STRATEGY PERFORMANCE (%, NET)*

	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	+0.8	+1.2	-2.0					+0.9	+20.1

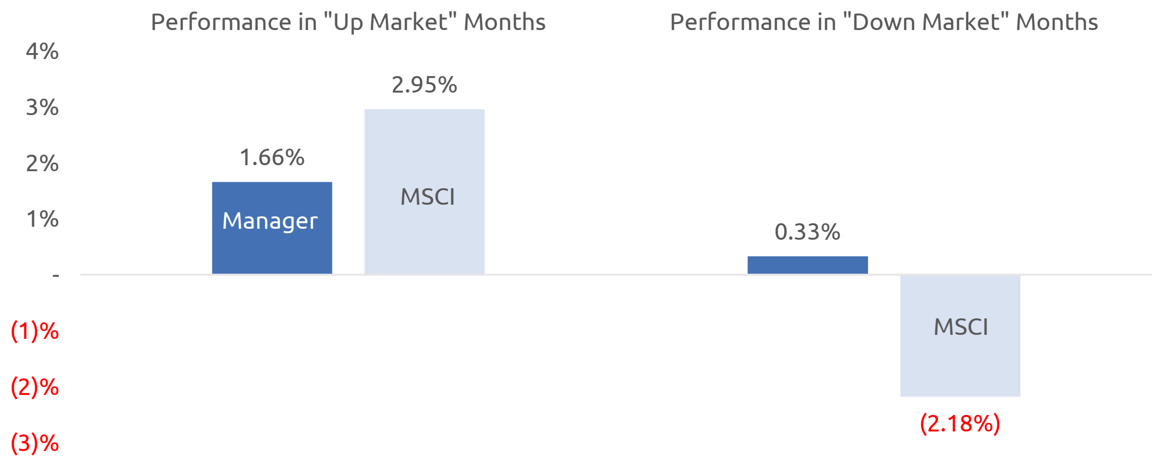
	Fund	Index
Since Inception	+169.6	+128.3
Geometrica p.a.	+9.5	+10.6
Strategy p.a.	+13.8	+11.4

2015 – 2018: CVF (same portfolio managers and strategy)

2019 onwards: Geometrica.

Index = MSCI All Country World Index (AUD)

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 returned -1.99% in August, against a backdrop of weaker global equities. Of this, equities drove -0.9% with currency exposure being the balance.

Whilst our equities book is predominantly international, we have historically hedged a majority of foreign currency exposure back to AUD.

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

As a consequence, we did not benefit from the 3.5% depreciation in the AUDUSD cross in August. Calendar year to date, the AUD relative to USD has depreciated around ~5.5%.

Currently, we have moved to decrease the amount of AUD hedge to less than half of our exposures which will benefit the portfolio if the AUDUSD depreciates further.

We are likely to further reduce this hedge if there is clear evidence of likely further AUD depreciation; in this vein the AUD acts as an "automatic stabiliser" given its tendency to depreciate in difficult economic conditions.

PORTFOLIO

Detractors in the month included Entain, Domain, Renesas, Royal Caribbean Cruises, Weight Watchers and First Solar which in aggregate contributed -2.6%, offset by +1.7% of gains from holdings including Novo Nordisk, two uranium linked stocks, Coupang and Lamb Weston.

We discuss below.

Entain (ENT.LN, mkt cap £7.1bn) fell 16.5% in August, stripping -0.5% of performance. We have owned Entain in varying size since mid-2020. For the life of the fund (including August) it has contributed +5% to performance.

At a high level, Entain has irked some shareholders by raising equity at a price lower than it received a takeover bid to make a series of acquisitions. There is some truth to this perspective, but digging deeper the crux issue is operational at BetMGM, Entain's US operation.

The issues for BetMGM have been an inability to offer customers a single app across state lines in the US market (the US market is subject to state level regulation and BetMGM has used state-based apps) and a limited ability to offer in-game betting and parlays, which has led to modest market share loss.

We have confirmed that BetMGM / Entain are implementing two crucial changes:

1. **An integrated a single player app across the US**. Previously customers would need to setup another account if they travelled to another state – now their account is portable across state lines. This should reduce churn and reduce duplicate promotions. This has largely been rolled out.

2. **In game and parlay[†] betting.** Entain recently acquired the ability to accurately price complex in-game situations at scale. We expect this to roll out early in very 2024, and benefit both margins and market share. We would expect this to be very positive for the stock.

