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	-3.1				-2.2	+15.6

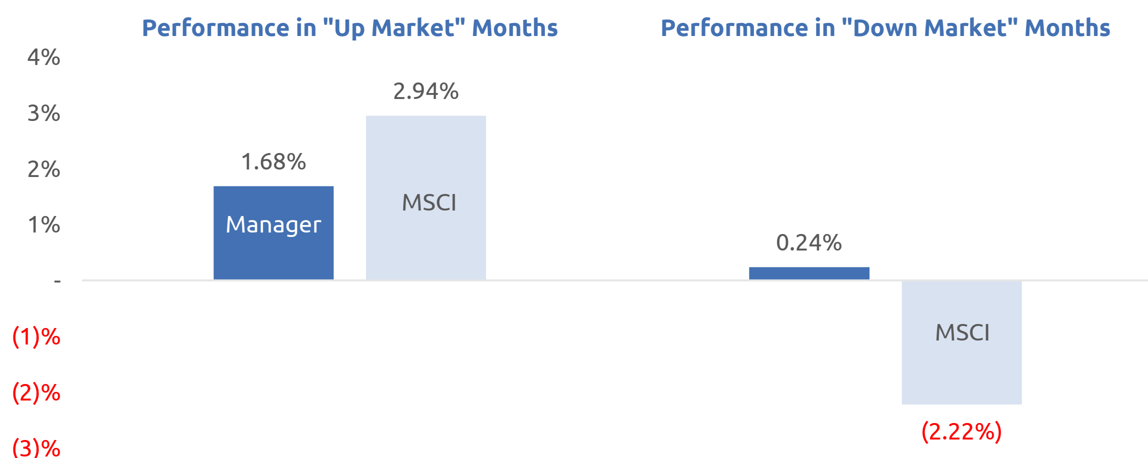
	Fund	Index
Since Inception	+161.2	+119.6
Geometrica p.a.	+8.4	+9.3
Strategy p.a.	+13.2	+10.7

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).

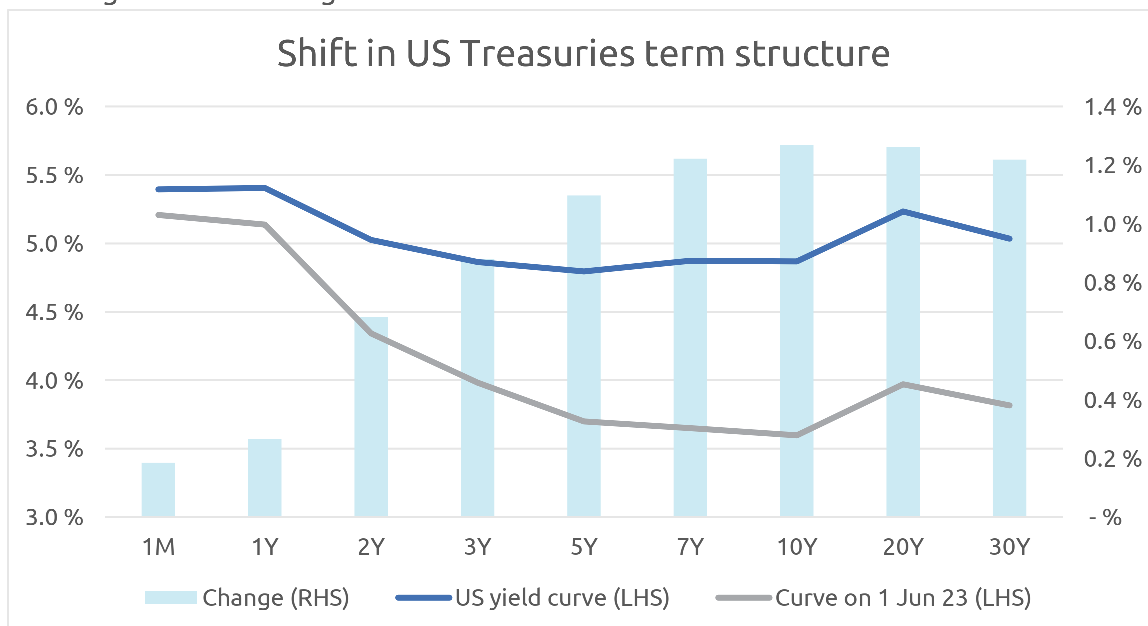
OVERVIEW

The Geometrica Fund returned -3.1% in September as global equity markets declined, with the S&P500 down 5% and the Russell Index (mid / small caps) down 6% for the month. Detractors included currency, Netflix and Nvidia somewhat offset by gains on our short book, as well as positions in several energy stocks.

