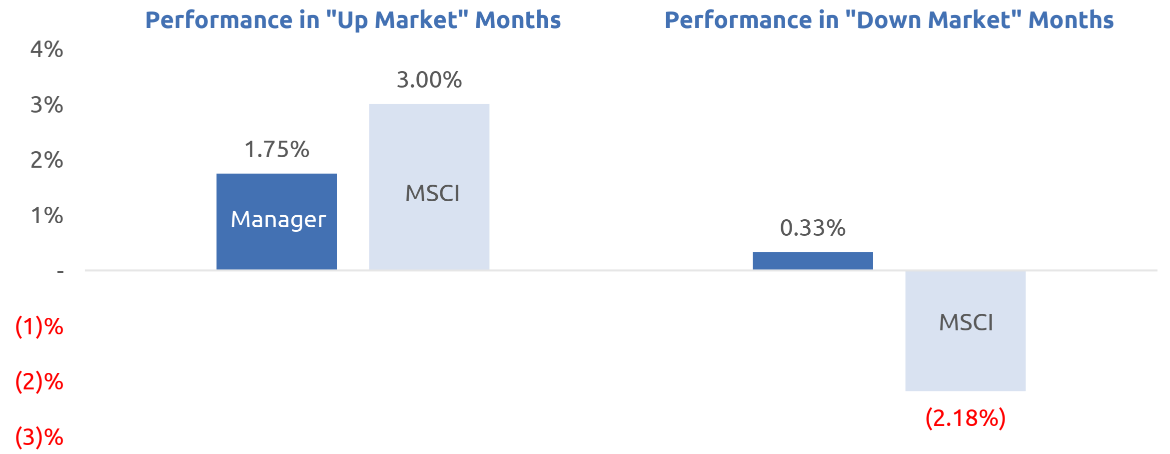
STRATEGY PERFORMANCE (%, NET)[1]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Fund	Index
2015	+0.1	-0.3	+0.0	+0.7	+2.1	-1.4	+2.0	-0.2	+1.5	+1.7	-0.2	-0.9	+5.1	+9.8
2016	+0.0	+0.0	+2.9	+2.3	+11.8	-3.6	+5.3	-6.8	+0.6	+2.3	-3.5	-2.5	+7.7	+8.4
2017	+1.9	-2.6	-1.0	+3.5	+2.2	+3.5	+1.7	+3.0	+2.4	+9.5	+4.1	-1.1	+30.3	+14.8
2018	+6.5	-2.1	-0.7	+0.6	+9.1	+3.2	+5.6	+2.9	--	--	--	--	+27.4	+11.8
2019	--	--	--	--	--	--	--	--	+1.1	+0.8	+0.1	-1.6	+0.5	+6.6
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	+5.9
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	+25.8
2022	-4.1	-1.7	+1.5	+0.5	-2.0	-3.5	+1.4	+4.4	+5.8	+0.7	-0.4	-1.3	+0.8	-12.5
2023	+1.7	-1.5	+2.4	-2.7	+1.2								+1.0	+13.1

	Fund	Index
Since Inception	+169.7	+114.3
Strategy p.a.	+14.3	+10.8
Geometrica p.a.	+10.1	+9.5

2015 – 2018: CVF (same portfolio managers and strategy)
2019 onwards: Geometrica.

STRATEGY PERFORMANCE ASYMMETRY



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

The Geometrica Fund increased +1.2% in May. Both the long and short side of the portfolio made positive contributions, with longs driving ~75% of our equity gains and shorts the balance.

May was tricky, a minority of stocks propelled market wide returns. To illustrate, whilst the S&P500 Index advanced, for every 1 stock that rose, 2.3 fell.

[1] *Performance is after all fees, Founder Lead Series units.*

PORTFOLIO

Macro concerns, and inflation in particular, have dominated market focus since early 2022.

In early 2022 a famed investor prognosticated that the US Fed would need to hike rates above the level of US CPI to get inflation under control.

At the time US CPI was sitting at ~7% and the idea of US rates rising from zero to 7% seemed apocalyptic. Markets dutifully melted as they priced in higher interest rates chasing surging inflation.

In the first half of calendar 2022, rising inflationary expectations trumped earnings.

Today we find that US policy rates are above CPI…but CPI fell in the intervening period and so policy rates won't be going to 7%.