Entain's valuation is cheap because the market is pricing BetMGM / Entain for structural market share losses, yet the causes of share loss are transitory and on the mend.

[†] Analogous to a trifecta. Ie several things need to happen to win.

Additionally, BetMGM are moving from losses into profit and cash generation with a long runway of growth ahead. We see the potential for material upside in a company that has been bid for twice previously, most recently at >2x the current share price. Sometimes in situations like this if public markets don't recognise value, strategic investors do.

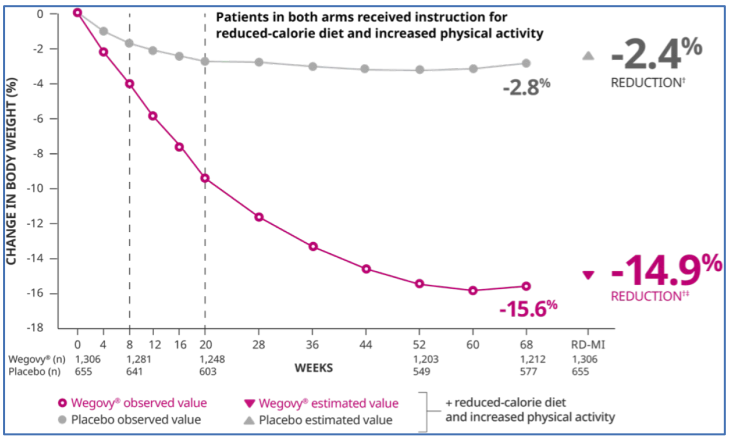
First Solar (FSLR.US, mkt cap US$17.9bn) fell 8.8% during August. Despite recent events generally unfolding per our original thesis, the stock has drifted lower as crystalline silicon prices (a different technology to FSLR) fall and operators in the residential solar market are impacted by a slowing housing market. First Solar is unaffected by these issues given it is sold out until 2027 and it doesn't operate in residential solar. We have dialled back position size for now and taken our profit. A key regulatory question is likely to be resolved in First Solar's favour in 2024 and should this transpire we'd likely increase our investment given it would set the stage for a tightening of supply.

Domain (DHG.AU, mkt cap A$2.5bn) fell 5% in August when it spooked the market with guidance that showed less than robust cost controls coupled with the exit of an unprofitable business, calling into question the company's capital allocation strategy. However, with listing volumes rising in Melbourne and Sydney and an exceptionally tight housing market exacerbated by very robust immigration growth, we remain positive, especially given its ability to increase pricing at over 10% p.a. going forward on a largely fixed cost base.

Novo Nordisk (NOVOB.DC, mkt cap US$375bn) rose 15% during August and added +0.8% to performance. We acquired our stake back in April. Novo is the dominant player in a drug group known as GLP1s, which have been used in the treatment of diabetes for almost 20 years. A side effect of these drugs in diabetes treatment has been a loss of appetite…and weight.

Anecdotal evidence also shows a reduction in food and other cravings such as cigarettes and alcohol.

Wegovy, a Novo GLP1 drug, received FDA approval for obesity treatment and has gone viral. It is the first FDA approved obesity drug of significance in many years and unlike earlier attempts, has limited side effects. Wegovy has been spectacularly successful in driving weight loss.



Source: Novo Nordisk

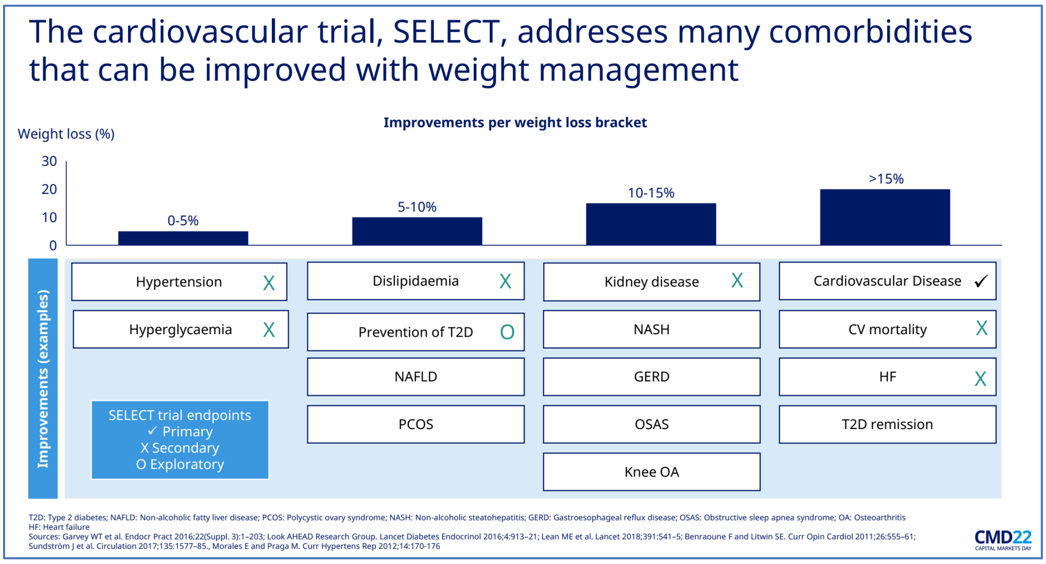
Novo have been unable to meet demand despite rapidly increasing production capacity and a very high price tag.

