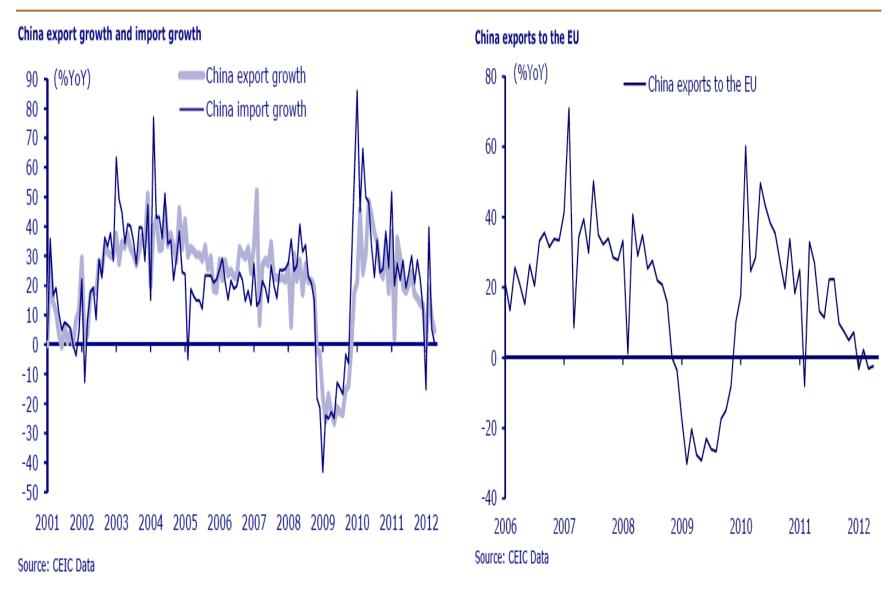
Source: Bloomberg, PBoC, BofA Merrill Lynch Global Research.

Source(s): BofA Merrill Lynch.

## **Cheap Credit => Leverage => Inequality => Labor Troubles**

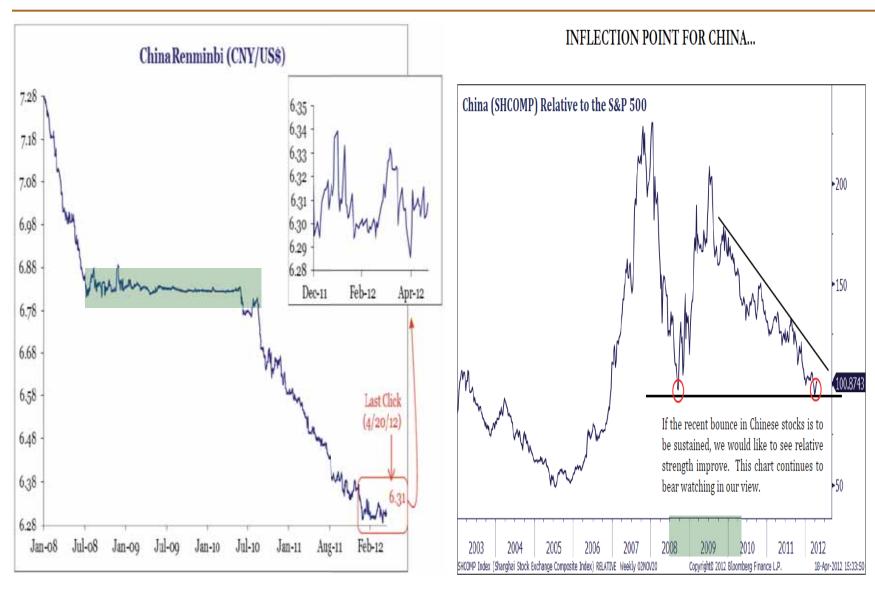


## Recession in Europe Clearly Having an Impact on China



Source(s): CLSA Group.

# China Fixed RMB to Rally Market in 2009, Déjà Vu Now?



Source(s): Strategas, TIS Group.

