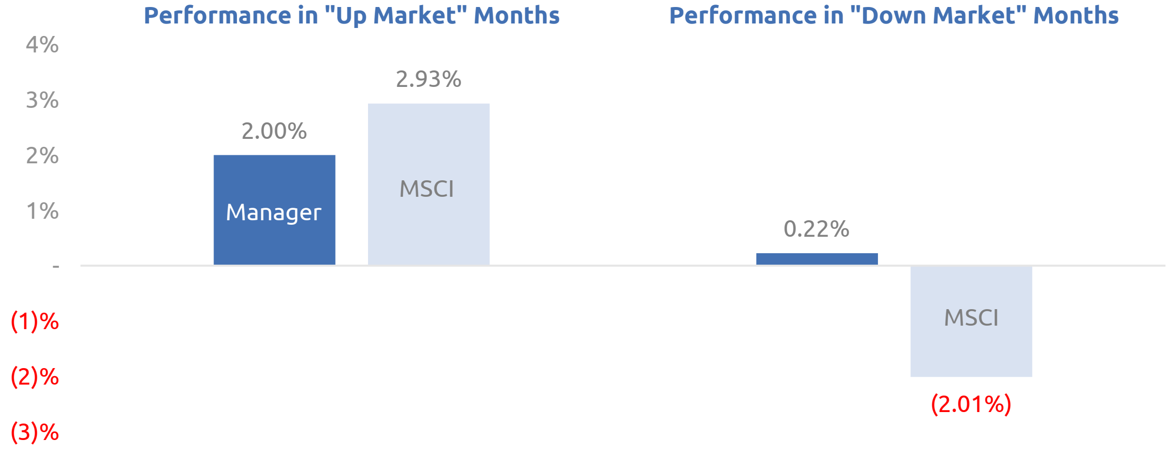
We seek asymmetric investment opportunities informed by the coalescence of rigorous fundamental analysis and alternative data discovery.

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

INVESTMENT PERFORMANCE (NET)

28 Feb 2022	Inception pa	CYTD	FYTD	1 year	2 yrs (pa)	6 months	1 month
Founder[1]	+12.14%	-5.70%	-7.10%	-5.26%	+16.07%	-8.24%	-1.70%

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 -1.7%[1] for the month of February 2022.

Most major indices were lower during the month with the MSCI All Countries World AUD index down -5.4%. The S&P500 was down -3.1% and Nasdaq down -3.4%. The S&P/ASX200 Index was an outlier at +1.1% driven largely by commodities. European indices were clobbered late in the month as Russia invaded Ukraine.

Against this backdrop short selling and low net exposure helped us weather the storm.

[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.*

FRAMEWORK

You have to go back to the early 1980s to find a pricing pulse that drove US CPI[2] up 7% in under two years.

It is entirely possible inflation steps higher. We have a red-hot demand backdrop coupled with continuing and new supply shocks (look at the container volumes coming out of southern China…).

The US Fed has made it clear they understand just how far they are behind the curve. The difference between CPI and the Fund Funds target rate is now the largest it has been in over 50 years.

Our investment process has not changed. We just train the gun sights on the most prospective areas.

Our checklist for longs and shorts in inflationary times:

Longs
Undemanding valuation
Share register: Under owned
Success not priced in
Robust business model
Pricing power or scarcity value
Declining competitive intensity
Low or no debt
Generates and grows free cashflow
Rising buybacks or dividends

Shorts
Nosebleed current valuation
Share register: Lots of marquee investors
Success already priced in
Flawed business model
Price taker
Increasing competitive intensity
Excessive debt
Burns cash and needs more
Reliant upon capital markets for future solvency

The unrelenting sell off in most major equity markets in recent months has resulted in a few proverbial "babies being thrown out with the bathwater". In such market conditions any company even slightly disappointing market expectations is likely to see its share price poleaxed.

This is an opportunity where the market unreasonably extrapolates transitory issues and where we can tick most of the criteria in the above left box.

These situations require patience, but they tend to be very rewarding because you're effectively buying "when there's blood on the streets".

The caveat is that if you buy into a situation of structural decline, you're unlikely to make money (or more likely to lose it). Yet whenever you buy into a situation where consensus views on forecast earnings are wrong and actual earnings surprise to the upside, you tend to make a lot of money.

[2] US CPI Urban Consumers YoY NSA.

The last example that played out nicely for us in this vein was Activision Blizzard; although the upside was truncated by what might ultimately be seen as a low-ball takeover bid.