	Official interest rate	Inflation rate (CPI)	Simple policy gap[2] (Official rate – CPI)	Inflation target
USA	5.3 %	4.0 %	1.3 %	2.0 %
Canada	4.8 %	4.4 %	0.4 %	2.0 %
New Zealand	5.5 %	6.7 %	(1.2)%	1-3%
Euro Zone	3.8 %	6.1 %	(2.4)%	<2%
Australia	4.1 %	7.0 %	(2.9)%	2-3%
Japan	(0.1)%	3.5 %	(3.6)%	2.0 %
UK	4.5 %	8.7 %	(4.2)%	2.0 %
Sweden	3.5 %	9.7 %	(6.2)%	2.0 %

Source: Bloomberg

The US inflation debate now seems to have downshifted to when services inflation will roll over, given it remains the key impediment to US monetary policy easing.

For what we do, however, macro becomes less relevant. Now that US inflation has established an easing path, valuations[3] will be increasingly driven by earnings rather than macro-economic considerations.

Earnings risk (positive and negative) will clearly always remain…but that's the point. Stock picking absent macro gyrations should get rewarded.

We added to our exposures in May as valuation opportunities presented themselves.

STOCKS

Renesas (6723.JT, mkt cap US$36bn) is a Japanese analog semiconductor stock we have owned on and off since 2021. The stock rose +29% in May, so whilst our position was small, the contribution was meaningful.

[2] This is a very crude measure; all we are doing is comparing inflation to CPI; it's not a Taylor Rule.
[3] That is, earnings-based valuation multiples. The same is true of say DCF based valuations where the US risk free discount rates, such as the 10 year bond yield, have much lower risk of rising materially relative to a year ago.

Historically, Renesas had done poorly in semiconductor industry down cycles, as a combination of fixed cost leverage, lax inventory management and falling utilisation rates negatively hit profitability. Recently, this resulted in very cheap valuation as the consensus view was that the company would once again fall victim to the cycle.

Yet evidence increasingly validates that management have dramatically improved the quality of the business. By reducing fixed cost leverage via usage of foundry[4], using die banks[5] to reduce inventory risk and in the process driving down fixed cost leverage and driving up trough cycle margins, earnings volatility has reduced and through the cycle profitability appears to have increased.

Despite a blistering share price run continuing into June as we write, the stock price still boasts a free cashflow yield above 7%, marking it as remaining cheap relative to its most comparable peers. As a cyclical stock, if the market does look forward to the next cycle, then there is the added potential for a multiple re-rating to boot.

Netflix (NFLX.US, mkt cap. US$188bn) was our largest positive contributor to performance, advancing +20% during May.

In mid-2022, Netflix saw its share price fall from ~$691/share to ~$166/share after reporting declines in subscriber numbers for two consecutive quarters.

Sometimes markets conflate cyclical headwinds with structural decay, which can provide opportunity.

The interesting thing about Netflix's subscriber declines was that none of its streaming competitors benefitted to a degree commensurate with Netflix's subscriber losses. The industry in aggregate seems to have lost subscribers around the time Covid lock downs were ending and the world collectively got off the couch and went back to work and school.

Yet the market implied a structural break in the business model and the stock price was poleaxed.

Netflix is what we call a "wounded athlete". Athletes often suffer a setback or two in their careers, but what defines them as great is the capacity to adapt, recover and become even stronger after a setback.

Netflix has used its subscriber miss to strengthen its business model and has added two new revenue streams in the process. We anticipate a third revenue stream may also be on the horizon.

First, a new advertising tier where the monthly subscription is priced at a discount to the "no-ads" premium membership will generate higher per user revenue thanks to advertising revenue. Because of the lower subscription price, it is also likely to increase Netflix's addressable market and subscriber growth.

[4] Foundry is outsourced semiconductor manufacture with companies like Taiwan Semiconductor ("TSMC") and United Microelectronics ("UMC") being examples.

[5] Die banks are inventory stores of intermediate semiconductor manufactured product. By waiting for an order before manufacturing a final product, a semiconductor company can balance speed to market and finished goods inventory risk optimally, and avoid inventory write-downs and large manufacturing utilisation declines.

Secondly, Netflix has started cracking down on password sharing. We expect that this will further drive revenue growth, possibly after some near-term dislocation.

