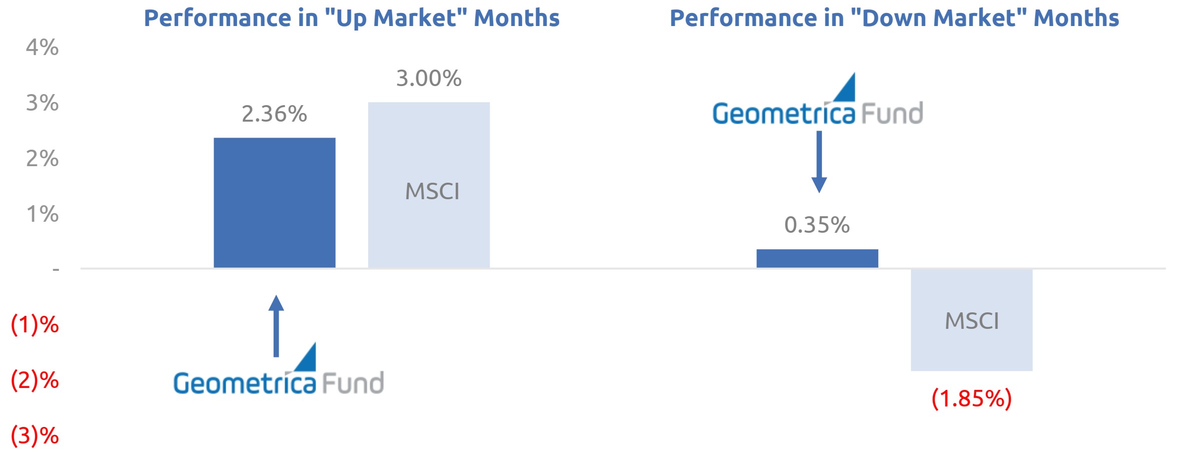
We seek asymmetric investment opportunities informed by the coalescence of rigorous fundamental analysis and alternative data discovery.

The Geometrica Fund aims to deliver outstanding returns to unitholders via highly targeted investments in the global mid-cap equity universe.

INVESTMENT PERFORMANCE (NET)

30 Jun 2021	Inception pa	CYTD	FYTD	12 months	6 months	1 month
Founder[1]	+21.70%	+13.91%	+34.34%	+34.34%	+13.91%	-0.66%

Performance Asymmetry: Uncorrelated Outperformance



Source: Mainstream, ASX Announcements, Geometrica and Bloomberg. Performance is after all fees, from Jan 2015 (excluding the period of Sep 2018 – Aug 2019; Manager left CVF in Aug 2018 and began Geometrica in Sept 2019). MSCI = MSCI ACWI (AUD).

OVERVIEW

Net of all costs and fees the Geometrica Fund returned -0.66%* for June 2021. Inception to date performance stands at +21.70% per annum, with calendar year to date at 13.91%.

Key positive contributors during the month were Advanced Micro Devices Inc, Entain and IDP Education. Adient Plc and a short position we discuss below detracted from performance.

Our portfolio at the present time is dominated by a solid raft of what we'd call "compounders". We have written about almost all of these stocks in prior letters.

These are typically companies able to grow revenues, harness operating leverage and reinvest organically generated cash back into their businesses at highly attractive

[1] *Founders Class units – Lead Series. Small variations will occur between unit classes and series based on differences in timing and terms. Source: Mainstream Fund Services, the Fund's external administrator and calculation agent.*

incremental rates of returns. These stocks are cheap compared to what we think the market will pay for them in the not-too-distant future.

We often think of a position in the context of "half-life" which really refers to the time it might take for the market to fully value it, and this is not always a linear situation. Most of our compounders are past the initial "discovery" phase in their lives when returns are typically exceptionally strong, but there is still plenty of juice left in them.

