



## Live Oak Master Fund L.P.

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### QUARTERLY UPDATE Q3 2011

November, 2011

as of 9/30/2011	Qtr	YTD	LOMF YTD vs. index	Trailing 12 months	LOMF 12-mos vs. index	Since inception 1/1/2008 (annl)	LOMF ITD vs. index
LOMF - net	-6.95%	-3.11%		2.92%		-2.20%	
60/40 index	-6.79%	-2.55%	-0.56%	3.24%	-0.32%	0.22%	-2.42%
S&P500	-13.87%	-8.68%	5.57%	1.15%	1.77%	-4.64%	2.44%

With about 79% of our managers reporting, Live Oak returned -6.95% net in Q3 bringing our YTD estimated return to -3.11% net.

On a direct basis, the Fund has commitments in two private equity investments and seven managers utilizing on a look-through basis 485 vehicles/strategies around the world. Our top ten managers comprise 32% of Fund assets. The Fund is invested about equally between the U.S. and internationally.

#### \*\*\*Markets Commentary\*\*\*

“European nations, flirting with recession, can’t agree on how to climb out from under their pile of debt. The US is careening toward a budget fight that threatens to shut down the government. China’s mammoth economy may be downshifting.” This was the lead paragraph in a front page article from the September 26 Wall Street Journal, and it sums up succinctly much of what caused the selloffs in equities and commodities over the last quarter.

At this writing, hardly a week after Europe thought they had solved the Greece problem, Italy is in the bulls eye, and the fear of contagion is growing. Italy is far more problematic than Greece due to its size...some have been saying it is “too big to fail, but too big to bail.” As one of our managers put it, “Europe is the darkest room in the haunted house.”

As evidence of the worldwide systemic risk Europe poses, it is telling that one of the first major casualties of their debt crisis was the bankruptcy of domestic investment bank MF Global, notwithstanding that its collapse was the result of poor speculation rather than counterparty risk. Macro and geopolitical events are carrying the day while the markets largely ignore fundamentals, resulting in an emotional rollercoaster and severe market volatility.

\*\*\*Manager Focus\*\*\*

The success of the endowment strategy is predicated on its perpetual time horizon providing the luxury to overweight illiquid investments such as private equity or timberlands. These longer term investments generally exhibit less volatility in interim pricing while offering substantially higher return potential over the lives of each investment. That is certainly the case with Live Oak's two direct private equity investments discussed below.

In April, 2010, we made an investment in a start up operation in Georgia to produce potable water, a commodity which is likely to become even more precious in the coming years. Our due diligence indicated a very attractive risk/reward. We saw limited downside due to ancillary services the company could provide such as clean hydroelectricity to Georgia Power, while the upside could be 8-10X our investment if the company could secure a long term contract to provide potable water to any one or more of a number of small towns in Georgia. We also advised that we thought we would have a feel for the upside in about eighteen months, which is now. Thus far, due to a severe drought the company has generated virtually no hydroelectric revenues, but its technology subsidiary that designs and builds systems is quite profitable. Most importantly, after more than a year working through small town politics the company has just presented its first formal proposal to produce potable water, and we expect to know within weeks if we have an agreement in principle and can move to a four month testing phase. Overall, we are pleased with progress to date, and we are cautiously optimistic about landing our first water production contract. If we land it, our investment will be a very good one indeed.

Last quarter, we mentioned that we had made a second direct commitment. This investment is also in natural resources but not as close to home. It is in New Zealand and involves building production facilities that will convert a cheap naturally produced product that cannot be replicated synthetically into a more refined byproduct that is used in many everyday disposable products. The free world demand for the byproduct has remained stable through the Great Recession while supply dropped precipitously because China has gone from an exporter to a consumer of the entire supply it produces, resulting in a price increase of 3-4X 2007 prices. The conversion technology is not high tech and already proven. We have a 10-year supply contract and are negotiating additional supply contracts, believing that control of supply is the real key to the endeavor's ultimate valuation. These negotiations are preliminary but very promising. We have spoken with multiple buyers who indicate they will buy all the refined byproduct we can produce. We can't divulge any more at this time lest we jeopardize ongoing negotiations for additional supply and overall strategy, but we hope within a year to provide more transparency and details on progress. We have investment partners who have been in related businesses for generations; we have access to a raw product that is only produced naturally and in its refined form is disposable; and we have a market hungry for what we can produce with very limited competition. We expect to fully fund our capital commitment within twelve months. While there are always risks in private investments, we think this investment could produce stunning returns of both cash flow and ultimate valuation over the next 2-5 years.

