

Invenomic US Equity Long/Short UCITS Fund

Equity Long/Short

September 2021

Performance Returns

*The Invenomic US Equity Long/Short UCITS Fund returned 2.34% for the month of September (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%				2.34%

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%				41.98%
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	\$35m
Strategy AUM	\$344m
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	5.55	-3.13	2.42
Consumer Discretionary	18.41	-16.22	2.19
Consumer Staples	2.18	-4.33	-2.15
Energy	6.94	0.00	6.94
Financials	10.07	-4.25	5.82
Healthcare	7.37	-12.42	-5.05
Industrials	13.02	-6.56	6.46
Information Technology	6.35	-21.22	-14.87
Materials	12.49	-0.83	11.66
Other	0.13	0.00	0.13
Real Estate	0.73	-2.09	-1.36
Utilities	1.66	-0.22	1.44
Total	84.90	-71.27	13.63

Number of Positions	Fund
Long Positions	122
Short Positions	173
Total Positions	295

Market Cap Exposure	Long	Short	Net
Large Cap (>\$5B)	28.26	-41.55	-13.29
Mid Cap (\$2B - \$5B)	20.59	-18.68	1.91
Small Cap (<\$2B)	35.92	-11.05	24.87
Total	84.90	-71.27	13.63

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Monthly Commentary

We successfully launched the Invenomic US Equity Long/Short UCITS Fund on September 16, 2021. For the partial month we returned 2.34% net of fees (USD Founder Pooled Share Class) with net exposure of just under 14%.

We have spoken often of “The Everything Bubble” that exists in virtually all markets. We believe it is informative to dig deeper into each of the respective bubbles to examine their foundations and to see if the bullish assumptions make sense. In this case, we take a brief look at two speculative asset classes: Crypto and Software-as-a-Service (SAAS). If you would like to view “The Everything Bubble” presentation, please let us know.

Crypto is perceived as the “new gold” by many investors. They believe that it can be a defensive asset offering diversification in difficult times. The reality, however, is far from clear. Gold tends to rise when the equity risk premium rises, as investors have a higher standard for holding stocks and sell. Conversely, when the equity risk premium falls and stocks go up, crypto also tends to rise. Investors may justify crypto purchases in different ways, but their behavior suggests that they are simply placing a levered bet on the stock market.

There are numerous SAAS companies, and many are interesting investments. What we find amusing though is that the main valuation method that investors use to assess the quality of their SAAS stocks, the Rule of 40, does not actually work. In the simplest terms, a company's Rule of 40 score represents the sum of its growth rate and earnings before interest, taxes, depreciation and amortization (EBITDA) margin. We regressed the Rule of 40 score to the valuation by gross profit for all of the software companies in the market today. We found no correlation. In fact, we find no significant correlation between the Rule of 40 score and any valuation multiple. Why does every software company want a high Rule of 40 score, and why do the analysts care when it has no impact? This misplaced focus on growth over profitability will eventually come back to bite investors, in our opinion. We prefer to examine the characteristics of each company to identify specific attractive opportunities.

At Invenomic, we pride ourselves on being valuation driven investors, fundamentally evaluating each company on its individual merits. While the path forward is likely to be choppy, the opportunity we see in front of us is the best we have seen in our careers. Our value driven philosophy will continue to center around free cash flow. Generally speaking, we are long companies that generate substantial free cash flow and reinvest it well. Our short book is comprised of companies that destroy cash through poor investments, have what we believe are unsustainable valuations, and have dismal earnings prospects. This philosophy has served us well over the last 20 years and we are confident that it will continue to deliver.

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	USD, EUR, CHF, GBP	USD, EUR, CHF, GBP	USD, EUR, CHF, GBP	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: IE00BKFXV13 EUR: IE00BKFXV20 GBP: IE00BKFXV23 CHF: IE00BKFXV09	USD: IE00BKFXV166 EUR: IE00BKFXV273 GBP: IE00BKFXV380 CHF: IE00BKFXV497	USD: IE00BKFXV505 EUR: IE00BKFXV612 GBP: IE00BKFXV729 CHF: IE00BKFXV836	USD: IE00BKFXV943 EUR: IE00BKFXV867 GBP: IE00BKFXV74 CHF: IE00BKFXV81	USD: IE00BKFXV06 EUR: IE00BKFXV13 GBP: IE00BKFXV20 CHF: IE00BKFXV14

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