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

WHAT AILS MARKETS?

US bond yields have risen in recent months even as short end rates have slowed their ascent given moderating inflation.



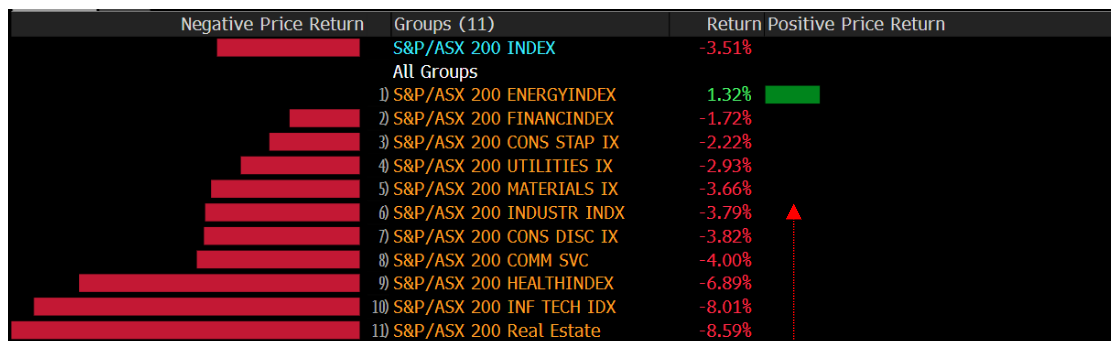
Source: Bloomberg, Geometrica

The rise in long bond yields matters to equity markets as long duration asset prices are tethered to the risk-free rate. DCF models on any kind of business or real asset tend to use a 10-year bond yield as their "risk-free" rate. Therefore, higher bond yields depress valuation all else equal.

In 1H23, the market rebounded on the prospects that inflation had been tamed and that the Federal Reserve would soon begin cutting rates. However, the US economy in particular has proven much more resilient driven in part by household savings buffers built up during COVID and in part by extraordinary fiscal stimulus from the Biden government.

This resilience, coupled with a recent spike in energy prices, has ultimately driven the 10-year yield to ~5% (see above chart) causing equity markets to decline.

Within equities, the only sector that benefited in September was energy.



Groups (11)	Return
S&P/ASX 200 INDEX	-3.51%
All Groups	
1) S&P/ASX 200 ENERGYINDEX	1.32%
2) S&P/ASX 200 FINANCINDEX	-1.72%
3) S&P/ASX 200 CONS STAP IX	-2.22%
4) S&P/ASX 200 UTILITIES IX	-2.93%
5) S&P/ASX 200 MATERIALS IX	-3.66%
6) S&P/ASX 200 INDUSTR INDX	-3.79%
7) S&P/ASX 200 CONS DISC IX	-3.82%
8) S&P/ASX 200 COMM SVC	-4.00%
9) S&P/ASX 200 HEALTHINDEX	-6.89%
10) S&P/ASX 200 INF TECH IDX	-8.01%
11) S&P/ASX 200 Real Estate	-8.59%

Source: Bloomberg

PORTFOLIO

The defining characteristic of the last 30 years has been falling interest rates. The best performing equities over this time have been long duration in nature. But owning companies whose valuations are weighted to cashflows far off into the future doesn't work so well in environments where rates are increasing.

We ultimately do not know where interest rates will likely go. Jerome Powell – current Federal Reserve Chairman - would not be able to tell you with any certainty where the 10-year yield will be in 6 months. We do however think it is important to understand the environment we are in and adapt where we search for investments accordingly.

In this context, our settings from 2022 seem most applicable and have been reinforced. Low net and gross exposures. Focus on cashflow, no debt, strong near-term earnings prospects. Most importantly, a differentiated perspective which needs to manifest in different earnings forecasts relative to consensus. If we don't think consensus is wrong, we don't invest.