GLP1s in the obesity setting are unusual. Most very successful new drugs tend to cannibalise the sales of the prior incumbent drug for a particular indication, so dimensioning market size is simple.

For GLP1s in obesity, there is no existing effective drug, so this is a new market, being created by a new group of drugs meeting a massive and growing unmet need.

Obesity, defined as a body mass index of 30 or more, affects ~40% of the adult American population and the rate is growing.

Obesity is suspected to be a gateway health condition that accelerates or even causes onset of everything from type 2 diabetes to cardiovascular disease. Novo is actively engaged in clinical trials to prove this. Recently, in this vein, Novo's SELECT Phase III trial demonstrated Wegovy achieved a 20% reduction in major adverse cardiovascular events (i.e. heart attack, stroke) in people with BMI over 30 and no type 2 diabetes.



Source: Novo Nordisk

The bear case on the stock is the price of the drug and thus cost to a user or insurance system offering coverage.

List price in the US for Wegovy is ~$1,200/month, or ~$14,400 per annum. Given US obesity incidence is ~40%, if just 10% of the eligible adult population went on Wegovy at rack rate, the cost would be just north of US$150bn. No universal healthcare insurance program is going to foot that bill.

In Australia, for example, Wegovy was registered by the TGA‡ but the PBS§ have declined to subsidise cost. Which means a doctor can prescribe it, but the patient pays full list price, if they can get it (Wegovy is not currently available in Australia).

In the US, Wegovy is covered by a large number of corporate sponsored health plans, but not covered currently by CMS (i.e. Medicare and Medicaid).

Yet even in uninsured markets, use is likely to be significant and bears very careful watching. In Denmark, where Novo hails from, around 1% of the adult population pay out of their own pocket for Wegovy, noting that in the US the product is priced at a premium to the rest of the world. Denmark has an obesity rate half that of the USA and out of pocket drug costs are much less common than in the USA.

Novo and Lilly, the other GLP1 maker, are engaging in clinical trials to expand indications, in effect linking obesity as a gateway health issue to other downstream comorbidities.

In August Novo announced a successful late-stage trial demonstrating a significant reduction in the incidence of major adverse cardiovascular events for patients on Wegovy.

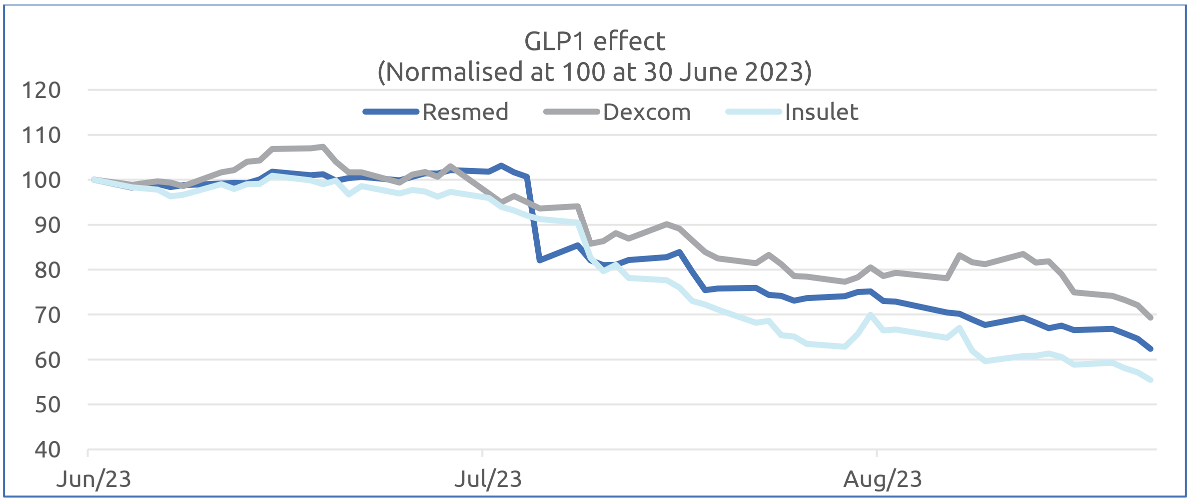
The shorthand to the above is lose weight, have a lower risk of heart attack.

