



Live Oak Master Fund L.P.

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QUARTERLY UPDATE Q3 2010

November, 2010

as of 9/30/2010	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	5.14%	4.65%		8.78%		-4.00%	
60/40 index	7.27%	5.51%	-0.86%	9.32%	-0.54%	-0.82%	-3.18%
S&P500	11.29%	3.89%	0.76%	10.16%	-1.38%	-6.66%	2.66%

Live Oak Master Fund returned +5.14% net in Q3 compared to the S&P500 +11.29%, Barclays Aggregate Bond Index +2.48% and the 60/40 blended index +7.27%. The Fund's YTD return of +4.65% net is likely to increase as our lead endowment manager updates its return subject to multiple managers yet to report final numbers – more on this near the end of the letter.

At September 30 we terminated one manager due to an internal restructuring that has resulted in declining performance. We have a high level of confidence in our remaining managers and our water deal. On a look through basis, the Fund has commitments around the world utilizing 358 vehicles/strategies. This is a reduction in total managers as our two endowment managers have terminated some of their smaller and/or underperforming managers while committing more funds to those managers in whom they have the greatest conviction. We applaud their efforts in this regard. On a direct and look through basis, our top ten managers comprise 1/3 of Fund assets. The Fund remains invested about equally between the U.S. and international markets.

Markets Commentary

The stock market posted its best September performance in more than 70 years, and it took almost all of that performance to pull the major domestic indices out of the red for the year. YTD the S&P500 has returned 3.9%, EAFE 1.1% and the Emerging Markets index 10.8%.

Bonds again posted solid results as the Fed has maintained its easy money policies. Commodities, led by precious metals, continued to move upward. The dollar again declined.

Trading continues to be volatile albeit on lighter volume, suggesting the markets are being driven by institutional investors with only modest individual participation.

Manager Focus

From our healthcare/technology manager:

“Over the past month, we have visited with senior management of over 30 companies, most of whom are in our own backyard in the Bay Area. We have been both surprised and amazed by the quality of management, financial health, competitive positioning, secular growth, earnings power, and valuation upside at several of these companies... Traits shared by companies in which we have recently initiated positions include large and growing cash positions that constitute over one-third of their market caps, valuations at or below trough levels, tremendous operating leverage thanks to smart management decisions made during the 2008-09 time period, and businesses that are tied to some of the most powerful and lasting product trends we have ever seen.”

From our financial services manager:

“We are heavily exposed to stocks with high (and sustainable) dividend yields. We believe the economic recovery will be very slow and revenue growth will be anemic. Financial stocks’ returns will be increasingly driven by dividends for the next few quarters... For the first time in six years we do not have any meaningful short sector concentrations... Our large negative exposure bet on the for-profit education companies played out sooner than expected in August and we covered many of our short positions.”

Our lead endowment manager remarked that they have been building a position in gold as a hedge against future inflation and “competitive devaluation” of the world’s major currencies. They have also increased their foreign currency exposure to 30% of the portfolio’s investments anticipating a further decline in the dollar.

Both of our endowment managers are raving about private equity. They are increasing their allocations in a very attractive investment environment – low multiples due to very high illiquidity premiums, and good growth prospects. Importantly previous commitments are beginning to pay off.

Outlook

The economy has experienced a noticeable slowdown since Q1, and most economists now expect the sluggish recovery to continue – no burst of growth but no double dip either. Acknowledging the slowdown is troublesome, on November 3 the Fed announced plans for the much-anticipated second round of quantitative easing (QE2) totaling \$600 billion over the next eight months.

Quantitative easing, a fancy term for printing money, is the Fed’s ultimate version of “trickle down” economics. The theory goes as follows. With the Fed buying Treasuries, yields will decline pushing up the price of bonds. That forces investors to seek higher returns in riskier assets like equities. As both stocks and bonds appreciate, there is a positive impact on the wealth effect leading consumers to spend more. It also should lower borrowing costs for mortgages and businesses. Additionally it should cause a decline in the value of the dollar making exports relatively cheaper spurring more international demand for our products, and real assets to continue appreciating.

A recent study suggests that \$600 billion of QE could boost GDP by 0.4% and reduce the unemployment rate by 0.25%. If the Fed can induce higher inflation (its real goal), the \$64 question is whether we will ultimately experience moderate or uncomfortably high inflation.

Given tepid economic conditions, earnings growth should slow making year-over-year comparisons much tougher than last year. On the positive side, the Fed's continuing low rates posture leads/forces investors into risk assets like stocks. Domestic long-only equities comprise 8% of Live Oak's portfolio. International equities represent 5%; their in-country returns are enhanced as the dollar declines in value and likewise are reduced when the dollar appreciates against local currencies.

As macro issues give way to fundamental valuation metrics as price drivers, hedge fund returns should improve. Live Oak's commitment to hedged equity is 23% of the portfolio. Absolute return, 18% of the portfolio, should see an uptick as merger activity increases.

With bond yields at 50-year lows, the easy money has been made in high quality domestic debt, but opportunities still abound. 15% of Live Oak's portfolio is managed by seasoned fixed income managers who are investing around the globe utilizing strategies that play on, among other things, yield and/or currency spreads. Distressed debt looks particularly attractive. A star performer is our PPIP mortgage-backed securities manager which has generated a 25% IRR year to date.