Longs	Shorts
Undemanding valuation	**Nosebleed current valuation**
Share register: Under owned	Share register: Lots of marquee investors
Success not priced in	Success already priced in
Robust business model	**Flawed business model**
Pricing power or scarcity value	Price taker
Declining competitive intensity	Increasing competitive intensity
Generates + grows free cashflow	**Burns cash and needs more**
Rising buybacks or dividends	**Reliant upon capital markets for future solvency**

Notable negative contributors in September were all long duration equities.

Netflix and Nvidia feature. Netflix is one of our best contributors over time and Nvidia remains a positive but has given back P&L.

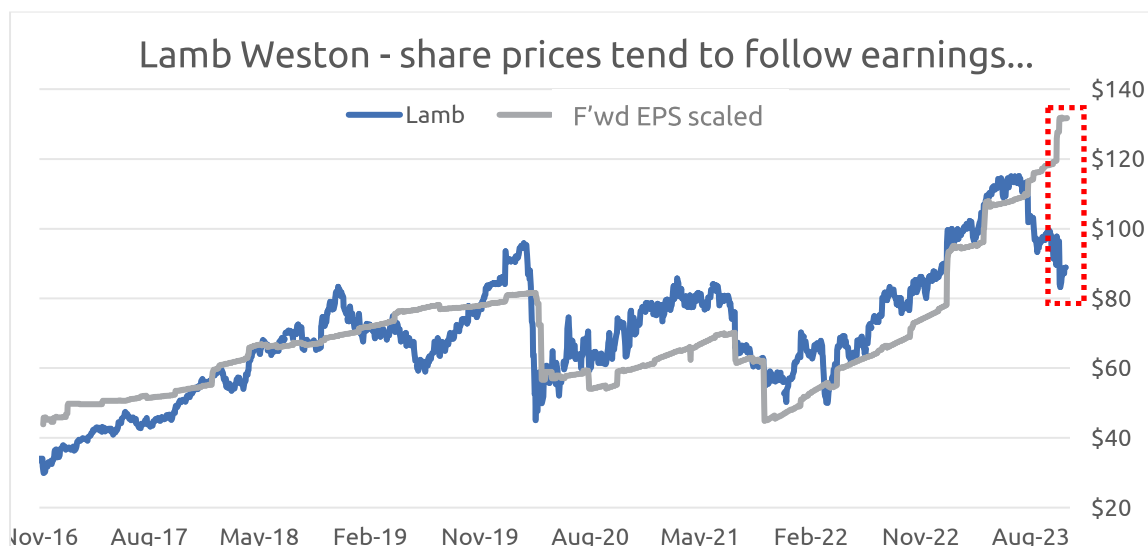
Netflix (NFLX.US, mkt cap US$174.1bn) surprised the market when it hosed down operating profit margin expectations at an investor conference, with the stock falling -12.9% in September as a result. Netflix has been one of our better recent investments, but with the margin progression facing headwinds we've exited for now.

Nvidia (NVDA.US, mkt cap US$1,000bn) fell -11.9% during September as US restrictions on the export of high-end GPUs (Graphic Processing Units) to China came into force. The inefficiency here, we think, is that the market still underestimates the demand environment in both the short- and long-term, therefore forward sales and earnings estimates are undercooked.

Despite the pullback, and based on the evidence we track, the investment is still valid. It should be noted that unlike our Netflix position, NVDA is definitely not unpopular or

neglected and although the near-term earnings trajectory may indeed be materially misunderstood, the position sizing is therefore constrained.

The other notable negative contributor in September was **Lamb Weston** (LW.US, mkt cap US$12.9bn). We discussed Lamb Weston at length in last month's letter. They reported and beat the market's expectations in early October, yet after an initial 8% rally the stock has declined modestly. Market concerns revolve around volume declines, and this is exacerbated by the company raising its prices. The dislocation in the share price relative to earnings is visible below.



Source: Bloomberg and Geometrica

Normally if you raise prices in a softening demand environment you end up accelerating volume declines and then end up being forced to cut prices in order to reengage your end customer. *Normally*, price rises in the face of falling volumes are like pushing on string.

Lamb Weston's current situation is different. We looked at Lamb initially as a potential short but changed our tune when we realised volumes had fallen not because Lamb raised prices and customers refused to pay, but principally because Lamb refused to renew one large loss-making contract the company entered into during COVID.