Equity markets are already pricing in the impact that GLP1s may have on possibly related indications like sleep apnea and diabetes.

Eli Lilly has a trial underway (SURMOUNT-OSA) with its GLP1 variant known as Mounjaro targeting obstructive sleep apnea (OSA).

Resmed makes CPAP machines and masks to treat OSA; its share price has fall ~40%, largely due to fear surrounding GLP1s. Inspire Medical makes an implantable device to treat OSA; its share price is similarly down ~40%.

The same story has played out with several device makers in the type 2 diabetes market.



Source: Geometrica, Bloomberg

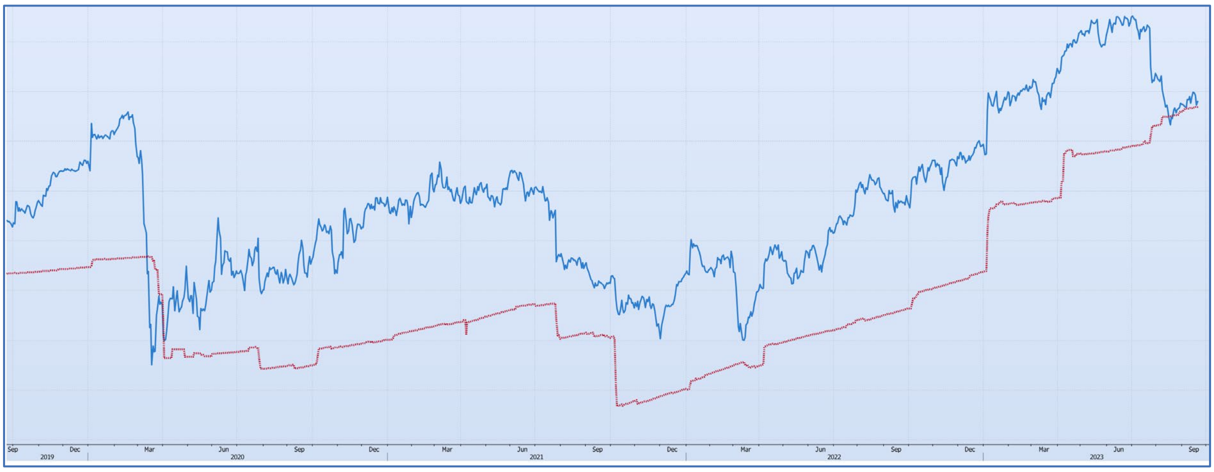
‡ Therapeutic Goods Administration, Department of Health and Aged Care
§ Pharmaceutical Benefits Scheme, Department of Health and Aged Care

This is a developing story. It is analogous to the US sports gaming stocks, where the market size estimates kept getting revised up over time, driving ever higher earnings estimates and share prices. The offset over time is likely to be price in the US market and the prevalence of rebates that moderate the financial burden.

At first blush, Novo looks expensive at 31x 2024 P/E and Eli Lily more so at 58x. Yet because supply of Semaglutide, the active ingredient in Wegovy, is currently constrained, Novo's earnings are effectively understated. Earnings will grow in line with supply growth, which is ramping up, until the limits of reimbursement and affordability are encountered, which we think is years away. In the meantime, Novo is debt free, generates extremely strong cashflow and is rapidly buying back shares.

We added **Lamb Weston** (LW.US, mkt cap US$14.4bn) to the portfolio in mid-August after it fell 17% post an earnings report that beat prior guidance and saw forward guidance upgraded. In a nutshell, the earnings went up and the stock went down which signalled potential opportunity. Lamb is back to valuation levels last seen during the onset of Covid, when its largest set of customers, quick service restaurants, were shutting their front doors.