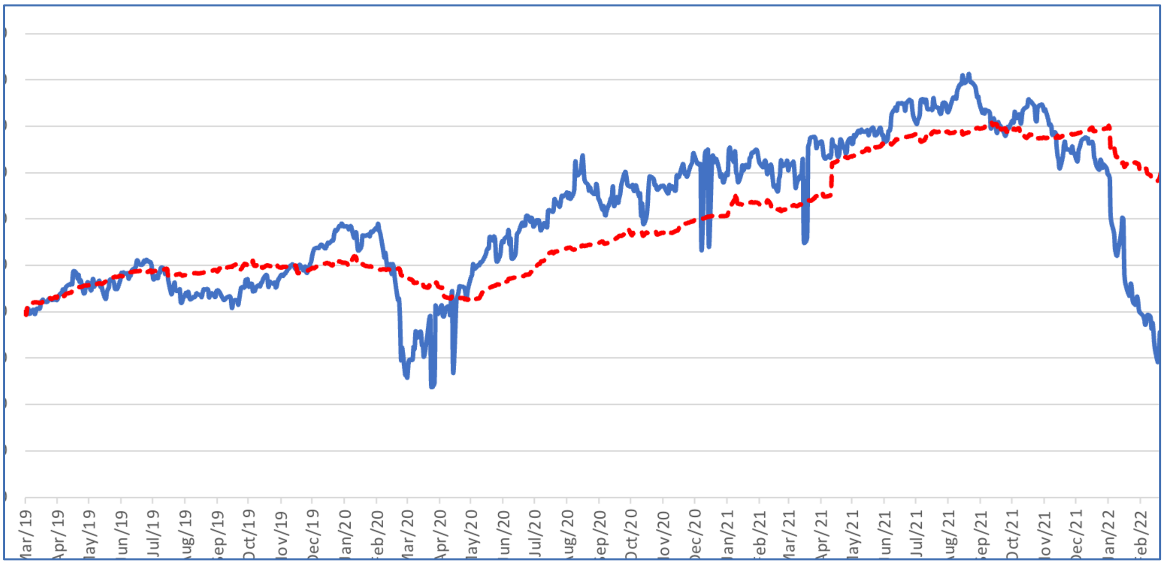
The market sell-off over the last few months has spoiled us for choice.

Below is an aggregation of the share prices and earnings per share of four stocks that have made their way into the portfolio over the last three months.

The solid blue line is the indexed even weighed share prices and the dotted red line is the indexed even weighted forecast EPS. In this chart we've multiplied the EPS by 15x; an arbitrary number but basically if the blue line is on the red, then the stock is trading at 15x.

Straight away you can see these shares have dislocated way below their forward earnings. So, the valuation – if the earnings forecasts are more or less right – is cheap.

This is the starting point. Each situation requires diligence to determine if the market has discounted the company's earnings profile unreasonably based on fear.



Of the four stocks blended into the above, three are what we'd call compounders, meaning they generate high returns on incremental capital investment and have a capacity to grow their free cashflows well into the future.

As an observation we don't normally see so many cash generative businesses with strong growth prospects dislocate to this extent. We look forward to writing more on these stocks in the months ahead.

PORTFOLIO

Our biggest loser in February was our position in **Mineral Resources** (MIN.AU, mkt cap A$9.2bn). MIN is going through a significant growth phase where it is investing heavily into improving its current business but also moving into a position as a major global lithium producer.

Historically a consummate contract miner, MIN parlayed these earnings into acquiring high-cost iron ore mines some years ago, just in time to catch very high iron ore prices.

The success of MIN's strategy has resulted in a more than 4x uplift in market cap over the last decade.

Now, with a fall in iron ore prices that MIN receives on its lower grade iron ore, earnings have washed out. Their old mines are now economically marginal. To make matters worse, MIN has incurred significant capital costs to date on new projects which are yet to produce meaningful earnings. Today, MIN appears hideously expensive on FY2022 earnings.

But as the man said, "…*skate to where the puck is going, not where it has been*". [3]

MIN's earnings are set to grow very rapidly over the next few years, across four earnings streams.

First, we expect significant disclosure on MIN's new Ashburton iron ore project within months. The Ashburton project is both long life and low cost. At iron ore prices around 50% lower than today's, the project will generate north of A$1bn in annual EBITDA, with initial production starting in early calendar 2024.

Second, MIN is gradually ramping up production volumes of hard rock lithium in Australia, into a very strong market. We think that there is an acute shortage of lithium feedstock now and into future years. At the start of large structural shifts, it can be difficult to differentiate between a linear trend and an exponential one. The differentiation can have major implications in how a commodity is priced, be it based off cost curve support or processor margin netback.

Third, MIN's strategy is to control its lithium spodumene feedstock and transform the majority of this into lithium hydroxide, largely in joint venture with **Albermarle** (ALB.US, US$25.1bn mkt cap). Netbacks from hydroxide to spodumene ex processing and capital costs appear to offer extremely attractive returns, which in part turns on the location of the conversion facilities and their resulting cost structure. Because MIN (jointly with Albermarle) will be vertically integrated and compete with merchant operators, it will be low on the cost curve, which once the EV parc is built up in a decade or so will become important.