Absent this impact volumes grew, in spite of price hikes.

This means the market perception of volume declines being caused by price rises is incorrect. Ergo this is opportunity, provided we are patient.

Inclusive of displaced volumes from loss making contracts, we think Lamb will register overall volume growth in a few quarters time which is likely to allay market concerns and in doing so drive the shares higher. We share the micro perspective on this stock to give you some insight into our process…which emphasises evidence and logic over views and opinions.

Positive contributors in September were concentrated in the energy space being our uranium and coal holdings. We look forward to sharing more detail on these positions in the coming months.

In short, despite uranium demand growing at a relatively stable rate through time, uranium price cycles have been tremendously boom-bust in nature. This is largely because annual primary mine supply is less than annual demand from utilities, meaning the market relies on opaque secondary non-mine supply and high inventory levels to make up for the deficit.

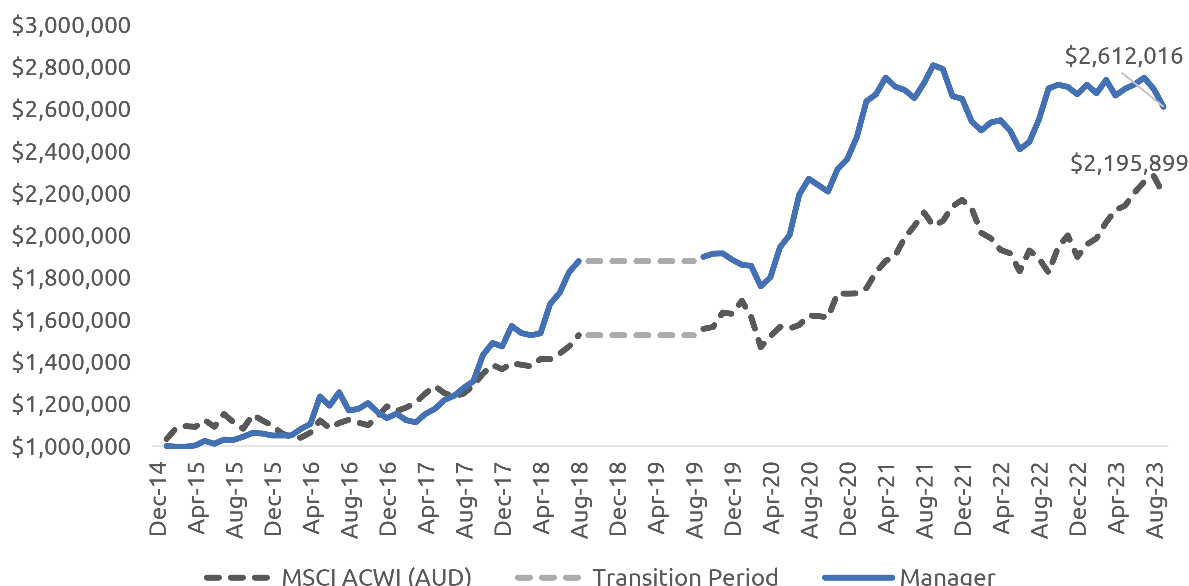
The confluence of multiple supply-side shocks and demand pulses from reactor life extensions and a large financial buyer has exacerbated the imbalance causing the uranium price to triple from its close to cyclical trough at the start of 2020.

However, the price is still half what it was in the 2008 cyclical peak and below the price that would incentivise new mine supply.

This situation means the current uranium price is unsustainable. Fuel buyers can only run down inventories for so long. A pricing signal ultimately will be required to drive additional supply but there is inevitably a time lag.

We continue to build a position in a uranium producer with a large under-appreciated development prospect that we believe is increasingly likely to be targeted for development in the near future.

MANAGER PERFORMANCE HISTORY†



30 Sep 2023	Strategy Inception	Strategy inception pa	Geometrica inception pa	CYTD	1 year	1 month
Founder‡	161.20%	13.19%	+8.43%	-2.22%	-3.23%	-3.12%

* 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.