Lamb Weston: Share price (blue) vs consensus forecast earnings (red) at fixed scale



Source: Geometrica

Lamb makes frozen French fries ("**FFF**"). Back in 2019 an analyst pitched Lamb as a short idea at a Sohn conference, characterising it was a "processing business" which "lacked pricing power". The short pitch won but it was a pyrrhic victory …in the months following the conference, Lamb's share price rose **~50%**, in the process crushing the short thesis.

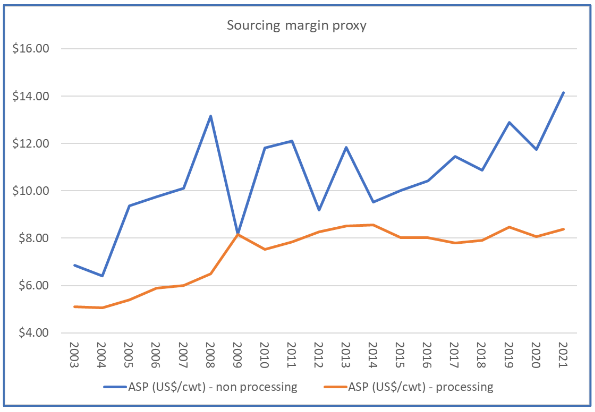
It is true that Lamb *processes* potatoes into FFF and it is true that *most* processing companies lack pricing power, but it does not follow that Lamb lacks pricing power because not all processing companies lack pricing power.

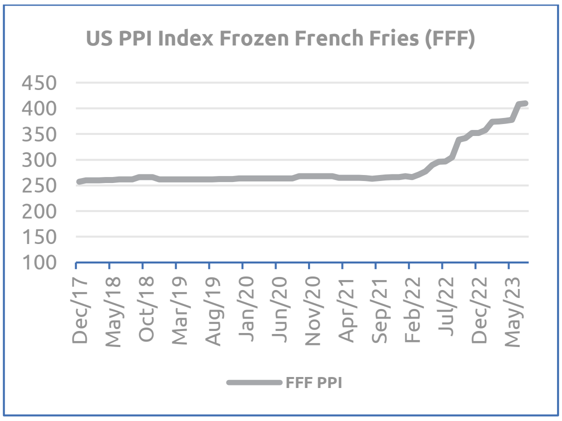
Evidence shows Lamb has pricing power, subject to industry capacity utilisation remaining high and it is currently over 90%.

Just 3 operators in the USA control 91% of FFF processing capacity and industry utilisation consistently runs at above 90%. Even airlines, often thought of as lacking pricing power, print money above 85% fleet utilisation.

We can prove Lamb consistently makes a positive spread on cost relative to the price of fresh potatoes based on 20 years of USDA data as we can isolate the cost of volumes going to processing and FFF manufacture. Evidence also supports that Lamb has pricing power; FFF PPI is the cost of FFF for restaurants, which is the price of FFF that Lamb, Simplot and McCain sell at.

The charts below show respectively Lamb's margin on the fresh potatoes that it buys and how much they have been able to raise prices.





Source: USDA, US Bureau of Labor Statistics, Geometrica

Lamb has this pricing power for 3 inter-related reasons:

- **High industry utilisation**: Historically in North America it runs above 90%.
- **Fragmented customers and suppliers**: Lamb makes a sourcing margin on suppliers (per above chart) and has a segmentation pricing strategy (it makes a lot more out of small customers than large and has recently moved to change segment disclosure which we think portends the potential for further price action)
- **FFF make customers a lot of money**: The table below shows how much McDonalds are making on FFF. FFF are typically the highest profit margin food item for QSRs.

McDonald's French Fry potato profit				
		Small	**Medium**	**Large**
MCD french fries - weight	Oz	2.5	3.3	5.8
ASP/US$lb	US$	$0.68	$0.68	$0.68
Cost US$	US$	$0.11	$0.14	$0.25
Price	US$	$ 1.39	$ 1.79	$ 1.89
Gross contribution margin		92.3 %	92.1 %	86.9 %

Source: Geometrica calculation, open source data from LW, MCD.

So, why did Lamb's share price fall ~20% post earnings? Lamb reported a volume decline of ~10% in its 4Q-23 earnings (y/end May 2023). It also said future earnings growth would be less gross margin driven.

