

# Incline Global Long/Short Equity UCITS Fund

Monthly Newsletter

iam

30 Nov 2020

For professional investors only

## Monthly Commentary

In November, the Incline Global Long/Short Equity UCITS Fund returned +12.8% net of all fees in the I USD share class compared to +10.9% for the S&P 500. This brings 2020 net returns to +36.0% in the same share class, as compared to +13.4% for the S&P 500.

In Incline's last two performance updates, it has been mentioned that Incline planned to enter Election Day in early November with a put spread providing downside protection but with unlimited upside as Incline's short calls expired at the end of October. As a result, October/November should be viewed in combination given the uniqueness of the election timing. The team believes they "threaded the needle" effectively around the election. After having added to their longs in the sell-off in the last week of October given the unusually high-IRRs, the Fund was well-positioned to capture the post-election market upside. Incline have commented in prior updates how their past performance clearly demonstrates their differentiated exposures relative to other top performing funds, and how their portfolio is stylistically agnostic as they have roughly equal weightings in the long portfolio towards both growth and value (as defined by Russell 1000) even though they believe their investments are all Quality Compounders with GARP valuations. November 4th was the largest Value to Growth rotation in recent history, and conversely November 9th was the largest Growth to Value rotation in recent history – on both days the Fund was up over 3% net, outperforming the S&P 500 on each of the two days.

Historical Monthly Returns – Incline Global Long/Short Equity UCITS Fund Class I (US\$) (%) <sup>1</sup>														MSCI (%)	S&P (%)
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	YTD	YTD
2020	4.14	-1.63	-1.68	8.67	4.70	3.09	1.79	1.85	2.80	-4.26	12.79	-	35.95	9.53	12.10
2019	10.85	4.82	2.12	3.10	-3.86	3.45	2.05	-1.64	-2.61	0.52	2.22	0.79	23.18	25.19	28.88
2018	6.16	-3.45	-1.70	-3.91	1.47	0.18	1.58	1.20	-1.57	-11.41	-0.40	-8.42	-19.54	-10.44	-6.24
2017	3.74	1.17	0.55	1.44	0.54	0.17	1.23	-0.19	1.24	1.08	1.73	0.93	14.43	20.11	19.42
2016	-8.02	-0.76	4.02	2.05	4.36	-1.38	2.15	1.58	-0.01	-0.77	0.51	0.80	4.02	5.32	9.54
2015	-	-	-	-	-	-	-	-	-	-	-	0.22	0.22	-1.87	-1.75

## Strategy Highlights

Lower net U.S. Long/Short Equity strategy focused primarily on conducting deep bottom-up analysis and generating superior absolute returns:

- Average ~30% delta-adjusted net exposure since early 2019 (meaningfully lower on a notional basis)<sup>2</sup>.
- Framework Specialist with sector expert Research Partners = alpha generation focus both long and short.
- Differentiated exposures relative to other highly performing funds.
- Portfolio hedge provides downside protection while enabling upside capture:
- The hedge contributed +7.58% in Q1. Capital preservation in Q1 (Incline +1% vs. S&P 500 -20%) and September (Incline +3% vs. S&P 500 -4%).

## Portfolio Exposures (%)

Long	Short	Gross	Net
105.50	-84.01	189.51	21.49

## Key Investment Factors

- 1) Quality Compounder Longs: Growth At a Reasonable Price (GARP) focus on quality long-term secular / capital-light compounders with organic growth tailwinds.
  - Investments fit proprietary pattern recognition-based frameworks and high-quality CEO focus, followed by highly detailed company-specific research, to create a variant perception over a 12–24 month timeframe.
- 2) IRR-Based Active Portfolio Management: Our proprietary IRR-based system systematically enhances returns.
- 3) Alpha Shorts/Customized Baskets: Alpha-generating positions / unique customized basket approach in themes that will experience headwinds – focus on competitively disadvantaged/structurally impaired businesses.
- 4) Dynamic Portfolio Hedge Overlay: Risk management game-changer (implemented consistently since beginning of 2019) using a collar / put spread structure that reduces net exposures, allowing for capital preservation and enabling the fund to be in a position of strength during market pullbacks = hedge becomes an alpha engine.

## Fund Information

Fund Inception	1 December 2015
Investment Manager/ Distributor	International Asset Management Ltd
Sub-Investment Manager	Incline Global Management LLC
Incline Global UCITS Fund AuM	US\$77m
Incline Global Firm AuM	US\$549m
Subscriptions	Daily, T-1 Notice, T+3 Settlement
Redemptions	Daily, T-3 Notice, T+3 Settlement