## Is PBOC Beginning Easing in Response to Slower Growth?



## Opportunities: If So, Buy Consumer, Mobile & Internet





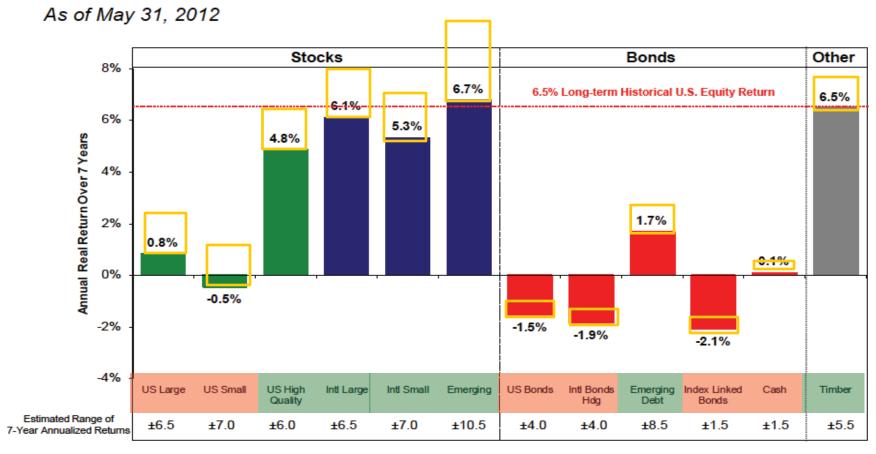
#### **Words of Wisdom**

"Creative risk taking is essential to success in any goal where the stakes are high. Thoughtless risks are destructive, of course, but perhaps even more wasteful is thoughtless caution, which prompts inaction and promotes failure to seize opportunity."

Gary Ryan Blair, Author

## **GMO** Views on Traditional Assets Not Very Robust

#### GMO 7-Year Asset Class Return Forecasts\*

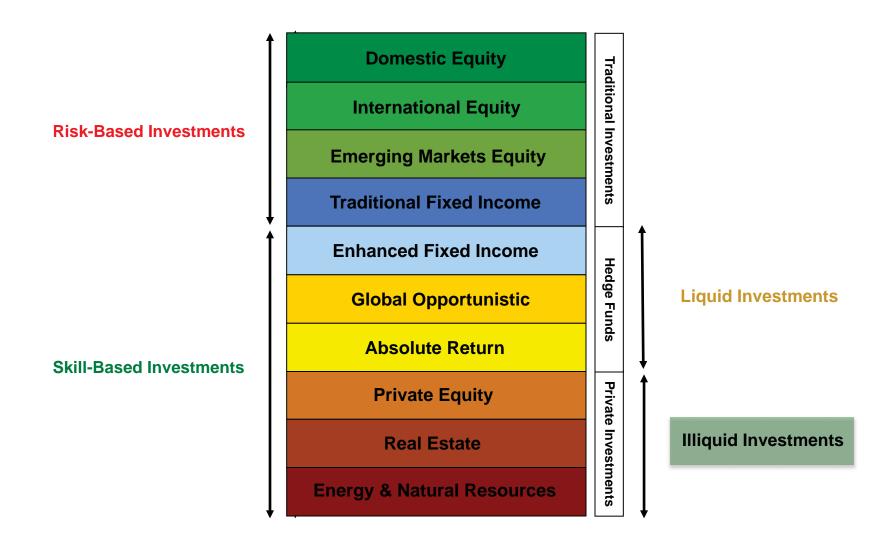


<sup>\*</sup>The chart represents real return forecasts¹ for several asset classes. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Actual results may differ materially from the forecasts above.



U.S. inflation is assumed to mean revert to long-term inflation of 2.2% over 15 years.

#### Now Is the Time to Focus on Skill-Based Investments



### Four Ways to Make Investment Return, "Risk" in All Four

#### **Components of Long-Term Portfolio Returns**

Component	Average Return	Outlook Dev. Mkts. Emerg. Mkts.		
"Risk Free" Rate	4%	0%	to 4%	
Credit Risk	2%	2%	to 4%	
Equity Risk	5%	2%	to 5%	
Illiquidity Risk	5%	5% 10%		
Structuring Risk	Variable	Low		

Historical Averages Ibbotson Style Data for Stocks, Bonds, Cash for 1926-2011, Cambridge PE Data for Illiquidity Premium

Outlook estimates are current risk free rates, current bond yields and forecast equity returns in developed and emerging markets from Bloomberg and GMO, Illiquidity forecast is a MCCM estimate. Source(s): Bloomberg, GMO, MCCM estimates.