The market seemed to draw the inference that if gross margins were not expanding and volumes were falling, that Lamb had reached the end of pricing power.

At first blush it is a reasonable initial inference. If the volume decline was due to price hikes (i.e. demand price elasticity) that would be logical. But evidence indicates otherwise.

Per Lamb, the 10% volume decline was largely due to Lamb cutting one specific customer and the impact did not negatively affect profit.

In August Lamb released data that showed the volume loss was concentrated outside the USA and earnings went up, not down, due to the volume loss, i.e. the contract Lamb did not renew was a loss maker. Counting back 3 years (their supply contracts run 3 years) we get a signing date in the epicentre of covid onset, when Lamb was moving to lock in volumes as QSRs were being forced to close.

We think Lamb have recently added a large US based customer, whose volumes will start ramping after August 2023. As this occurs, we'd expect investor concerns on volumes to gradually dissipate. We may have to wait a few quarters for this to happen, but we would expect the stock price to again follow its earnings upwards as the issue is resolved.

FINAL WORD

We are abundantly aware that our performance calendar year to date has lagged the equity market.

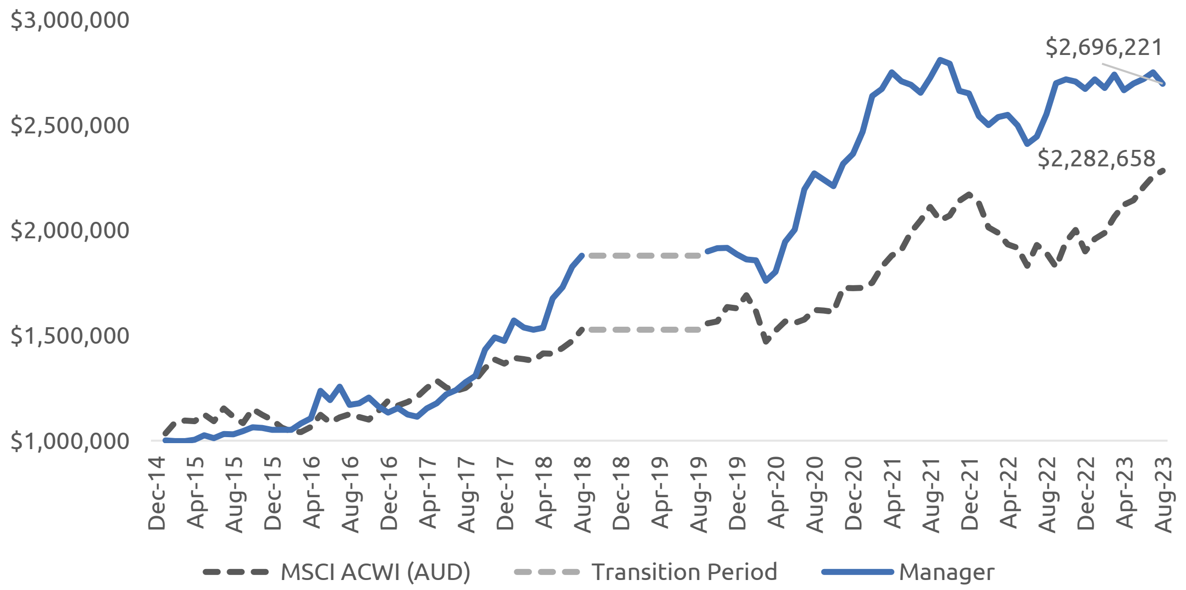
In 2022 we were way ahead; in 2023 thus far, we have lagged.

Our approach has not changed. We will deploy capital where the upside on offer is greater than the measured risk we take to do so.

Our goal in discussing the fund's larger positions is to provide you with some perspective on our process. Not all of our ideas are going to work all of the time, as has occurred this CYTD, but we strongly believe in the embedded upside of our portfolio which today is heavily skewed to positions early in their half-life.

As always, thank you for your trust.

MANAGER PERFORMANCE HISTORY**



31 Aug 2023	Strategy Inception	Strategy inception pa	Geometrica inception pa	CYTD	1 year	1 month
Founder††	169.6%	+13.81%	+9.48%	+0.93%	+5.70%	-1.99%

* 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.