## Performance – All Share Classes

Class	ISIN	NAV	MTD (%)	YTD (%)	Since Inc. (%)
A USD (Acc)	IE00BYXDK928	1,387.62	12.58	34.65	38.76
B USD (Acc)	IE00BYXDKB42	1,405.20	12.41	34.78	40.52
E EUR (Acc) <sup>2</sup>	IE00BYSPZ870	1,481.33	13.24	36.18	48.13
E USD (Acc) <sup>2</sup>	IE00BYSPZ763	1,652.98	13.50	38.72	65.30
H USD (Acc)	IE00BYXDKC58	1,301.41	12.88	35.89	30.14
I USD (Acc)	IE00BYSPZB06	1,550.08	12.79	35.95	55.01
N USD (Acc)	IE00BDHSPB76	1,365.76	12.48	34.29	36.58

<sup>1</sup>The track record of Incline Global Long/Short Equity UCITS Fund – Class I (US\$) comprises the performance of Incline Global Long/Short Equity UCITS Fund – Class E (US\$) (no longer open to new investors) from Dec 2015 to Sep 2016 and Incline Global Long/Short Equity UCITS Fund – Class I (US\$) from Oct 2016 to date.  
Indices: MSCI World Index (US\$); S&P 500 Index (US\$).

<sup>2</sup>These figures relate to Incline Global Offshore Fund Ltd. (the "Offshore Fund") only and are included in this presentation as a representation for the UCITS fund as both vehicles manage a similar strategy  
Source: IAM as at 30 Nov 2020. All data is net of fees.

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### Portfolio Analysis

Sector Exposure	Long (%)	Short (%)	Gross (%)	Net (%)
Communication Services	20.79	-	20.79	20.79
Consumer Discretionary	30.53	-10.49	41.02	20.05
Consumer Staples	-	-2.69	2.69	-2.69
Energy	-	-2.94	2.94	-2.94
Financials	6.48	-4.61	11.09	1.87
Health Care	-	-6.85	6.85	-6.85
Industrials	4.83	-14.78	19.61	-9.95
Information Technology	42.86	-	42.86	42.86
Materials	-	-	-	-
Real Estate	-	-0.51	0.51	-0.51
Utilities	-	-	-	-
Other	-	-41.15	41.15	-41.15
	<b>105.50</b>	<b>-84.01</b>	<b>189.51</b>	<b>21.49</b>

Regional Exposure	Long (%)	Short (%)	Gross (%)	Net (%)
Asia	-	-	-	-
Europe	8.82	-3.20	12.02	5.62
North America	96.68	-80.81	177.49	15.87
Other	-	-	-	-
	<b>105.50</b>	<b>-84.01</b>	<b>9.51</b>	<b>21.49</b>

Market Cap Exposure	Long (%)	Short (%)	Gross (%)	Net (%)
Less than US\$2bn	-	-2.52	2.52	-2.52
US\$2bn - US\$10bn	-	-8.47	8.47	-8.47
US\$10bn - US\$50bn	33.27	-14.72	47.99	18.54
US\$50bn+	72.24	-17.15	89.38	55.09
Other	-	-	-	-
	<b>105.50</b>	<b>-84.01</b>	<b>189.51</b>	<b>21.49</b>

### Top 10 Long Holdings (%)

Issuer	Sector	Exposure % of NAV
Fiserv Inc	Information Technology	6.58
FleetCor Technologies Inc.	Information Technology	6.56
Activision Blizzard Inc.	Communication Services	6.51
S&P Global Inc.	Financials	6.48
Fidelity National Info. Services	Information Technology	6.47
Restaurant Brands International	Consumer Discretionary	6.43
PayPal Holdings Inc.	Information Technology	4.85
Facebook Inc.	Communication Services	4.84
TransUnion	Industrials	4.83
Amazon.com Inc.	Consumer Discretionary	4.71

### Firm Background

#### Incline Global Management, LLC

Incline Global launched in April 2012 with substantial backing from David Tepper of Appaloosa Management. Based in New York, the Firm employs a team of 9 professionals tied together by a common interest in working as part of a cohesive and interactive team. Mr. Lignelli owns 100% of the Firm, has invested a majority of his liquid net worth in the Firm's investment vehicles and brings 18+ years of portfolio management experience to the execution of the Incline Global strategy.

### Portfolio Manager Background

#### Jeff Lignelli, CEO & Portfolio Manager

Jeff Lignelli launched Incline Global Management LLC in April 2012. Jeff has extensive experience in the funds industry, previously serving as one of a small group of senior partners on the investment staff at Appaloosa Management, responsible for identifying sector themes and equity related investments. Prior to this, Jeff was the Founder, Chief Executive Officer and Portfolio Manager of Stonebrook Fund Management from 2001 to 2011 and was with Omega Advisors, a multi-billion dollar hedge fund run by Leon Cooperman, from 1998 to 2001 as a Partner and Equity Portfolio Manager. Previously Jeff worked at Atticus Capital as Vice President and Equity Analyst from 1997 to 1998 and with Gleacher & Co. from 1994 to 1997 as an Associate. Jeff graduated from the Wharton School in 1994.

Note: Totals are subject to rounding differences. Data from portfolio hedges is included in the "Other" category within the Sector and Market Cap Exposure tables. Exposures are delta-adjusted.  
Source: IAM as at 30 Nov 2020.

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