

Invenomic US Equity Long/Short UCITS Fund

Equity Long/Short

October 2021

Performance Returns

*The Invenomic US Equity Long/Short UCITS Fund returned -0.45% for the month of October (USD Founder Pooled Share Class), net of fees.

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%			1.88%

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%			40.14%
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%

The Manager



Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Valuation	Daily
Liquidity	Daily
Fund AUM	\$40m
Strategy AUM	\$349m
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	6.52	-4.00	2.52
Consumer Discretionary	19.27	-16.16	3.11
Consumer Staples	2.02	-3.19	-1.17
Energy	6.26	0.00	6.26
Financials	9.42	-4.69	4.73
Healthcare	7.98	-11.44	-3.46
Industrials	12.38	-7.72	4.66
Information Technology	7.10	-20.29	-13.19
Materials	12.58	-0.97	11.61
Other	0.30	0.00	0.30
Real Estate	0.65	-2.83	-2.18
Utilities	2.40	0.00	2.40
Total	86.88	-71.29	15.59

Number of Positions	Fund
Long Positions	124
Short Positions	153
Total Positions	277

Market Cap Exposure	Long	Short	Net
Large Cap (>\$5B)	33.64	-47.62	-13.98
Mid Cap (\$2B - \$5B)	17.68	-15.46	2.22
Small Cap (<\$2B)	35.57	-8.21	27.36
Total	86.88	-71.29	15.59

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Monthly Commentary

One of the differentiating features between this tech bubble and the one we witnessed in 1999 is the high level of profitability demonstrated by today's market leaders. Meta (née Facebook), Apple, Amazon, Google, and Microsoft, as a group, account for most of the earnings growth in the sector and market since 2015. Without these trillion-dollar behemoths, our economy would be very different today. Furthermore, because of this profitability those companies seem to be much more resilient than the tech darlings of yesterday. We do not believe analyzing them on a standalone basis is particularly insightful. As a group, however, we question whether they could thrive at the same level absent sector-wide euphoria. We think Big Tech profitability is a lot more tenuous than meets the eye.

Of all the names in the sector, the biggest standout over the past 18 months is Google. The stock has doubled since January 2020 and tripled off the March 2020 lows. Why is that? It starts with e-commerce, which has transformed the economy. But what is wrong with that, you may ask? E-commerce is the future, isn't it? Companies like Zillow, Carvana, Chewy, Doordash and many more are growing like weeds as they revolutionize the shopping experience. The problem comes down to one single, possibly surprising fact: There is not a single conventionally profitable (GAAP) pure play 1st party public e-commerce company in the United States equity market. There are quite literally none, not even Amazon. Amazon has a negative operating margin selling its own products. It makes money through AWS (Amazon Web Services) and through e-commerce companies that advertise with them.

The dream has become a full-fledged fantasy served by the FAAMGs and a host of other big tech beneficiaries such as payments and service providers, like Shopify. If these unprofitable companies can continue raising money from retail and institutional investors at a breakneck pace, the dream can live a little longer. Like all dreams though, this one will eventually end too, but if you don't recognize the interconnectedness of our economy and pre-emptively build balance into your portfolios then it could end up turning into a nightmare you may have trouble recovering from.

We are currently amid one of the greatest capital inflows to the market in history. It is impossible for this pace to continue indefinitely. This is funding the dream. When the flows eventually dry up, and the capital given to unviable businesses stops, we expect to see value make a very strong and sustained comeback. As of October 31, 2021, the Russell 3000 Growth Index has slightly outperformed the Russell 3000 Value Index this year.

Our portfolio remains defensively positioned with a robust short portfolio and net exposure just over 15%. We remain confident that the opportunity on the short side remains as compelling as it ever has. As the market continues to wrestle with how far it wants to take growth at any price, we remain true to our process of buying attractively priced, free cash flow generating, companies and shorting overpriced capital destroying companies.

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: 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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