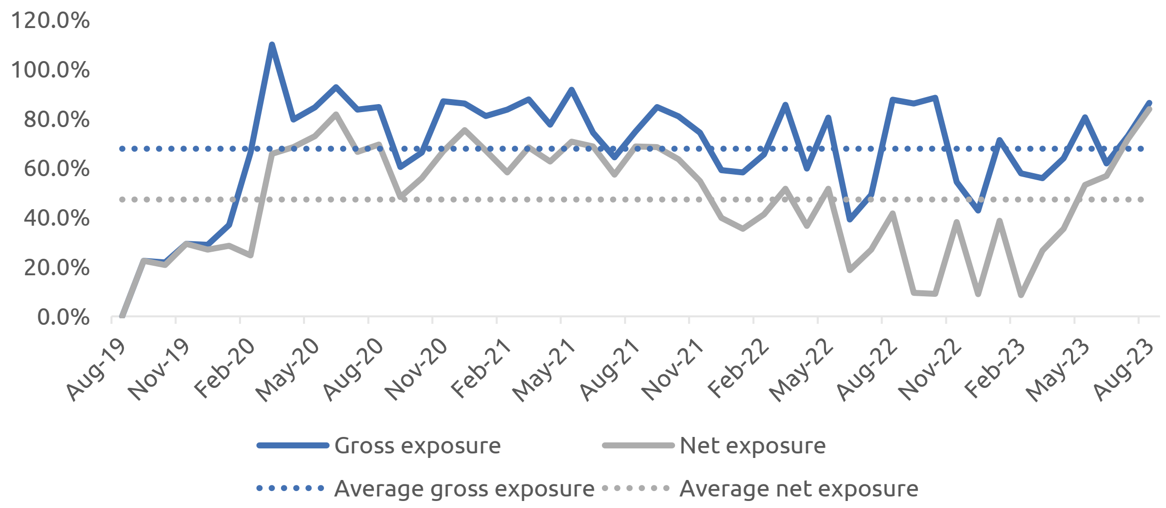
ASSET ALLOCATION

Country	Long	Short	Gross	Net
Australia	5.3%	0.0%	5.3%	5.3%
Americas	61.2%	(1.3)%	62.5%	59.9%
Asia	4.3%	0.0%	4.3%	4.3%
Europe	14.4%	0.0%	14.4%	14.4%
Total	85.1%	(1.3)%	86.4%	83.9%

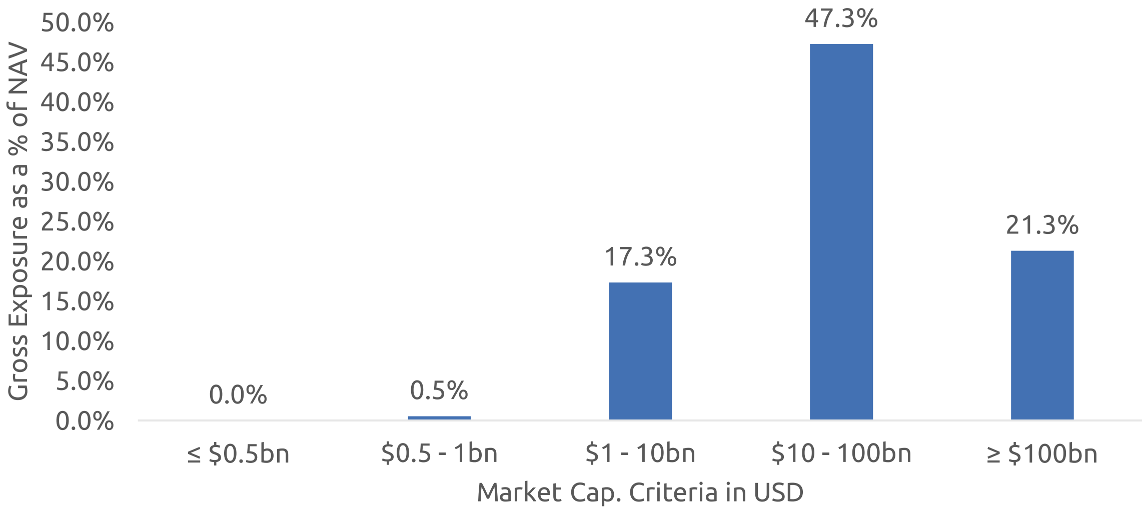
*** Manager left CVF in September 2018 and began Geometrica in September 2019. Performance period is from 5 January 2015. Performance is net of all fees.*

†† 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