

Invenomic US Equity Long/Short UCITS Fund

Equity Long/Short

September 2022

Performance Returns

The Invenomic US Equity Long/Short UCITS Fund returned -3.02% for the month of September (USD Institutional Pooled Share Class), net of fees.

The Manager



Investment Objective & Strategy

Invenomic seeks to achieve long-term capital appreciation by investing both long and short in equities. The goal of the fund is to outperform U.S. equities over a market cycle with less volatility and drawdown.

The strategy utilises variable net exposures, with an expected average net between 40%-60% but that may be as low as 0% and as high as 80% in extreme market environments. Invenomic's net exposure is completely derived by security selection and is not intended to be a market timing tool. Gross exposure will generally be between 130%-200%.

Monthly Performance – UCITS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2022	12.96%	2.56%	2.59%	5.35%	5.24%	-5.13%	-0.27%	0.04%	-3.02%	-	-	-	20.97%
2021	-	-	-	-	-	-	-	-	2.34%	-0.45%	2.59%	8.47%	13.37%

The performance figures quoted above represent the (net of fees) performance of the Invenomic US Equity Long/Short UCITS Fund, USD Founder Pooled Share Class, since launch on 16th September 2021, until 31 December 2021. Performance figures after 31 December 2021 represent the performance of the USD Institutional Pooled Share Class. These performance figures refer to the past and past performance is not a reliable guide to future performance.

Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Valuation	Daily
Liquidity	Daily
Fund AUM	\$235 Million
Strategy AUM	\$1.20 Billion
Inception	September 16 th 2021

Monthly Performance – Invenomic Fund LP (Non-UCITS)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2022	19.05%	4.23%	3.06%	7.29%	6.24%	-6.14%	-0.75%	0.44%	-3.09%	-	-	-	32.17%
2021	2.21%	10.71%	15.79%	2.63%	11.90%	-9.31%	1.95%	-0.55%	2.61%	-1.30%	3.52%	10.16%	59.81%
2020	-5.84%	-5.34%	-1.48%	9.55%	-3.81%	1.34%	0.39%	0.99%	-2.46%	3.41%	14.30%	3.84%	13.82%
2019	7.31%	0.26%	-1.58%	2.66%	-5.87%	3.74%	-1.62%	-6.43%	10.42%	0.15%	0.48%	2.85%	11.68%
2018	3.34%	0.57%	-1.60%	0.93%	-2.29%	-0.12%	0.23%	-1.64%	2.55%	1.52%	3.17%	-2.44%	4.06%
2017	-	-	-	-	-	-	-	0.65%	1.37%	0.27%	3.08%	2.94%	8.55%

The performance figures quoted on the left represent the (net of fees) performance of the Invenomic Fund LP, and is not of the Invenomic US Equity Long/Short UCITS Fund. UCITS Funds have to abide by certain investment restrictions and consequently the performance of the Invenomic US Equity Long/Short UCITS Fund may not be similar to that presented to the left. These performance figures refer to the past and past performance is not a reliable guide to future performance.

This is a marketing communication.

Portfolio Breakdown

Sector Allocation (%)	Long	Short	Net
Communication Services	13.56	-0.51	13.05
Consumer Discretionary	17.94	-14.68	3.26
Consumer Staples	2.20	-6.33	-4.13
Energy	6.89	-0.69	6.20
Financials	4.20	-4.17	0.03
Healthcare	12.64	-15.11	-2.47
Industrials	12.05	-14.01	-1.96
Information Technology	28.02	-17.29	10.73
Materials	6.65	-0.10	6.55
Real Estate	0.73	-0.84	-0.11
Utilities	0.00	-1.73	-1.73
Total	104.85	-75.47	29.38

Portfolio Characteristics	Long	Short
# of Positions	161	133
Median Position Size	0.43%	-0.50%
Price-to-Book Ratio	2.32x	8.51x
Price-to-Earnings Ratio	9.20x	37.50x
Enterprise Value-to-Sales Ratio	2.08x	5.24x

Market Cap Allocation (%)	Long	Short	Net
Large Cap (>\$5B)	56.17	-40.26	15.91
Mid Cap (\$2B - \$5B)	21.17	-25.71	-4.54
Small Cap (<\$2B)	27.51	-9.51	18.00
Total	104.85	-75.47	29.38

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Monthly Commentary

The Fund returned -3.02% for the month of September (USD Institutional Pooled Share Class), net of fees. Portfolio exposures at the end of the month stood at 104.85% long and -75.47% short, resulting in net exposure of 29.38% and gross exposure of 180.32%. The portfolio remains well diversified with 161 long positions and 133 short positions.

