

Invenomic US Equity Long/Short UCITS Fund

Equity Long/Short

November 2021

Performance Returns

The Invenomic US Equity Long/Short UCITS Fund returned 2.59% for the month of November (USD Founder 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.

Highly diversified all-cap long/short equity strategy focused on domestic securities. Disciplined in managing market exposure which is typically +20% to +80% net long. An intensive investment process leveraging quantitative and fundamental analysis. Seeks to generate positive returns and produce positive alpha in all market environments. The short portfolio is almost entirely made up of individual equities that are intended to generate positive returns.

Monthly Performance – UCITS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2021	-	-	-	-	-	-	-	-	2.34%	-0.45%	2.59%		4.52%

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. These performance figures refer to the past and past performance is not a reliable guide to future performance.

Monthly Performance – Invenomic Fund LP (Non-UCITS)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2021	2.21%	10.71%	15.79%	2.63%	11.90%	-9.31%	1.95%	-0.55%	2.61%	-1.30%	3.52%		45.07%
2020	-5.84%	-5.34%	-1.48%	9.55%	-3.81%	1.34%	0.39%	0.99%	-2.46%	3.41%	14.3%	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%	-1.6%	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%

Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Valuation	Daily
Liquidity	Daily
Fund AUM	\$53m
Strategy AUM	\$382m
Inception	September 16 th 2021

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.

Portfolio Breakdown

Sector Allocation	Long	Short	Net
Communication Services	7.34	-4.81	2.53
Consumer Discretionary	16.83	-19.04	-2.21
Consumer Staples	1.93	-2.05	-0.12
Energy	4.68	0.00	4.68
Financials	6.81	-6.86	-0.05
Healthcare	10.85	-12.57	-1.72
Industrials	11.74	-8.76	2.98
Information Technology	8.63	-17.31	-8.68
Materials	11.24	-0.20	11.04
Other	0.21	0.00	0.21
Real Estate	0.16	-3.19	-3.03
Utilities	2.69	-0.15	2.54
Total	83.11	-74.94	8.17

Portfolio Characteristics	Long	Short
# of Positions	125	166
Median Position Size	0.43%	-0.38%
Earnings Yield	7.2x	1.8x
Price-to Book Ratio	2.82x	13.02x
Enterprise Value-to Sales Ratio	1.24x	11.32x
Free Cash Flow Yield	6.84%	-1.02%

Market Cap Exposure	Long	Short	Net
Large Cap (>\$5B)	32.22	-44.02	-11.80
Mid Cap (\$2B - \$5B)	16.64	-19.55	-2.91
Small Cap (<\$2B)	34.25	-11.37	22.88
Total	83.11	-74.94	8.17

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Monthly Commentary

Investors often ask us if we incorporate macro and top-down elements in our investment process. The answer is no; our portfolio is constructed from a fundamental bottom-up process, stock by stock. That said, it is impossible to be a fundamental equity investor without being aware of the macro backdrop and how your portfolio positioning relates to it. We monitor our portfolio against relevant macro themes to assess and understand the risks we are taking.

In our January 2021 commentary where we warned about the risks of rising inflation, we forecasted that we were headed for CPI prints in the 5% range, which played itself out over the course of the year. While it has taken a while, long duration risk assets are starting to reflect the pressures caused by persistent inflation. Federal Reserve Chairman Jerome Powell recently told U.S. lawmakers that it was probably time to retire the word “transitory” when it came to discussing inflation.

When looking at NAPMPRIC (ISM Manufacturing Report on Business Prices Index NSA) vs. CPI the data implies inflation at above 5% for at least the next three months. It would be reasonable to assume some slowdown in this type of inflation (producer price driven/commodity) as we enter 2022 and begin cycling the previous high readings. That said, we don’t believe this is a guarantee. The damage done to global supply chains is hard for most people to understand. The backups that were created will create a logjam like an accident on a highway. It will take a long time to get traffic moving again.

Furthermore, while NAPMPRIC does a great job predicting consumer prices, there are some other components of consumer inflation which appear with a lag and are not directly related to producer prices in the same way. The most significant of these is the cost of housing and shelter. What is even scarier are the implications for those components of inflation as we progress into 2022. Keep in mind, based on the varying methodologies, shelter is 20-40% of the weighting of PCE and Core CPI. This is shown in the chart below, which was derived from a recent report by Fannie Mae. They are projecting 5-6% shelter inflation in 2022. This will be a boost to overall inflation of approximately 1-2.4%, in addition to the producer prices.

Compounding these problems is that going forward, stimulus policy will more likely come from the monetary side than the fiscal, in our opinion. Politically speaking, this is the only way to address wealth inequality. But the velocity of money will likely explode. Every dollar given to the poor (through direct payments) is often immediately spent on goods, whereas every dollar given to the rich (through tax breaks) is often invested or saved. The main reason we had not seen inflation alongside recent increases in money supply is because the velocity of money had cratered. We believe the current political dynamic will put this into reverse. Velocity will explode and redistribution will be a huge driver of inflation in the future. No wonder they say that “Inflation is like pregnancy. You can’t get just a little of it.”

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 eighteen 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: IE00BKFXVX13 EUR: IE00BKFXVY20 GBP: IE00BKFXVZ37 CHF: IE00BKFXV059	USD: IE00BKFVY166 EUR: IE00BKFVY273 GBP: IE00BKFVY380 CHF: IE00BKFVY497	USD: IE00BKFVY505 EUR: IE00BKFVY612 GBP: IE00BKFVY729 CHF: IE00BKFVY836	USD: IE00BKFVY943 EUR: IE00BKFVYB67 GBP: IE00BKFVY7C4 CHF: IE00BKFVYD81	USD: IE00BKFVYF06 EUR: IE00BKFVYV13 GBP: IE00BKFVYH20 CHF: IE00BKFVYJ44

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