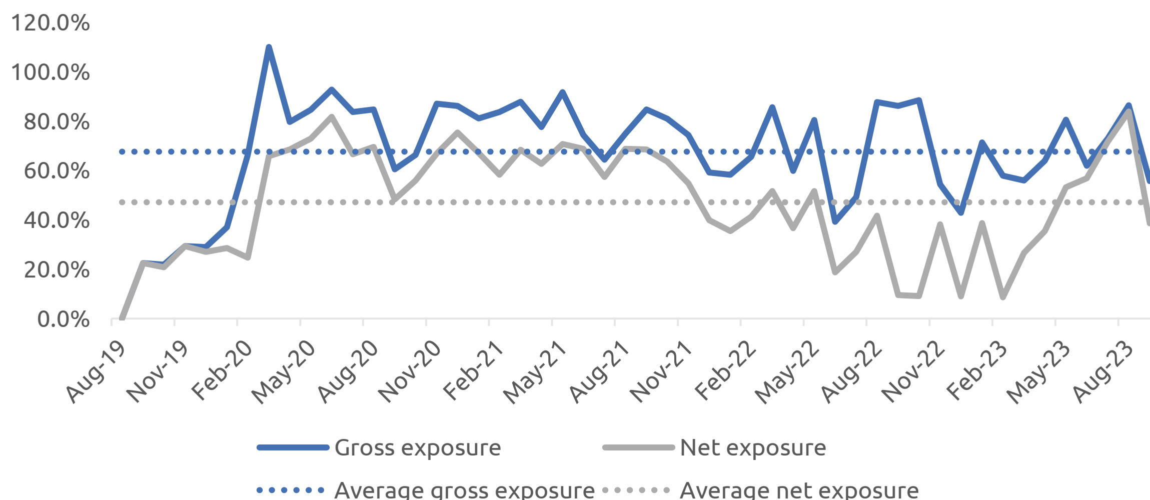
ASSET ALLOCATION

Country	Long	Short	Gross	Net
Australia	5.1 %	- %	5.1 %	5.1 %
Americas	27.2 %	(7.8)%	35.1 %	19.4 %
Asia	5.1 %	- %	5.1 %	5.1 %
Europe	9.7 %	(0.8)%	10.5 %	8.9 %
Total	47.1 %	(8.6)%	55.6 %	38.5 %

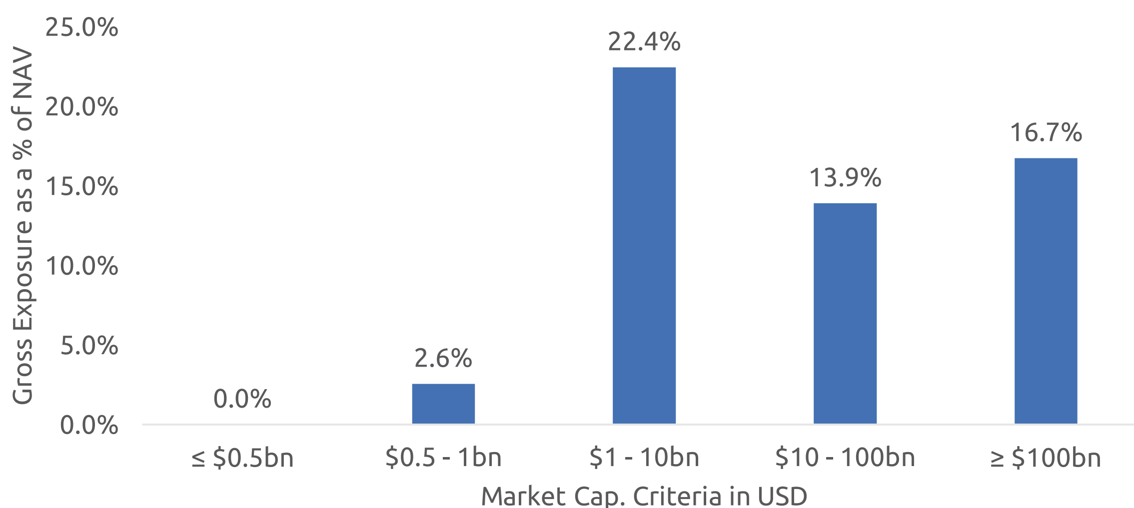
† *Manager left CVF in September 2018 and began Geometrica in September 2019. Performance period is from 5 January 2015. Performance is net of all fees.*

‡ *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

DISCLAIMER

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Past performance is not predictive of future performance and no guarantee or representation as to expected future returns is or can be made.