Take our position in **Entain Plc** (ENT.LN, mkt cap £10.3bn) as an example. Acquired at ~£6/share in the aftermath of Covid's onset, the stock rocketed to £12/share and then marched on to £18/share. Its future rate of price appreciation may not be quite as steep as the past 12 months, but we think it's worth £28/share all day long. Entain is investing heavily in an exceptionally high return business the market is just starting to understand. Entain may be down in any given month, but on a point-to-point basis over a reasonable period of time we think the stock will generate highly attractive returns from this point on. More specifically, we can see underlying improvement in BetMGM's US business on a monthly basis, which may not comport with the stock markets move in any given month. Ultimately, stock prices tend to follow earnings, so we take our lead from the fundamentals and continue to own Entain.

Our job continues to be to find more stocks like this as early in their discovery phase as possible (we've added one recently) to continually high grade our portfolio.

This doesn't obviate from the fact that we have posted two negative monthly returns. Our process involves picking stocks where we think there is significant market mispricing and we use novel data that adds to our understanding of a situation and thus our competitive edge whenever possible. This leads to a relatively concentrated portfolio. Consequently, the monthly returns aren't linear. But we think the process works and sums to attractive risk adjusted returns over any reasonable investment timeframe.

We wish we could find a way to eradicate the possibility of the odd monthly negative return in a history of mostly positive returns, but the only public market equity investor who achieved that was Bernard Madoff.[2]

Delta strain of Covid-19

We are watching long dated sovereign bonds rally and risk assets wilt as we write. Apparently largely driven by fears surrounding the delta strain of Covid-19.

The set up now versus back in February 2020 is quite different. Then, it was the epiphany that hard lockdowns and a cessation of physical commerce were imminent with no known salve from policy makers and no known route out of it all.

And most importantly, we had no vaccines back in February 2020.

Now, we have several mRNA vaccines. Now, we can point to places, say along the Canadian border where double vaccination rates are over 80% and mini economic booms

[2] Madoff claimed only 3 negative return months in his last 5 years of operations from 2003 to 2007 inclusive. In truth, he had no negative return months because he wasn't investing.

are occurring, or in Northern California where in some counties vaccination rates are over 90%. We only have to look ahead six months or so for this in most developed markets. This is going to quickly morph into a pandemic of the unvaccinated, an ever shrinking subset of the population.

In early 2020 we rapidly cut portfolio exposure and protected capital because the asymmetry of the situation augured for far more downside risk than upside. That is not the case today, at least as far as the delta strain of covid goes. And so, we are going to take this latest sell off largely in a few of the covid vulnerable stocks we own on the chin and buy more of what we know which has large ongoing upside. It was an investment sage who once said the equity market is a value transfer mechanism from the impatient to the patient.

PORTFOLIO

Advanced Micro Devices Inc (AMD.US, mkt cap US$108.2bn) was our best performing long position during the month, rising 17% during June.

The main attraction is clear evidence that AMD are taking market share from Intel in the server logic processor market, historically a cash cow for Intel.

That Intel is competitively challenged, and AMD ascendant is no mystery; Intel trades on 12x FY22 consensus forecast P/E and AMD 32x. But even with this divergence in valuation, reflective of differing growth expectations, we think the market underestimates AMD's forward earnings leverage and the depth of Intel's structural malaise.

Intel and AMD have something of a shared history. Founded only a year apart in the 1960s by former Fairchild Semiconductor staff, AMD has enjoyed privileged access to Intel's x86 computing IP due largely to the insistence of IBM in having two suppliers of CPUs for the launch of its revolutionary personal computer in the early 1980s.

Historically, AMD was a bit player left flailing in the wake of an all dominant and vertically integrated Intel which in its prime was one of the world's top 20 companies by market capitalisation.