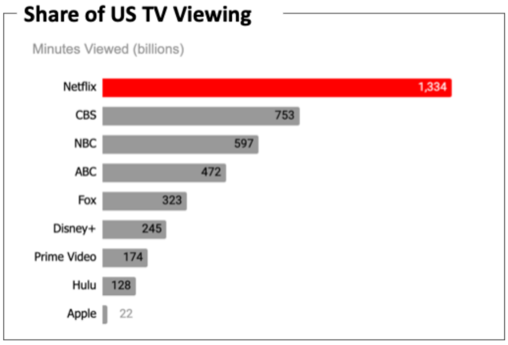
Alone of its competitors, Netflix generates strong cashflows from its streaming activities[6].

Netflix's massive subscriber base of ~232 million users confers a significant benefit in what is ultimately a fixed cost business.

Almost none of Netflix's competitors can match it in content generation spending without incurring steep losses; yet Netflix is likely to increasingly experience falling per user content costs owing to its sheer scale. In business terms this is staying above water by holding your competitors heads under water.

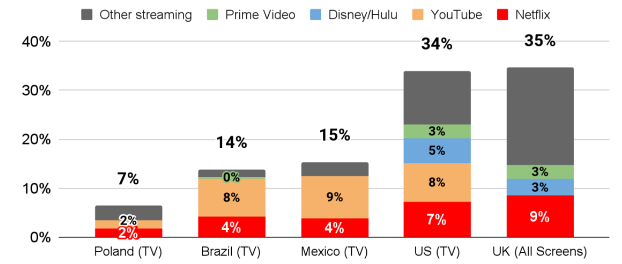
Netflix's only real competitor longer term is likely to be YouTube.

Netflix 2023-1Q Shareholder Letter



Source: Nielsen.

Netflix 2023-1Q Shareholder Letter



Share of Viewing (March 2023, remainder is Linear + Other)

Source: Nielsen (US, Mexico, Poland), Kantar (Brazil), BARB (UK). The UK measures viewing across four screens (TV, smart phone, tablet and laptop), all others are TV only.

We think a third revenue stream is possible. Netflix said they'd never do two things: advertising and sport. Advertising, they said, was too competitive because "Google Facebook and Amazon are tremendously powerful…So I think those three are going to get most of the online advertising business…there's not easy money there…" (CEO Reed Hastings on Q4 2020 earnings call) but we know now that Netflix's ad-tier is likely to be earnings accretive. Similarly for sport, they have previously said the financial returns were insufficient given sports content is expensive.

We wonder aloud now whether Netflix may enter sports content buoyed by the economics of its advertising business. Sports sponsorship and advertising is a massive market, multiples of Netflix's current annual revenues.

The question is purely hypothetical. But every time Netflix has been written off, they have adapted to become stronger. Rental DVDs to streaming. Purchased content to self-produced content. Membership only to membership + advertising. So why not sports given Netflix's journey is all about capturing as much economic rent in their industry vertical as possible?

[6] The street generally excludes YouTube (owned by Google) from the comparison; we think YouTube is arguably Netflix's most formidable competitor.

Victoria's Secret (VSCO.US, mkt cap US$1.5bn), a short position, has been a material contributor to performance, month and year to date. The stock fell -34% in May.

Victoria's Secret is a household name and when it listed in 2021, it was also a consensus long.

We spend a lot of our time trying to find errors in consensus views; taking the other side in these situations can be profitable.

Victoria's Secret became an independent listed company in 2021, at a time when stressed supply chains and covid "revenge spending" saw mark downs decline and profits soar. Prior to this period, it appears Victoria's Secret had made little to nothing in the way of operating profit for some time.

Structurally prior to the onset of Covid, Victoria's Secret had, we think, been a victim of two trends, which were temporarily masked by Covid.

First, Victoria's Secret was always pitched as an *exclusive* brand…models on runways wearing angel wings. In recent years, the industry has moved progressively to become *inclusive* of all shape and sized bodies…and Victoria's Secret being pitched as *exclusive* was squarely off trend and consequently, we think, led to market share losses.

Second, if you were to dissect by product where Victoria's Secret makes its money, its dominated by bras. Years ago, structured bras dominated with the wire moulds used in design and manufacture being prohibitively expensive, shielding Victoria's Secret from the threat of start-up competitors. But a trend to unstructured bras has eradicated that moat; Victoria's Secret now finds its industry subject to fragmentation from a myriad of competitors selling online with no need for expensive stores.