Fourth, MIN has a significant gas discovery in the Perth Basin. Notably it's onshore, which typically translates into significantly lower development and operating costs. MIN's map of the find and its exploration acreage also shows its proximity to existing treatment and transport infrastructure. MIN are likely to use a lot of this gas in their operations, which will result in material operating cost savings and structurally advantage the business in commodity price cycles.

Finally, MIN's foundational contract processing business is experiencing rapid growth.

The amalgam of these developments should see a dramatic increase in revenues and earnings over the next few years. Our timing was out but if we're right on the forward

[3] Wayne Gretzky, likely the greatest ice hockey player that ever lived. He was smaller than his peers but had an uncanny ability to read the game and be in the right place at the right time. He is the leading goal scorer in the history of the National Hockey League.

progression in earnings it's not going to matter because the stock will have material upside.

Our biggest winner was **Lynas Rare Earths** (LYC.AU, mkt cap A$9.2bn), which we wrote about at length in last month's letter. A close second was our position in a European lithium processor which we also alluded to in our previous letter.

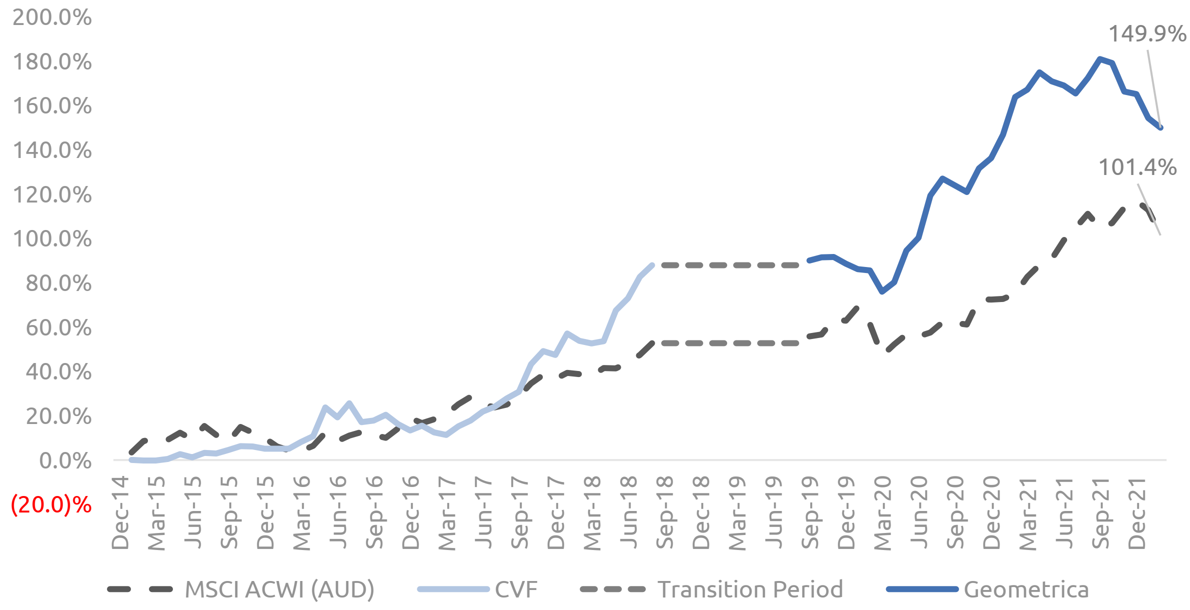
Shorts made a modest contribution. The best of these was a food delivery company which timed its run at IPO perfectly for its vendors, listing after the pandemic was in full swing and whilst it was enjoying booming demand. Peak margins and peak multiple!

As investors, the holy grail is to buy on trough margins and trough multiple. This stock is not a zero, but equally, we think it has a lot of downside left to go.

INVESTMENT PERFORMANCE (NET)[4]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2019	--	--	--	--	--	--	--	--	+1.1	+0.8	+0.1	-1.6	+0.5
2020	-1.3	-0.3	-5.2	+2.4	+7.9	+3.0	+9.5	+3.5	-1.4	-1.4	+4.8	+2.0	+25.2
2021	+4.5	+6.9	+1.2	+3.0	-1.5	-0.7	-1.4	+2.6	+3.1	-0.6	-4.6	-0.4	+12.2
2022	-4.1	-1.7											-5.7