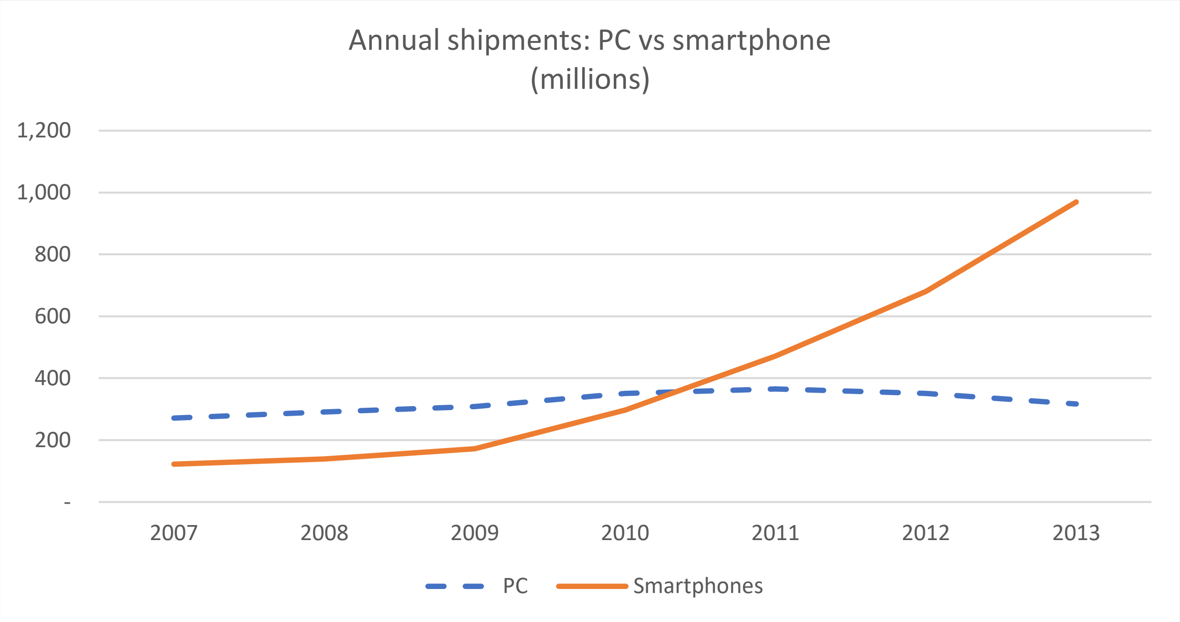
Like clockwork, every two years or so Intel introduced ever smaller and more efficient processors to the burgeoning PC market, thereby maintaining a performance and cost advantage over all of its rivals.

Time can run slowly in structural dynamics. The seeds of Intel's stagnation were sewn in 2005 when Apple asked Intel to design and manufacture a chip for a new phone Apple was developing which at that stage didn't even have a name.

Intel declined Apple's request, perhaps believing the prospective end market for Apple's phone to be unattractive and perhaps due to its bias towards its own x86 architecture vs the ARM architecture that Apple favoured.

Apple launched what it ended up calling the iPhone in 2007. Sales of the iPhone boomed, perhaps in a way no-one could have predicted. How often does a product come along that creates a truly massive white space as a new sector and then goes on to dominate its economic rent?

Within a few short years of telling Apple to go take a hike, global smartphone sales had surpassed PC sales and they just kept on growing. Intel had committed a costly yet difficult to foresee error.



Turned down by Intel, Apple selected Taiwan Semiconductor Manufacturing Company (2330.TT; TSM.US, mkt cap US$600bn) to manufacture the chips for its iPhones.

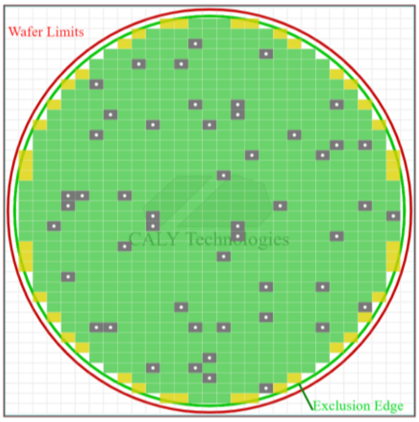
Because TSMC's volumes for Apple became so massive, it overtook Intel in semiconductor production volumes. In engineering processes, large production volumes typically drives learning effects and yield and cost benefits. Scale is a competitive advantage.

In around 2018 TSMC leapfrogged Intel as measured by process node, for the first time making smaller and more cost efficient chips than Intel could, driven at least in part by the large volumes TSMC were making for Apple.