These two investments will comprise about 5% of Live Oak's current AUM, and we have made the decision to hold both as general fund rather than "side pocket" investments, meaning that partners will share on a pro rata basis as returns are recognized. (A sidepocket investment is segregated from the general fund and limits participation to only those who are partners when the investment is initially made.) We believe they have the possibility to significantly augment Fund returns in the next few years.

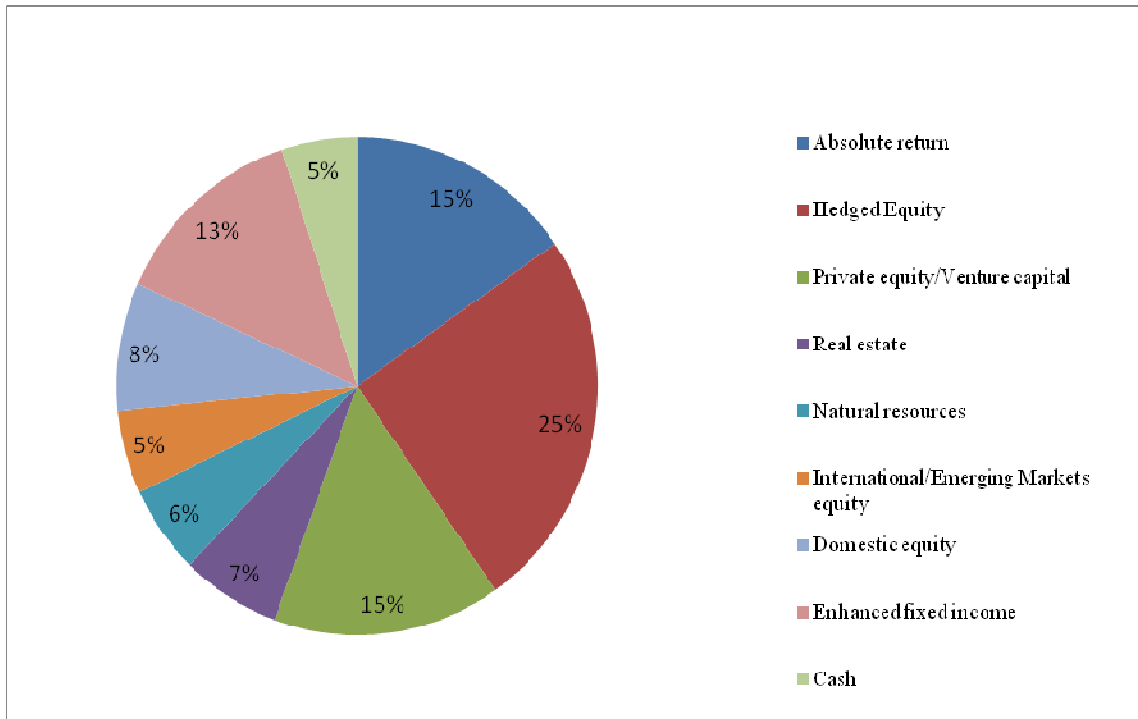
**\*\*\*Outlook\*\*\***

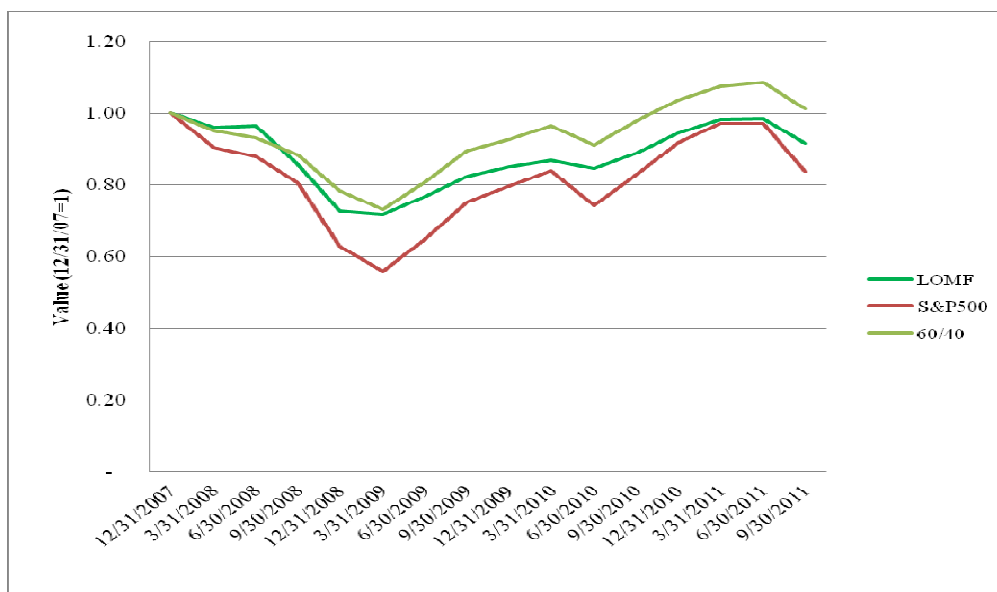
The financial markets experienced a strong rally from March 2009 through April 2011 as the world's central banks, and our Federal Reserve in particular, artificially reduced interest rates in an effort to stave off a depression and prime the economic pump. But now, with no help on the fiscal front the Fed's ability to positively influence the direction of the economy is waning. And therein lies the biggest difference in the current environment compared to early 2009...the list of problems is similar but the ammunition to counteract is depleted. There is a void in leadership in both Washington and Europe, and as Barron's magazine noted, we may be moving from the Great Recession to the Great Stagnation. It feels like some combination of Chinese water torture and Groundhog Day, resulting in low consumer and investor confidence. As long as that is the case, we are likely to continue experiencing very volatile public markets.

Yet we believe Live Oak Master Fund is poised for significant outperformance in the coming years because of the illiquid investments we and our managers have been making over the last few years.

Since inception, Live Oak has outperformed the S&P500 by more than 8% net with 29% less volatility of interim quarterly returns, as advertised. In today's uncertain environment, Live Oak Master Fund's portfolio of hedged and private investments should continue to deliver attractive absolute and risk-adjusted returns.