A detractor for the month was **Entain** (ENT.UK, £7.1bn mkt cap) which fell 8.7% after shedding some market share in US sports betting. At the time of writing, Entain has declined further after announcing the acquisition of a European sports betting firm. Given the acquisition is accretive to earnings and value additive coupled with the fact that Entain indexes more to US internet gaming than sports betting, we have taken the opportunity to add to our position at an attractive price level.

Grifols (GRF.SM, mkt cap €6.9bn) was a positive contributor, rising +16% in May. The stock fell over 20% in the month of March and we took advantage of that weakness to establish a modest position.

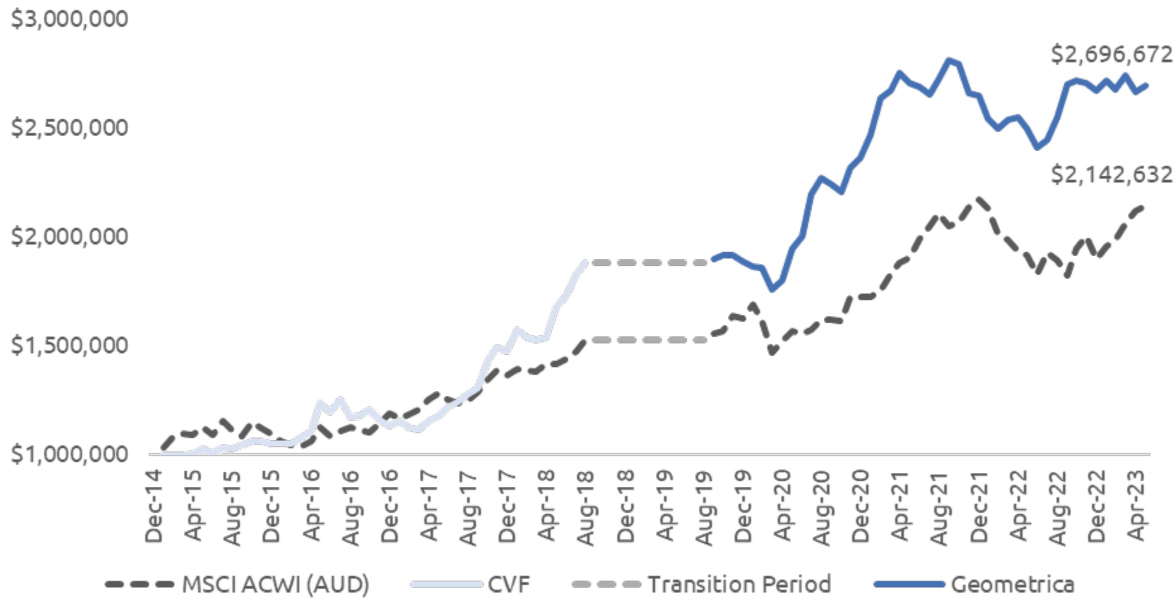
Grifols is a blood plasma fractionator whose major competitor is CSL Behring, a subsidiary of Australia's CSL. Grifols is a stock we have followed for many years. For various reasons, it is materially cheaper than CSL.

The blood plasma industry was smashed by covid and faces a delayed recovery.

The onset of covid saw dramatic declines in raw plasma collections, in turn driving up unit costs. Collection volumes are now clearly recovering, but the inventory cycle of around a year means those lower unit costs are stored in inventory before being released to earnings (Grifols runs on a first in first out inventory flow assumption) as the end products are sold.

Finally, **First Solar** (FSLR.US, mkt cap US$) rose 11% in May. We have subsequently reduced sizing, in response to what we consider a lengthening delay to the production expansions we were expecting in the wake of positive US regulatory developments.

MANAGER PERFORMANCE HISTORY[7]



31 May 2023	Strategy inception pa	Geometrica inception pa	CYTD	1 year	6 months	3 months	1 month
Founder[8]	+14.3%	+10.1%	+1.0%	+8.0%	-0.4%	+0.8%	+1.2%

* 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.