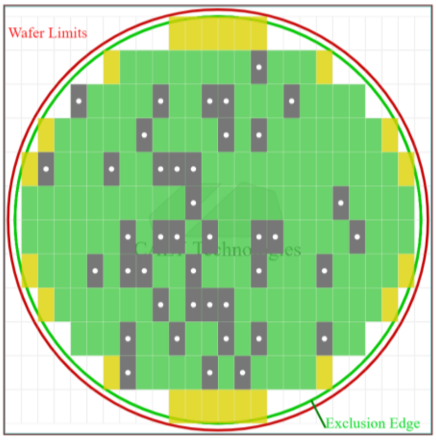
Intel has fumbled its technology transitions for the last few years and recently announced it would begin using TSMC to manufacture its leading edge chips.

However even when Intel start using TSMC, they have a fundamental design challenge. Intel's designs typically use one large monolithic chip whereas AMD typically uses several small chiplets in its designs. This essentially means AMD's design results in more usable chips per wafer and with TSMC charging around US$10,000 for each wafer produced, it can lead to a meaningful cost difference. So even with TSMC's manufacturing prowess, by virtue of random manufacturing errors and design differences, AMD will still have a cost advantage until at least around 2023 when Intel is due to commercially release its next generation of chips. And this is all before consideration of AMD's generally superior performance.

AMD wafer



Intel wafer



Source: Company disclosures, Caly Technologies die yield calculator.

AMD's entry into serious market share in the server market may not just be a short term phenomenon. When we dig into supplier data, we foresee extremely strong demand for AMD's designs. Which may yet mean the earnings growth trajectory for AMD is a lot greater and faster than the market is presently pricing.

We noted in last month's newsletter our exit of the majority of our position in **Adient Plc** (ADNT.US, mkt cap US$3.6bn). Perhaps our pace should have been faster. Adient was our largest single performance detractor in June. However, Adient remains in our top 10 return contributors since inception.

Some time back we took a deep look at **Altium Ltd** (ALU.AU, mkt cap A$4.9bn), a PCB design software firm that is in the throes of a business model transition. We've studied such transitions and profited from them in the past.

Without going into too much detail, we could see an earnings pothole awaited Altium, because we were monitoring data that showed in late fiscal 2021 Altium appeared to be chasing near term revenue and earnings in a manner that might be considered inconsistent with their longer term strategic goals.

So, in short, an earnings pothole was about to hit, after which longer term positive dynamics were expected.

We've used similar forecast earnings pot holes in the past to reduce our effective entry prices into stocks with long run positive structural dynamics.

It goes like this: Short a small amount of the stock, wait for the bad earnings news and the share price fall, and then flip the short position into a long. Two bites of the cherry are after all better than one.

The basic math runs like this, using a real example. Short at $18, cover at $13, or $5/share profit. Buy at $13/share to establish a long. Net of the short profit, effective entry is $8/share, not $13/share.

And so, we shorted some Altium and waited for the earnings downgrade. But we were not alone in watching all of this unfold. **AutoDesk** (ADSK.US, mkt cap US$64.5bn) romped in and lobbed an unsolicited takeover bid for Altium in a classic bear hug. The stock popped 39% on the day and we were left to lick our wounds.

There was more salt to be rubbed into the wounds. Two weeks after AutoDesk's bid, Altium announced an earnings downgrade. Our insights into Altium's earnings trends had been correct. But in this instance at least how we expressed that was proven to be wrong. Fortunately, the short was small (our short sizing limits are 1/5th of our longs).

There is great irony in AutoDesk's bid because AutoDesk is one of our longest holdings, having itself undertaken a business model change similar to Altium's several years ago.

In AutoDesk's case, we believe its own cloud transition is allowing it to see detailed user activity on a real time basis. Which could be why revenue growth from conversion of non-paying to paying users has recently been strengthening. Given AutoDesk's non-paying user base is multiple times larger than its paying base, AutoDesk's revenue growth may be stronger and longer than the market expects.

As ever, thank you for investing alongside us. We aim to repay that trust in spades.