Note(s): Projected returns are not a guarantee of future results.

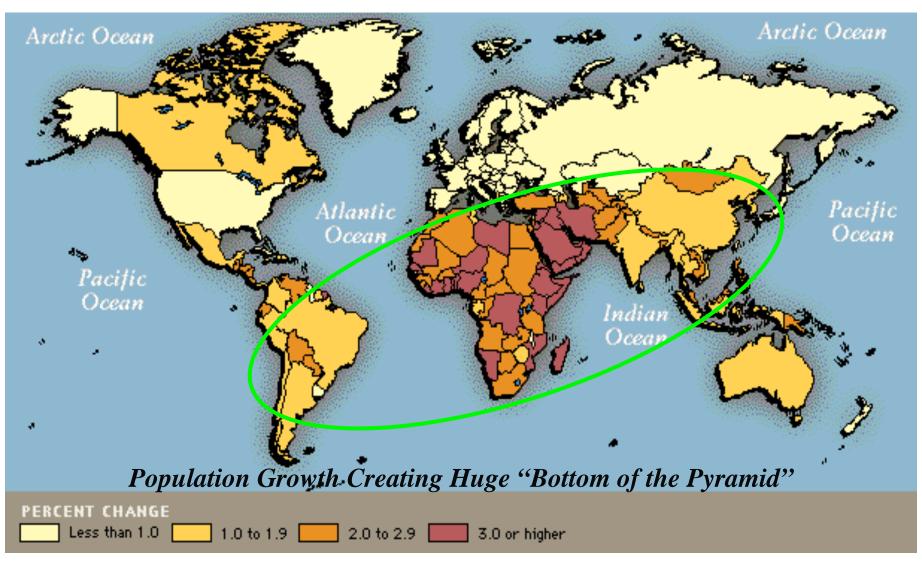
### **Current Investment Environment Creates Unique Problem**

#### In a Low Return World, How Can Investors Add Value?

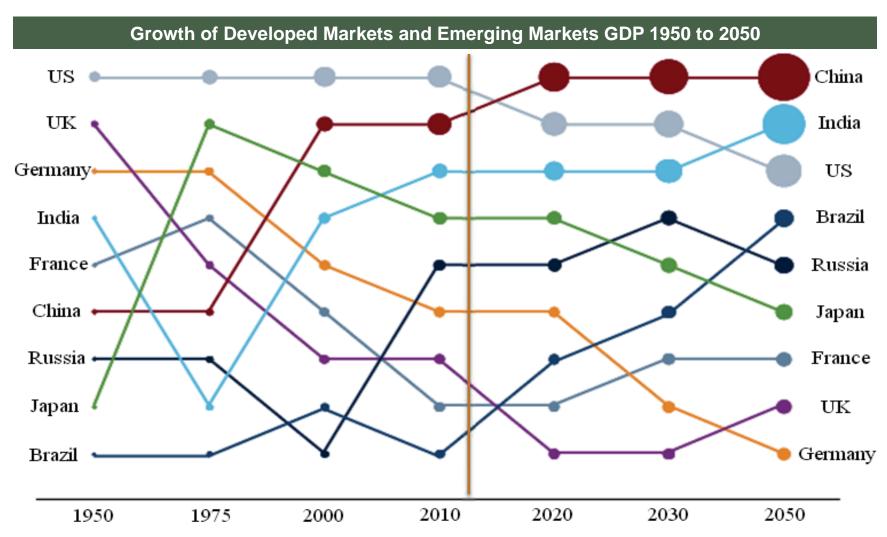
OPPORTUNITY	CHALLENGE	
Market Time – Macro	Very Difficult	
Actively Trade – Micro	High Costs	
Go to Cash	Negative Real Return	
Go Illiquid	Lose Flexibility	
Leverage	Margin Call Risk	
Innovate	Need Discipline	

