OVERVIEW

The Geometrica Fund returned **+1.0%**[1] in February net of fees.

The top 5 contributors were broadly distributed by sector. Positions in uranium detracted. Shorts made a small positive contribution.

Contributors included Interactive Brokers, Nvidia, TSMC, Novo Nordisk and Tidewater.

Detractors included Vonovia, Paladin, NexGen and Resmed.

We have added a few new names (long and short) in the last month or two and look forward to discussing them in future.

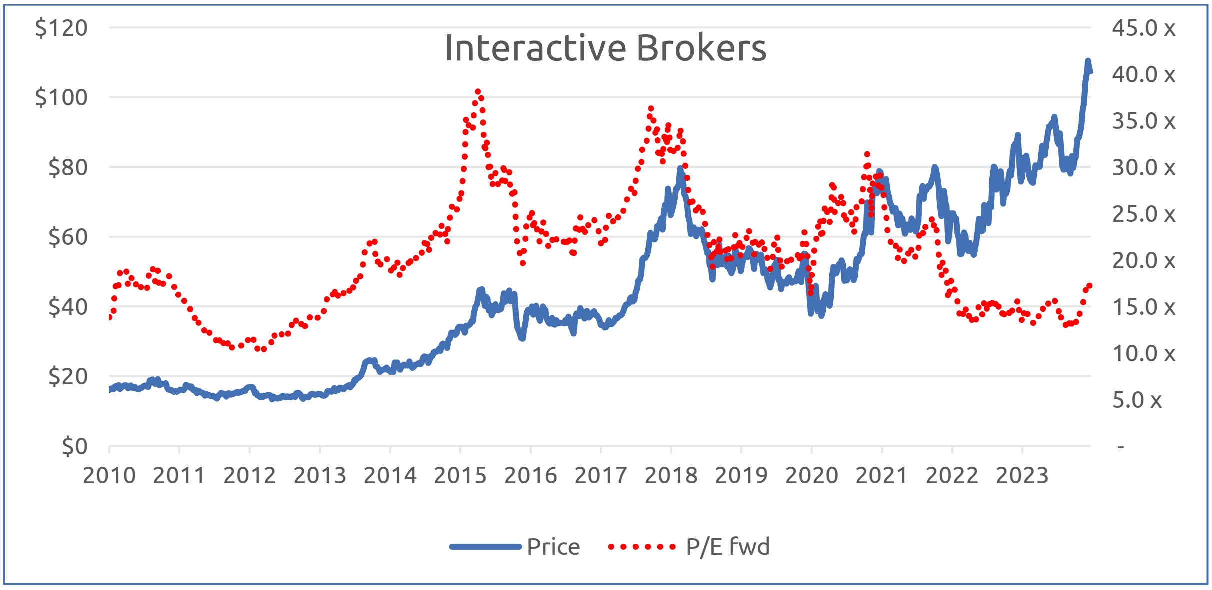
PORTFOLIO

Interactive Brokers (IBKR.US, mkt cap US$46.8bn) advanced +22.5% in February and was the #2 contributor to performance in the month.

IBKR is an online investment brokerage and probably the best in its field, as measured by unit transaction costs, inclusive of execution slippage[2].

IBKR has a low-cost position because of its emphasis on technology and automation. It would be difficult for many of IBKR's competitors to match IBKR's pricing and not lose money doing so. Which means IBKR should have the capacity to continue taking market share whilst growing underlying earnings long into the future.

IBKR became a bargain in December 2023 when it was selling on its lowest forward earnings multiple in over a decade.



Source: Bloomberg, Geometrica

[1] Founder class lead series

[2] Execution slippage is an important consideration because some online brokers advertise "free" trading yet sell client order data pre-execution to high frequency traders.

Source: Company disclosures, US Federal Reserve, Geometrica calculations.The low multiple discounted fear as IBKR's net interest income is sensitive to short term interest rates. As the table below shows, from 2021 to 2023 the largest driver of earnings growth was net interest income.

Interactive Brokers - key revenue components			
Y/E Dec (US$million)	**2021**	**2023**	**Change**
Net interest income	1,148	2,794	143.4 %
Non interest income	1,466	1,546	5.5 %
Net revenue	2,714	4,340	59.9 %
EPS	$3.24	$5.67	75.0 %
Effective Fed Funds Rate	0.08 %	5.02 %	*"very big"*
Client accounts	1.70	2.69	58.2 %

Source: Company disclosures, US Federal Reserve, Geometrica calculations.

In December 2023 the consensus view was the US Federal Reserve would aggressively cut interest rates starting in March 2024, which had it transpired would have been negative for IBKR's earnings in the short term.

With the market fully pricing in all of the downside risk and ignoring the long-term prize, the situation offered asymmetric upside. In IBKR's case future underlying earnings capacity continues to strengthen, with client account numbers increasing over 50% from 2021 to 2023.

Nvidia (NVDA.US, mkt cap US$2 trillion) was our top contributor, rising +28.6% in February. We have owned Nvidia on and off as data has continued to indicate above-consensus revenues however the rate of margin expansion was better than we anticipated driven largely by product mix and component costs.