As the dollar's decline continues and inflation concerns mount, real assets remain an appropriate investment vehicle, and 13% of our portfolio is in real estate and natural resources.

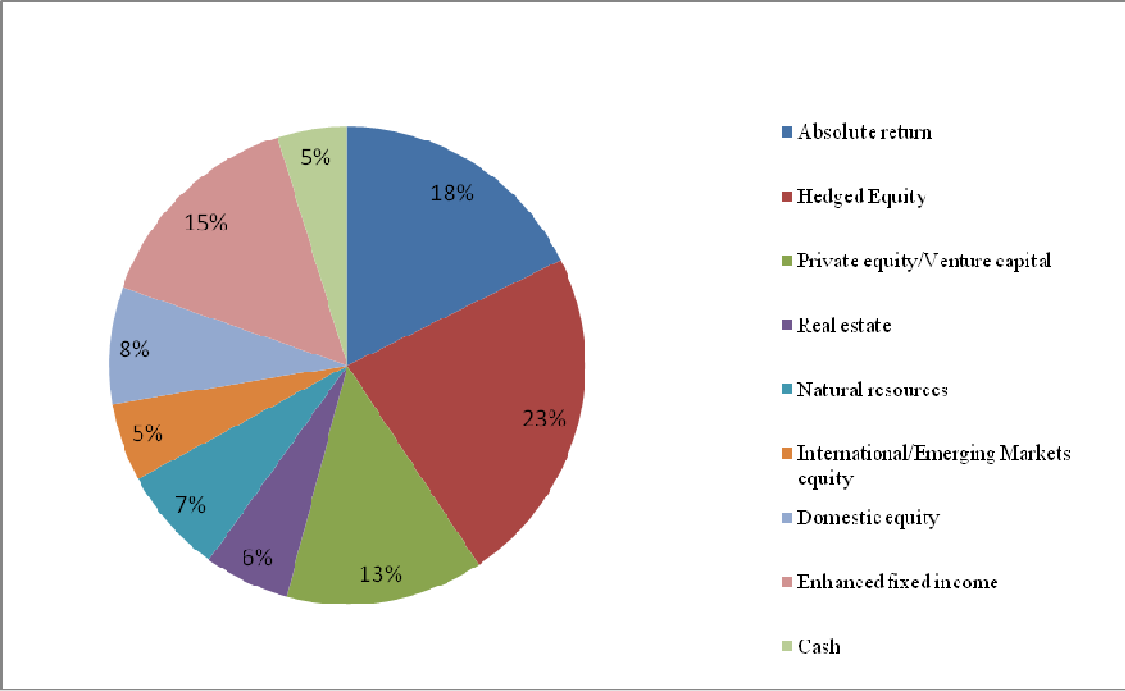
The portfolio has slightly increased its cash position as managers want to be ready for the "fat pitches" they believe are coming.

Maybe most encouraging is our 13% - and growing - commitment to private equity, including our water deal. Especially compared to the liquid public markets, good businesses are being offered post-recession at extremely low multiples of EBITDA and cash flow. Our endowment managers are methodically increasing exposure to take advantage of the opportunities. As mentioned above, some of their earlier vintage commitments are being liquidated now, and distributions are resulting in markups that will be reflected in higher returns over the coming quarters. **Our lead endowment manager advises that anticipated markups in their portfolio may mean that Live Oak's YTD return is currently understated by 0.7-1.3%. That would put the Fund's return at 9/30 in a range of 5.3-6% rather than the 4.65% reported above.**

Given the weak recovery and ongoing structural issues, traditional equity and fixed income return prospects may be challenging for the foreseeable future, so we think the Fund's alternatives exposure makes more sense than ever, both in terms of principal preservation and return opportunity. Since inception, the Fund's standard deviation (volatility of interim quarterly returns) is 9.00%, approximately 28% less than that of the S&P500 over the same period. The Fund continues to outperform the S&P500, ahead by 661 basis points. Thus it is delivering as advertised – equity-like returns, or better, with less risk. We are quite enthusiastic about our prospects going forward.

As a reminder, the Fund will reopen in late December for commitments effective January 1, 2011. We hope you will consider adding to your existing position or establishing one if you are not an investor currently.

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	2008 FULL YEAR	LOMF YTD vs. index
LOMF - net	-4.02%	0.45%	-11.07%	-15.22%	-27.53%	
60/40 index	-4.80%	-2.04%	-5.24%	-11.33%	-21.64%	-5.89%
S&P500	-9.44%	-2.73%	-8.37%	-21.94%	-37.00%	9.47%

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

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	YTD 2010	LOMF YTD vs. index
LOMF - net	2.12%	-2.54%	5.14%		4.65%	
60/40 index	3.95%	-5.46%	7.27%		5.51%	-0.86%
S&P500	5.39%	-11.43%	11.29%		3.89%	0.76%

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: \$10 million

Launch – December, 2007

Minimum investment: \$1 million

Subscription: January 1 and July 1

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.

Accounting: Ennis Pellum & Associates

Auditor: Kaufman, Rossin & Co.

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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