The Fund will open again in late December for new and add-on commitments effective January 1st. As always thank you for your interest and confidence in Live Oak Master Fund, and we look forward to talking with you anytime.





	Q1 2008	Q2 2008	Q3 2008	Q4 2008	YTD 2008	LOMF YTD vs. index
<b>LOMF - net</b>	-4.02%	0.45%	-11.07%	-15.22%	<b>-27.53%</b>	
<b>60/40 index</b>	-4.80%	-2.04%	-5.24%	-11.33%	<b>-21.64%</b>	<b>-5.89%</b>
<b>S&amp;P500</b>	-9.44%	-2.73%	-8.37%	-21.94%	<b>-37.00%</b>	<b>9.47%</b>

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	YTD 2009	LOMF YTD vs. index
<b>LOMF - net</b>	-1.18%	6.87%	7.37%	3.95%	<b>17.85%</b>	
<b>60/40 index</b>	-6.56%	10.27%	10.87%	3.70%	<b>18.25%</b>	<b>-0.40%</b>
<b>S&amp;P500</b>	-11.01%	15.93%	15.61%	6.04%	<b>26.46%</b>	<b>-8.61%</b>

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	YTD 2010	LOMF YTD vs. index
<b>LOMF - net</b>	2.12%	-2.54%	5.14%	6.22%	<b>11.16%</b>	
<b>60/40 index</b>	3.95%	-5.46%	7.27%	5.94%	<b>11.65%</b>	<b>-0.49%</b>
<b>S&amp;P500</b>	5.39%	-11.43%	11.29%	10.76%	<b>15.06%</b>	<b>-3.90%</b>

**Live Oak Master Fund Profile**

Investment objective – to generate superior long-term, risk-adjusted returns with low correlation to traditional financial markets

3(c)(1) - Domestic fund (U.S.)

AUM: \$11 million

Launch – December, 2007

Minimum investment: \$1 million

Subscription: Quarterly

Redemption: After 1-year lock-up, annually effective January 1, with 100 days prior written notice

Fee Structure: 0.5% mgmt. fee plus 10% of gains above 60/40 composite\* hurdle with high water mark

\*S&P500/Barclay’s Capital U.S. Aggregate Bond Index

Legal: Rogers Towers P.A., Jacksonville, FL

Accounting: Ennis Pellum & Associates, Jacksonville, FL

Auditor: Kaufman, Rossin & Co., Miami, FL

Fund returns reported herein may differ from those reported to individual investors on Investor Capital Change reports based on the timing of capital contributions and redemptions, fees and expenses, high water marks, and new issue allocations.

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