For the third quarter, the fund returned -3.24% compared to -4.76% for the S&P 1500 Index. Q3 was a difficult period for the value factor. Within large-caps, growth outperformed value by 2.19% and by 4.85% within small-caps. It is worth pointing out that the Bloomberg Pure Value Factor has given back over 50% of its gains on the year from its highs in early May. While we have not been immune to this reversal in the value factor, we are pleased with the fund's relative performance considering this headwind.

In September, the fund performed in line with our net exposures during what was a challenging period for the market. In market conditions like we saw in September, it is very difficult to drive outperformance because almost all stocks in the market are trading the same way. Low price dispersion is not an ideal environment for generating returns in a long/short equity strategy. That said, environments like we saw last month are good for identifying new ideas which we will discuss in detail later.

During September, growth outperformed value but the difference was relatively small in the context of the market correction. From a factor perspective, we did notice that leverage was the worst performing factor during the month. With the sharp rise in interest rates, many investors sold any company with high leverage on the balance sheet. Indiscriminate selling like this is often painful in the short run but presents huge opportunity in the long run. When it comes to balance sheets, not all leveraged companies are created equal. We believe that companies with equivalent debt levels were traded equally during the month but depending on the structure of their balance sheets, they couldn't be more different. The risk profile of companies with long-term fixed rate debt is much lower than for companies stuck with short-term floating rate debt. This is precisely the sort of market environment that we love. Whenever the market treats a large subset of securities the exact same way, good companies are punished just like the bad ones. Our process is designed to quickly identify compelling opportunities in these circumstances.

As market volatility remains elevated, we continue to find increasingly more compelling long opportunities. The longer these conditions persist, the more net long our portfolio is likely to get. This is how our process works as the market makes new lows. We ended September with net exposure of 29.38% but we believe that the resiliency of our longs compared to our shorts will provide marginally more downside protection than our exposure suggests.

Ali Motamed

Portfolio Manager

Ali Motamed is the Founder, Managing Partner and Portfolio Manager of Invenomic Capital Management. Prior to founding Invenomic, Ali was Co-Portfolio Manager of the Boston Partners Long/Short Equity Fund. He was awarded Portfolio Manager of the Year in the Alternatives Category by Morningstar in 2014. Ali holds a B.A. in Economics with a Minor in Accounting from the University of California, Los Angeles, and a M.B.A. from Harvard Business School. He holds the Chartered Financial Analyst designation. He has twenty years of experience.

Ben Deschaine

President

Ben is responsible for all non-investment related business activities at Invenomic. Ben began his investment career in 1998 and has experience in both mutual fund and hedge fund investing. Prior to Invenomic, he was Chief Investment Officer at Balter Liquid Alternatives, responsible for managing all aspects of the firm's mutual fund business. Before joining Balter Capital Management in 2012, Ben was a Managing Director at Sabretooth Capital Management, a global multi-strategy hedge fund affiliated with Tiger Management. Prior to Ben's time at Sabretooth he spent ten years at Federal Street Advisors, a Boston based wealth management firm, leading their alternative investment research. He is a graduate of Bentley University with a B.S. and M.S. in Finance, and holds the Chartered Alternative Investment Analyst designation.

Share Class	Founder B Class Shares	Founder B Pooled Class Shares	Institutional Class Shares	Institutional Pooled Class Shares	Retail Pooled Class Shares
Currency	USD, EUR, CHF, GBP				
Management Fee	0.75%	0.75%	1.00%	1.00%	1.50%
Performance Fee	20.00%	20.00%	20.00%	20.00%	20.00%
Min Initial Sub.	50,000,000	50,000,000	1,000,000	1,000,000	1,000
ISIN Codes	USD: IE00BKFVXX13 EUR: IE00BKFVXY20 GBP: IE00BKFVXZ37 CHF: IE00BKFVY059	USD: IE00BKFVY166 EUR: IE00BKFVY273 GBP: IE00BKFVY380 CHF: IE00BKFVY497	USD: IE00BKFVY505 EUR: IE00BKFVY612 GBP: IE00BKFVY729 CHF: IE00BKFVY836	USD: IE00BKFVY943 EUR: IE00BKFVYB67 GBP: IE00BKFVYC74 CHF: IE00BKFVYD81	USD: IE00BKFVYF06 EUR: IE00BKFVYG13 GBP: IE00BKFVYH20 CHF: IE00BKFVYJ44

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