

# Invenomic US Equity Long/Short UCITS Fund

## Equity Long/Short

March 2023

### Performance Returns

The Invenomic US Equity Long/Short UCITS Fund returned 2.49% for the month of March (USD Institutional 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.

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
2023	8.41%	-1.29%	2.49%	-	-	-	-	-	-	-	-	-	9.68%
2022	12.96%	2.56%	2.59%	5.35%	5.24%	-5.13%	-0.27%	0.04%	-3.02%	5.20%	4.17%	2.08%	35.33%
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 16<sup>th</sup> 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.

### Monthly Performance – Invenomic Fund LP (Non-UCITS)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2023	8.24%	-1.39%	2.30%	-	-	-	-	-	-	-	-	-	9.18%
2022	16.94%	3.83%	2.78%	6.64%	5.72%	-5.65%	-0.69%	0.41%	-2.83%	4.89%	5.14%	2.46%	45.32%
2021	1.97%	9.55%	14.22%	2.40%	10.89%	-8.60%	1.79%	-0.51%	2.39%	-1.19%	3.23%	9.35%	53.16%
2020	-5.84%	-5.34%	-1.48%	9.55%	-3.81%	1.34%	0.39%	0.99%	-2.46%	3.41%	13.19%	3.45%	12.27%
2019	6.49%	0.24%	-1.43%	2.38%	-5.26%	3.33%	-1.45%	-5.98%	9.52%	0.14%	0.43%	2.56%	10.37%
2018	2.97%	0.51%	-1.43%	0.83%	-2.00%	-0.10%	0.19%	-1.49%	2.27%	1.34%	2.83%	-2.18%	3.61%
2017	-	-	-	-	-	-	-	0.57%	1.22%	0.24%	2.74%	2.62%	7.59%

### Portfolio Breakdown

Sector Allocation (%)	Long	Short	Net
Communication Services	16.66	-0.48	16.18
Consumer Discretionary	14.09	-18.02	-3.93
Consumer Staples	2.10	-4.35	-2.25
Energy	4.38	-1.28	3.10
Financials	12.29	-10.90	1.39
Healthcare	15.81	-12.01	3.80
Industrials	13.72	-15.34	-1.62
Information Technology	19.59	-23.43	-3.84
Materials	6.81	-1.84	4.97
Real Estate	1.37	-2.25	-0.88
Utilities	0.00	0.00	0.00
<b>Total</b>	<b>106.83</b>	<b>-89.89</b>	<b>16.94</b>

Portfolio Characteristics	Long	Short
# of Positions	154	161
Median Position Size	0.41%	-0.45%
Price-to-Book Ratio	3.40x	15.36x
Price-to-Earnings Ratio	11.37x	28.79x
Enterprise Value-to-Sales Ratio	2.70x	5.37x

Market Cap Allocation (%)	Long	Short	Net
Large Cap (>\$5B)	72.41	-56.39	16.02
Mid Cap (\$2B - \$5B)	18.28	-26.56	-8.28
Small Cap (<\$2B)	16.14	-6.94	9.20
<b>Total</b>	<b>106.83</b>	<b>-89.89</b>	<b>16.94</b>

### The Manager



### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Valuation	Daily
Liquidity	Daily
Fund AUM	\$487 Million
Strategy AUM	\$2.0 Billion
Inception	September 16 <sup>th</sup> 2021

The performance figures quoted on the left represent the (net of fees, 1%/20%) 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.

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## Equity Long/Short

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### Monthly Commentary

The Fund returned 2.49% for the month of March (USD Institutional Pooled Share Class), net of fees. Portfolio exposures at the end of the month stood at 106.83% long and -89.89% short, resulting in net exposure of 16.94% and gross exposure of 196.72%. The portfolio remains well diversified with 154 long positions and 161 short positions.

We are pleased with how the fund performed during the volatile month of March. Concerns about the stability of the financial sector became the topic of focus for the market after the collapse of Silicon Valley Bank and Signature Bank. Entering March, the financial sector was our largest net short position and the biggest contributor to the fund's return for the month, adding 315 basis points, gross of fees. Our concerns about bank stability emerged late last year as we observed that bonds were generally down 15% to 20% globally which, when factoring in leverage, would imply that many banks had serious problems. Given that we are value investors some may find it odd that we are bearish on financials, but "value" to us is not limited to a specific sector. Rather, it's a philosophy about the types of companies we are attracted to (generally those with strong free cash flow). We have learned over our careers that flexibility is an incredibly important attribute when managing a long/short portfolio.

Market breadth was very narrow during the month with just five mega-cap names carrying the total return of the broad equity market. The S&P 500 Index returned 3.67%, the NASDAQ returned 6.69%, and the Russell 2000 Index returned -4.78%. Interestingly, the S&P 500 Equal Weight Index returned -0.88%, trailing the cap weighted version of Index by 4.55%. This was the third largest monthly spread going back to 1971. The other two periods were March 2020 and June 2000. Large divergences in asset class performance often occur during extreme periods in the market.

In notional terms, Software stocks collectively now make up ~17% of overall US Net exposure on the GS Prime book (vs. ~14.5% at the start of 2023): the highest level in more than five years, exceeding even the levels seen in late 2021. Importantly and perhaps not surprisingly, however, the current constituents of the US Growth Software basket (GSCBSF8X) collectively make up less than 2% of overall US Net exposure, implying the vast majority of US Software net exposure is held in large cap and GARP names.

So far, 2023 has been a very difficult year for the value factor. Q1 2023 is the fourth worst quarter for value relative to growth going back to 1991, as measured by the Russell 1000 Value/Growth Index. Some of the quarters that were worse include notable historical periods, such as the end of the 1990s tech boom, the start of the Covid pandemic and the final quarter of the Great Financial Crisis. We think we could be headed towards another major inflection point in the market at some point in the future. Interest rates have not been at these levels for a generation, the banking system has yet to address many of its problems, housing prices are unsustainably high, and unemployment is at risk of moving materially higher. Additionally, market valuations remain near historic highs with the NASDAQ and the S&P 1500 indices returning 17.6% and 18.5% annualized over the last three years, which is exceptionally strong all things considered (a pandemic, tech bubble 2.0 and a banking crisis, to name a few). In appreciation for all these issues, our net exposure remains towards the low end of our historical range. There will likely be a time when we buy more aggressively and cover short positions that hit our price targets, leading to an increase in net exposure.

#### 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	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: IE00BKFXVX13 EUR: IE00BKFXVY20 GBP: IE00BKFXVZ37 CHF: IE00BKFXVY059	USD: IE00BKFXVY166 EUR: IE00BKFXVY273 GBP: IE00BKFXVY380 CHF: IE00BKFXVY497	USD: IE00BKFXVY505 EUR: IE00BKFXVY612 GBP: IE00BKFXVY729 CHF: IE00BKFXVY836	USD: IE00BKFXVY943 EUR: IE00BKFXVYB67 GBP: IE00BKFXVY7C4 CHF: IE00BKFXVYD81	USD: IE00BKFXVYF06 EUR: IE00BKFXVYG13 GBP: IE00BKFXVYH20 CHF: IE00BKFXVYJ44

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