Need to focus where Alpha potential is highest

# **Growth Investing in Future Leads to Developing World**



### The New World Order: the BRIC Century Is Coming



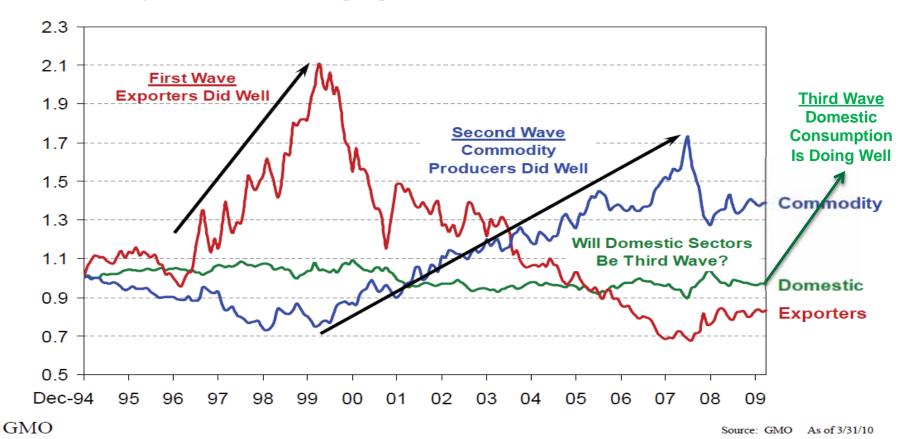
Source(s): CS, World Bank, PricewaterhouseCoopers.

Note(s): Increased sizing of colored circles indicates market growth relative to other countries. Definition(s): BRIC currently references the following countries: Brazil, Russia, India and China.

### When the 3<sup>rd</sup> Wave Comes, Don't Be Standing on Shore

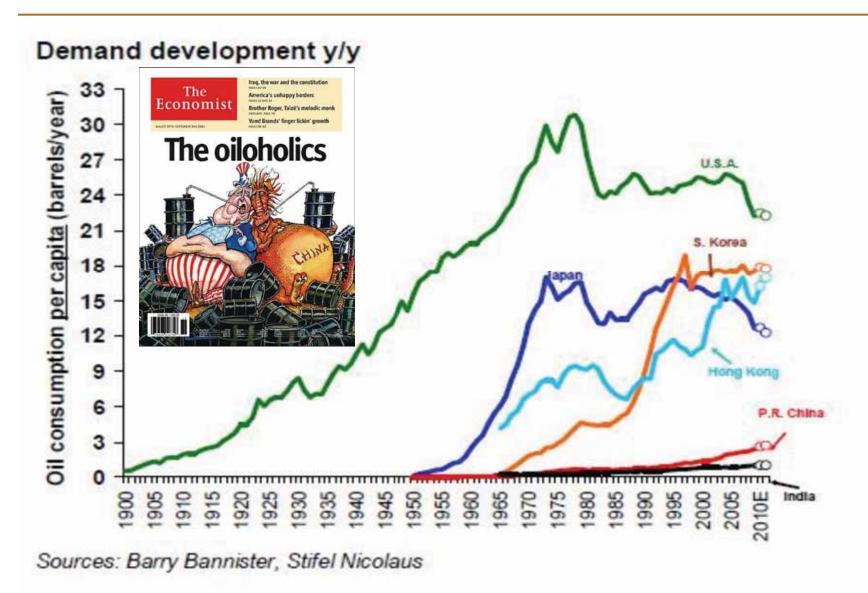
#### The Third Wave?

Relative performance of domestic, export, and commodity sectors in Emerging Markets



Source(s): GMO.