MANAGER PERFORMANCE HISTORY



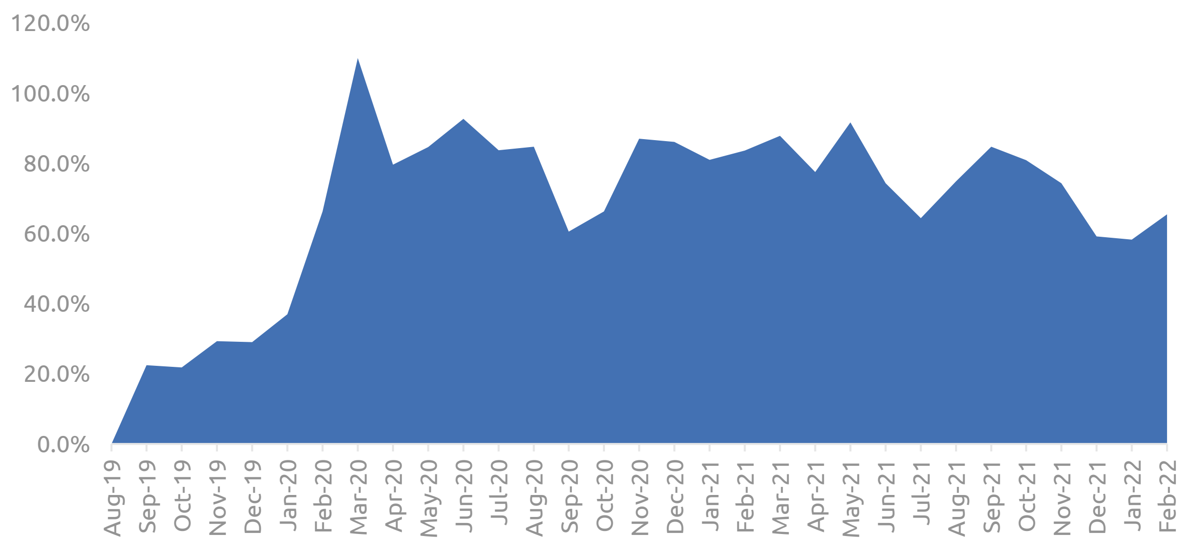
* Manager left CVF in Sept 2018 and began Geometrica in Sept 2019 NB: Performance period is from 5 Jan 2015. Performance is net of all fees.

[4] *Founder Class units – Lead Series*

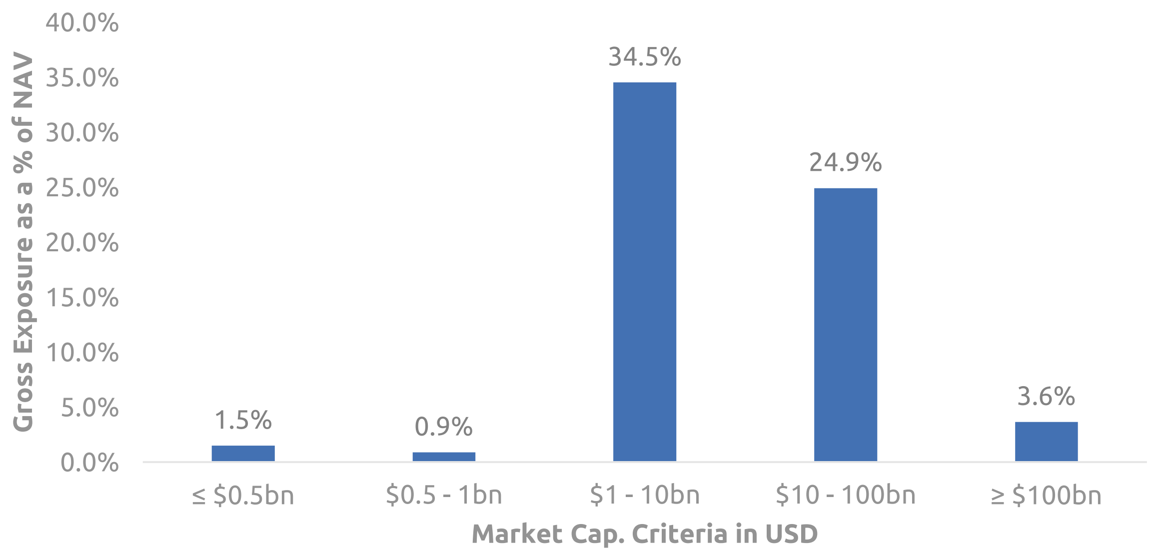
ASSET ALLOCATION

Country	Long	Short	Gross	Net
Australia	18.2%	(2.0)%	20.2%	16.2%
Americas	22.6%	(8.0)%	30.6%	14.6%
Asia	3.0%	(0.0)%	3.0%	3.0%
Europe	9.5%	(2.1)%	11.6%	7.4%
Total	53.3%	(12.1)%	65.4%	41.2%

GROSS EXPOSURE



GROSS EXPOSURE BY MARKET CAPITALISATION



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