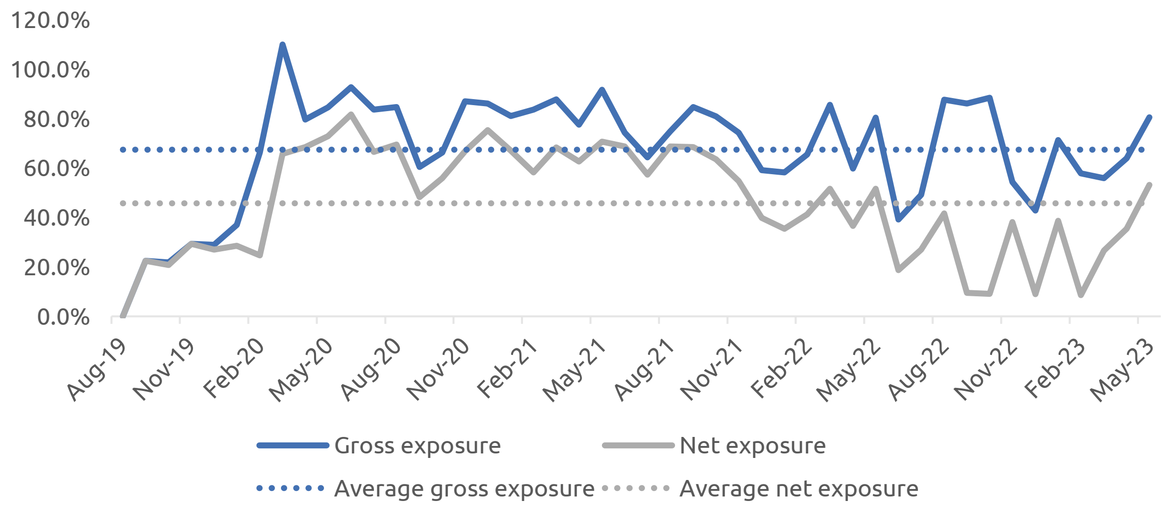
ASSET ALLOCATION

Country	Long	Short	Gross	Net
Australia	5.0%	(4.0)%	9.0%	1.0%
Americas	43.6%	(9.3)%	53.0%	34.3%
Asia	6.0%	(0.3)%	6.3%	5.7%
Europe	12.3%	0.0%	12.3%	12.3%
Total	66.8%	(13.7)%	80.5%	53.2%

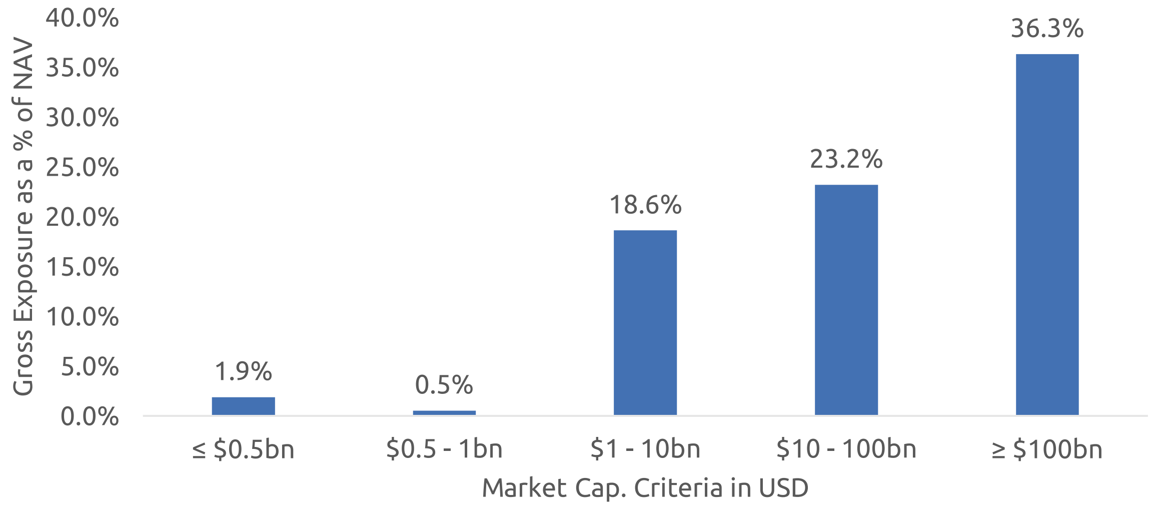
[7] *Manager left CVF in September 2018 and began Geometrica in September 2019. Performance period is from 5 January 2015. Performance is net of all fees.*

[8] *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.*

GROSS & NET 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, Powerwrap, Netwealth
Fees	1.5% management (+GST) 20% performance (+GST)
Benchmark	RBA Cash Rate
High water mark	Yes
Liquidity	Monthly
Administration & custody	Apex