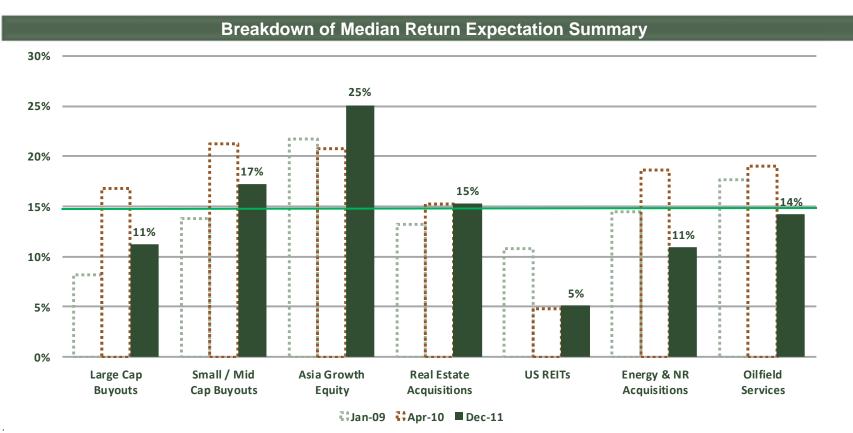
#### **Commodity Demand Rises as Countries Industrialize**



Source(s): Stifel Nicolaus, The Economist.

# **Huge Opportunity to Capitalize on Illiquidity Premium**

While private asset returns are quite attractive in the current environment, we anticipate return differentiation among asset classes, which will drive our tactical allocations, which can add incremental value to the portfolio



Note(s): MCCM estimates. Expected returns calculated by asset class based on expected investment yield, multiple expansion/contraction, leverage levels and pricing, earnings growth, and fee impact. The above information reflects opinions of Morgan Creek as of the time this presentation is written and all such opinions are subject to change. No representation or warranty, express or implied, is given by Morgan Creek as to the accuracy of such opinions and no liability is accepted by such persons for the accuracy or completeness of any such opinions.

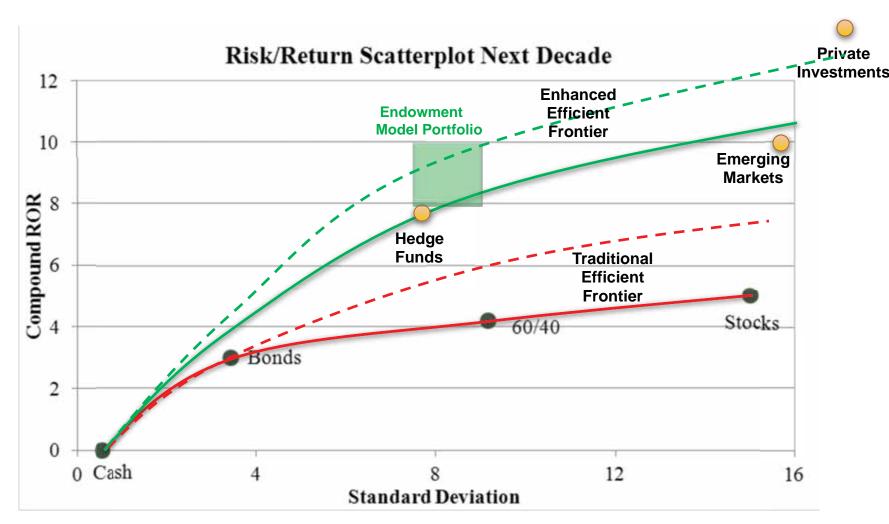
Source(s): S&P Leveraged Commentary & Data, Bloomberg, R.W. Baird, PricewaterhouseCoopers, National Council of Real Estate investment Fiduciaries. MCCM proprietary research and estimates.

#### Want to Own Productive Assets in an Uncertain World

#### Going Global to Capture the Private Investment Premium



## Need Non-Traditional Portfolio Today: Endowment Model



Source(s): GMO, MCCM estimates.

Forecasts: returns for cash/bonds = current yield, returns for equities = GMO estimates, returns for hedge funds = stocks+3% alpha, returns for private = 20 year historical average.

Definition(s): Compound ROR = compound rate of return; Annualized standard deviation = risk as measured by the variability of performance. The higher the standard deviation, the greater the variability (and therefore, the risk) of the fund or index; Traditional Efficient Frontier = addition of traditional asset classes such as stocks and bonds; Enhanced Efficient Frontier = addition of more alternative asset classes. Endowment Model Portfolio estimates calculated using Policy Portfolio and forecast asset class returns.

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MSCI EAFE Index -- This is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. Morgan Stanley Capital International definition is from Morgan Stanley.