20 July 2021

FUND OVERVIEW (ALPHA UNITS)

Fund	Geometrica Fund
Structure	Wholesale unit trust
Mandate	Global long short Mid-cap focus
Gross exposure range	0 - 200%
Net exposure range	up to 100%
Single stock long limit	15% at cost
Single stock short limit	5% at cost
Buy / Sell Spread	Nil / 0.25%
Investor Eligibility	Wholesale only
Platforms	Ausmaq, Hub24
Fees	1.5% management (+GST) 20% performance (+GST)
Benchmark	RBA Cash Rate
High water mark	Yes
Liquidity	Monthly
Administration & custody	Mainstream Fund Services

INVESTMENT PERFORMANCE (NET)[3]

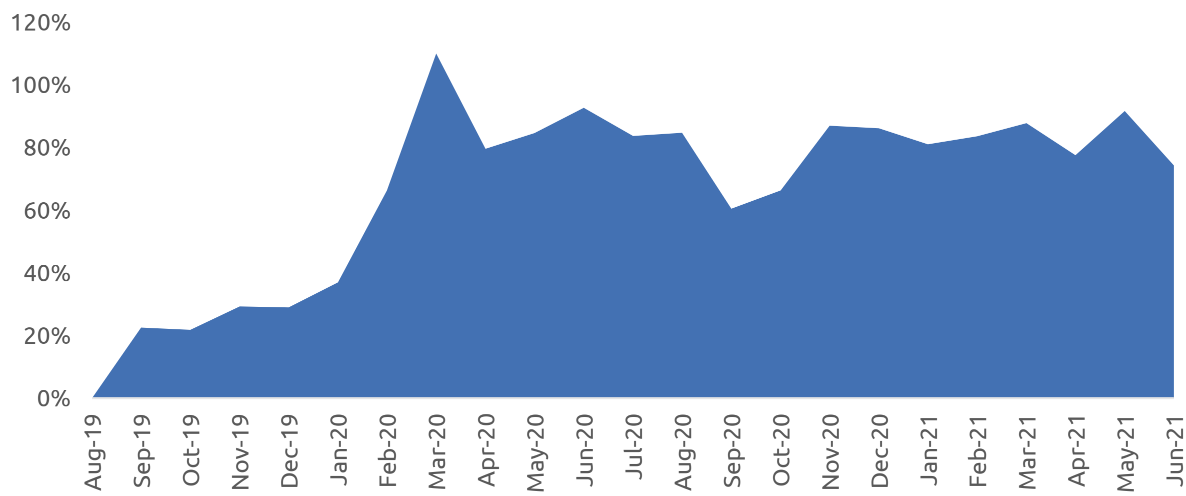
	2019	2020	2021
Jan	-	-1.3%	4.5%
Feb	-	-0.3%	6.9%
Mar	-	-5.2%	1.2%
Apr	-	2.4%	3.0%
May	-	7.9%	-1.5%
Jun	-	3.0%	-0.7%
Jul	-	9.5%	-
Aug	-	3.5%	-
Sep	1.1%	-1.4%	-
Oct	0.8%	-1.4%	-
Nov	0.1%	4.8%	-
Dec	-1.6%	2.0%	-
Total	0.5%	25.2%	13.9%