**MSCI World Index** -- This is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. Morgan Stanley Capital International definition is from Morgan Stanley.

MSCI Emerging Markets Index (MXEF) -- This is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of December 2008 the MSCI Emerging Markets Index consisted of the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey. For reference MDEF, this is MSCI EM gross CAD index.

Barclays Aggregate Bond Index -- This is a composite index made up of the Barclays Government/Corporate Bond Index, Mortgage-Backed Securities Index and Asset-Backed Securities Index, which includes securities that are of investment-grade quality or better, have at least one year to maturity and have an outstanding par value of at least \$100 million. Definition is from Barclays. Formerly Lehman Brothers Aggregate Bond Index.

Barclays Municipal Bond Index -- Barclays Capital U.S. Municipal Bond Index is composed of approximately 1,100 bonds; 60% of which are revenue bonds and 40% of which are state government obligations.

Barclays AAA Corp -- Index of investment grade, AAA corporate debt. Formerly Lehman Brothers AAA Corp.

**Nikkei-225 Index** -- This is an index consisting of the price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange. The Nikkei Stock Average was first published on May 16, 1949, where the average price was Yen176.21 with a divisor of 225.

**BSE SENSEX** Index -- The BSE India Sensitive Index (Sensex) is a cap-weighted index. The selection of the index members has been made on the basis of liquidity, depth, and floating-stock-adjustment depth and industry representation. Sensex has a base date and value of 100 in 1978-1979. The Index shifted to Free-float methodology since 09/01/03.

**Shanghai Composite Index** -- The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all Ashares and B-shares listed on the Shanghai Stock Exchange. The index was developed on December 19, 1990 with a base value of 100. Index trade volume on Q is scaled down by a factor of 1000.

Hang Seng Index -- The Hang Seng Index is a free-float capitalization-weighted index of selection of companies from the Stock Exchange of Hong Kong. The components of the index are divided into four sub-indexes: Commerce and Industry, Finance, Utilities, and Properties. The index was developed with a base level of 100 as of July 31, 1964.

**DAX Index** -- The DAX is the Deutsche Boerse's blue-chip index containing the 30 largest German issues admitted to the Official Market or the Regulated Market at the Frankfurt Stock Exchange.

FTSE 100 Index -- The FTSE 100 Index is an index of the 100 largest companies (by market capitalization) in the United Kingdom.

CAC 40 Index -- The CAC 40 Index is a capitalization weighted index and the principal French stock index covering 40 French Equities.

FTSE NAREIT All REITs Index -- The FTSE NAREIT All REITs Index is a free float adjusted market capitalization weighted index that includes all tax qualified REITs listed in the NYSE, AMEX, and NASDAQ National Market. Base date of index is December 31, 1999 with a base value of 100.

Cambridge Associates Private Equity Index -- This index is based on returns data compiled on funds representing over 70% of the total dollars raised by U.S. leveraged buyout, subordinated debt, and special situation partnerships formed between 1986 and the present. Definition is from Cambridge Associates.

Real Estate (TOPIX) Index -- The TOPIX Real Estate Index is a capitalization-weighted index designed to measure the performance of the real estate sector of the TOPIX Index (TPX). The benchmark was developed with a base value of 100 as of January 4, 1968. The parent index is TPX.

Russell 2000 Index -- The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The index was developed with a base value of 135.00 as of December 31, 1986.

**HFN Distressed Index** -- This index includes funds that purchase their preferred part of the capital structure of companies that are in or close to bankruptcy. The funds attempt to buy securities at a low price on the expectation that the company will come out of bankruptcy or recede from the brink of bankruptcy and that the securities will appreciate. Funds may take an active role in the bankruptcy proceedings to attempt to positively impact the value of their holdings.

HFN Hedge Fund Aggregate Index -- HFN's flagship benchmark is an equal weighted average of all hedge funds and CTA/managed futures products reporting to the HFN Database. Constituents are aggregated from each of the HFN Strategy Specific Indices.

**S&P 500 Index (SPX)** -- This is an index consisting of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The index is a market-value weighted index – each stock's weight in the index is proportionate to its market value. Definition is from Standard and Poor's.

**S&P Small-Cap Index** -- The Standard & Poor's Smallcap 600 Index is a capitalization-weighted index that measures the performance of selected U.S. stocks with a small market capitalization. The index was developed with a base value of 100 as of December31, 1993.

**S&P Mid-Cap Index** -- Standard and Poor's Midcap 400 Index is a capitalization-weighted index which measures the performance of the mid-range sector of the U.S. stock market. The index was developed with a base level of 100 as of December 31, 1990.

NASDAQ Index (CCMP) -- The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

**US 3-Month T-Bill** -- Short-term U.S. Treasury securities with minimum denominations of \$10,000 and a maturity of three months. They are issued at a discount to face value. Definition is from the Department of Treasury.

**US 30-Day T-Bill** -- Short-term U.S. Treasury securities with minimum denominations of \$10,000 and a maturity of one month. They are issued at a discount to face value. Definition is from the Department of Treasury.

**DJIA Index** -- The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

**U.S. IT (intermediate term) and LT (long-term) GVT --** A type of fixed income or debt security with a maturity, or date of principle repayment, that is set to occur in the next 3-10 years. Bonds and other fixed income products tend to be classified by maturity date, as it is the most important variable in the yield calculations. In a standard (or positive) yield curve environment, intermediate-term bonds pay a higher yield for a given credit quality than short-term bonds, but a lower yield compared to long-term (10+ years) bonds. Primarily U.S. government-issued securities which may include Treasury bills, notes, bonds, mortgage-backed securities issued by government lending agencies.

Credit Suisse Leveraged Loan Index -- It is a market value-weighted index designed to represent the investable universe of the U.S. dollar-denominated leveraged loan market.

Credit Suisse High Yield Index -- This index tracks the investible universe of the U.S. Dollar denominated high yield debt market.

**Dow Jones Wilshire 5000 Index** -- This is an index that measures the performance of all U.S. headquartered equity securities with readily available price data. Over 5,000 capitalization weighted security returns are used and the Dow Jones Wilshire 5000 Index is considered one of the premier measures of the entire U.S. stock market.

**BAML U.S. Fixed Rate Asset Backed Securities Index** -- This index tracks the performance of U.S. dollar denominated investment grade fixed rate asset backed securities publicly issued in the U.S. domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Index constituents are capitalization-weighted based on their current amount outstanding.

**BAML U.S. Mortgage Backed Securities Index** -- This index tracks the performance of U.S. dollar denominated fixed rate and hybrid residential mortgage pass-through securities publicly issued by U.S. agencies in the U.S. domestic market. 30-year, 20-year, 15-year and interest-only fixed rate mortgage pools are included in the Index provided they have at least one year remaining term to final maturity and a minimum amount outstanding of at least \$5 billion per generic coupon and \$250 million per production year within each generic coupon. Index constituents are capitalization-weighted based on their current amount outstanding.

**J.P. Morgan Emerging Markets Bond Index Global (JPM Emerging Markets)** -- This is a broad-based, unmanaged index which tracks total returns for U.S. dollar-denominated debt securities issued by emerging market sovereign and quasi-sovereign entities such as; Brady bonds, loans, and Eurobonds. The index is administered by JPMorgan Securities, Inc., an affiliate of the adviser.

HFRI Equity Hedge (Total) Index -- This index tracks investment managers who maintain positions both long and short in primarily equity and equity derivative securities. EH managers would typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities, both long and short. Definition from <a href="https://www.hedgefundresearch.com">www.hedgefundresearch.com</a>.

HFRI Fund of Funds Composite Index -- This index tracks a diversified portfolio of fund of funds managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager. The Fund of Funds manager has discretion in choosing which strategies to invest in for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers in multiple strategies. PLEASE NOTE: The HFRI Fund of Funds Index is not included in the HFRI Fund Weighted Composite Index. Definition from <a href="https://www.hedgefundresearch.com">www.hedgefundresearch.com</a>.

Merrill Lynch Corp -- Index of investment grade (A-AAA) Merrill Lynch corporate debt.

Gold -- Spot, or real-time, price of gold.

Citigroup 1-Month Treasury Bill Index -- It is a market value-weighted index of public obligations of the U.S. Treasury with maturities of one month.