ASSET ALLOCATION

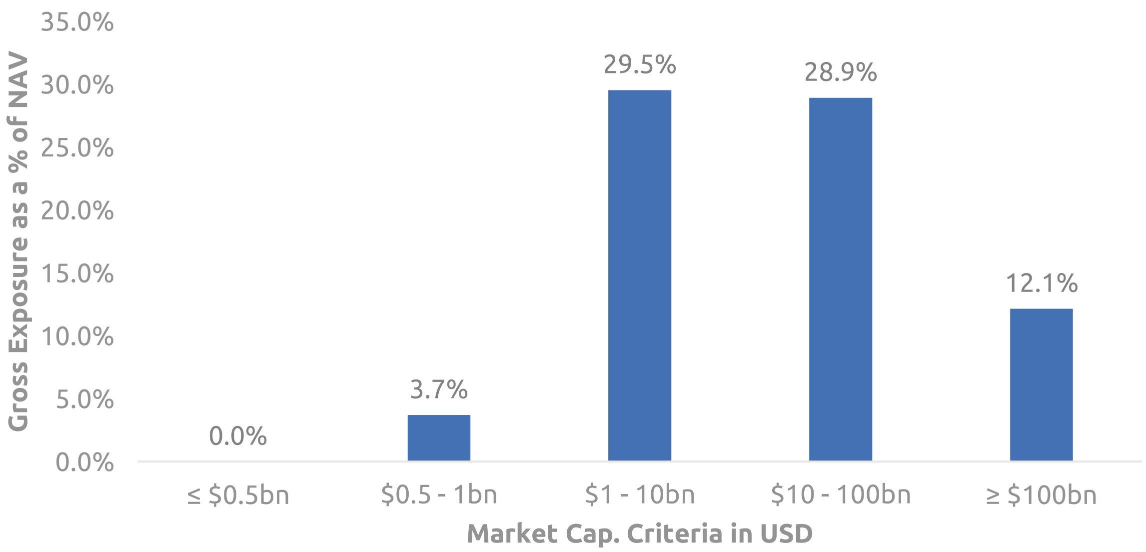
Country	Long	Short	Gross	Net
Australia	30.7%	(1.0)%	31.7%	29.7%
Americas	27.3%	(1.8)%	29.1%	25.5%
Asia	3.6%	0.0%	3.6%	3.6%
Europe	9.9%	9.9%	9.9%	9.9%
Total	71.5%	(2.8)%	74.3%	68.7%

[3] *Founder Class units – Lead Series*

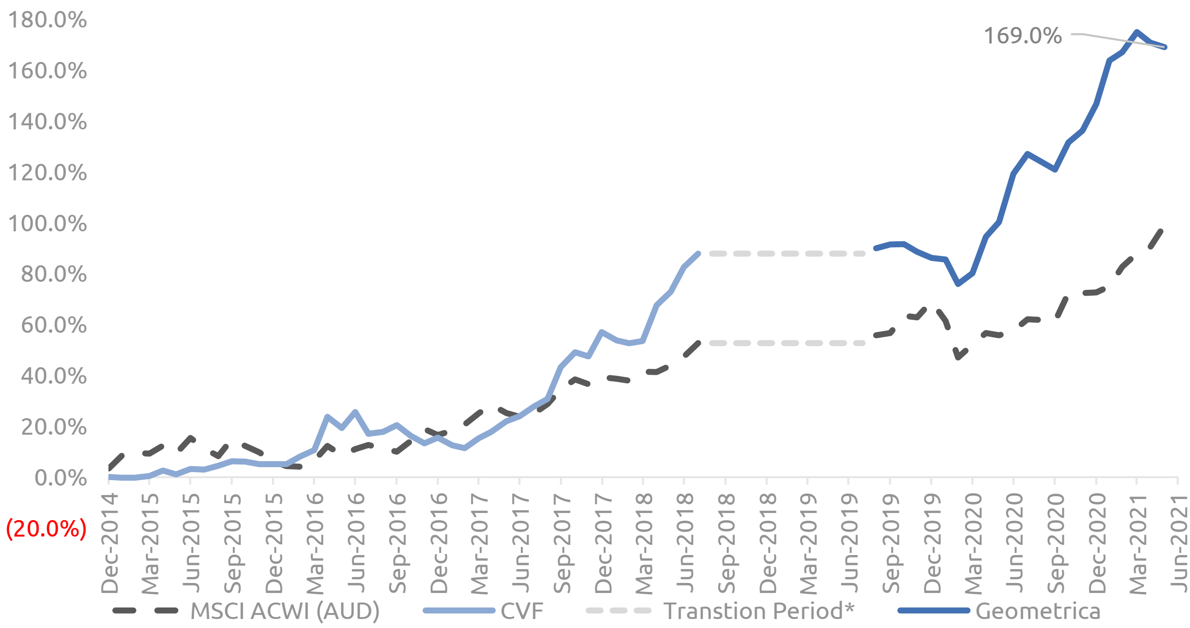
GROSS EXPOSURE



GROSS EXPOSURE BY MARKET CAPITALISATION



MANAGER PERFORMANCE HISTORY



* Manager left CVF in Sept 2018 and began Geometrica in Sept 2019 NB: Performance period is from 5 Jan 2015. Performance is net of all fees.

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