Consensus has only just now started to factor in continued incremental quarter-on-quarter growth. We continue to monitor cycle developments, especially with respect to the new product launch which offers a massive bandwidth improvement.

Vonovia (VNA.GY, mkt cap €22.5bn) fell -11.2% in February. Our sizing remains modest, as we actively track for an opportunity to increase exposure.

Europe has been a blood bath for a lot of property stocks and large dislocations tend to throw up opportunities.

From mid-2019 to the end of 2021 Germany and France experienced a period of *negative* nominal interest rates on government bonds. This saw many property companies in the region extrapolate the unsustainable and increase their financial leverage, using cheap debt to buy or build property assets.

As they pushed up prices, they were effectively being rewarded. But the unsustainable always has its day of reckoning and with sharply rising interest rates in 2022 and 2023 there has been a vicious unwind.

In the table below, Orpea and Clariane (previously known as Korian) are two French aged care operators that also own and develop aged care real estate. Orpea had a large governance scandal. Korian was a well-run business but with an entirely inappropriate capital structure. Branicks used to be known as DIC. Of the group, Vonovia was the only one we didn't short back in 2022. The bottom 3 in the box below have pretty much been equity wipe outs.

		Equity shares out (#m)			**Share price (€/sh)**		
Ticker	**Name**	30-Nov-21	11-Mar-24	Dilution	30-Nov-21	11-Mar-24	Change
VNA GY	VONOVIA SE	575	815	42 %	49.00	27.64	(44)%
BRNK GY	BRANICKS GROUP A	82	84	2 %	14.42	1.03	(93)%
ORP FP	ORPEA	1,012	159,192	15,630 %	5.33	0.01	(100)%
CLARI FP	CLARIANE SE	106	107	1 %	26.12	1.58	(94)%

Source: Company reports, Geometrica. 30 Nov 2021 was the day J. Powell declared inflation was not "transitory".

Vonovia has not been a wipe out for a few reasons:

- Starting leverage was not too high relative to the declines in asset values.
- German residential rents are *rising*. There is a structural shortage of housing which is benefiting Vonovia and will continue to do so.
- Vonovia have a credible near-term plan, where they have been able to sell assets at near NAV to meet maturities. This approach has been well communicated and executed.
- The liquidity runway afforded by asset sales has provided a significant liquidity buffer which has been highly visible to debt markets. Liquidity concerns have thus never arisen, meaning the risk of a liquidity crunch metastasizing into a solvency crisis has been forestalled.

To note, Vonovia's asset sales aren't cherry picking best assets to demonstrate price discovery on a biased sample. Quite the opposite; Vonovia have been selling their lower growth assets which tend to have higher individual than portfolio cap rates. They're selling their cash cows and retaining their growth assets. Penalising near term distribution yield, but benefiting long run NAV.

Bond market buy-in to Vonovia's strategy is visible in compressing credit spreads on Vonovia's debt. A reference 5 year to maturity bond has traded tighter by over 150bps since the depth of Vonovia's travails and has more to go.

German residential markets have been experiencing rising capitalisation rates due to falling property prices…because property relative to normalised interest rates was irrationally bid back in 2021.

The other reason residential property prices have continued to fall recently as rates stabilise is we think because almost every large German residential landlord like Vonovia has been selling. When your equity is trading at 40-50% discount to NAV and you can sell assets at NAV the deleveraging strategy of choice is to sell assets.

Now, German residential new build pricing is rising. Secondary market declines are moderating. So once cap rates stop rising faster than rental rates, once the forced selling stops, valuations will probably start rising again.

We have seen this movie play out in other markets before; players in the right parts of the property market can have their NAV discounts turn into premiums over a few years. 3P logistics property assets post GFC spring to mind. On such a normalisation, Vonovia has material upside.

Insulet (PODD.US, mkt cap US$12.7bn) declined -14.1% in February, marking it as one of the largest monthly detractors. Insulet make patch insulin pumps for predominantly type 1 diabetes, but many insulin intensive type 2 diabetics buy Insulet's Omnipod product off label given is significant advantages.

On 22 February 2024, Insulet reported scorching revenue growth of 30% for calendar 2023 yet guided to a far more modest revenue growth rate of 12%-17% for calendar 2024.

This clearly disappointed the market; the stock had been up 3% month to date prior to the 2024 guidance being provided but ended the month down 14.1%.

What the market might be forgetting is that when Insulet initially gave guidance for 2023 sales back on 24 February 2023, it was for growth of 14%-19%, yet 30% was ultimately delivered.

For 2024, we anticipate a new indication for type 2 diabetes. A significant proportion of new Omnipod customers are T2D off label users. Insulin intensive T2D sufferers are likely to emerge as a key growth vector for Insulet. Yet currently, Insulet cannot actively market its products to these people.

The market might also be forgetting about the material margin expansion potential on offer. Its margins are as immature as the size of its potential revenue.

Whilst sales growth has slowed, margins are rapidly expanding. On earnings the stock is at its lowest valuation level to date. With rapidly growing cash earnings and a best in class product, we think the stock continues to offer attractive upside.

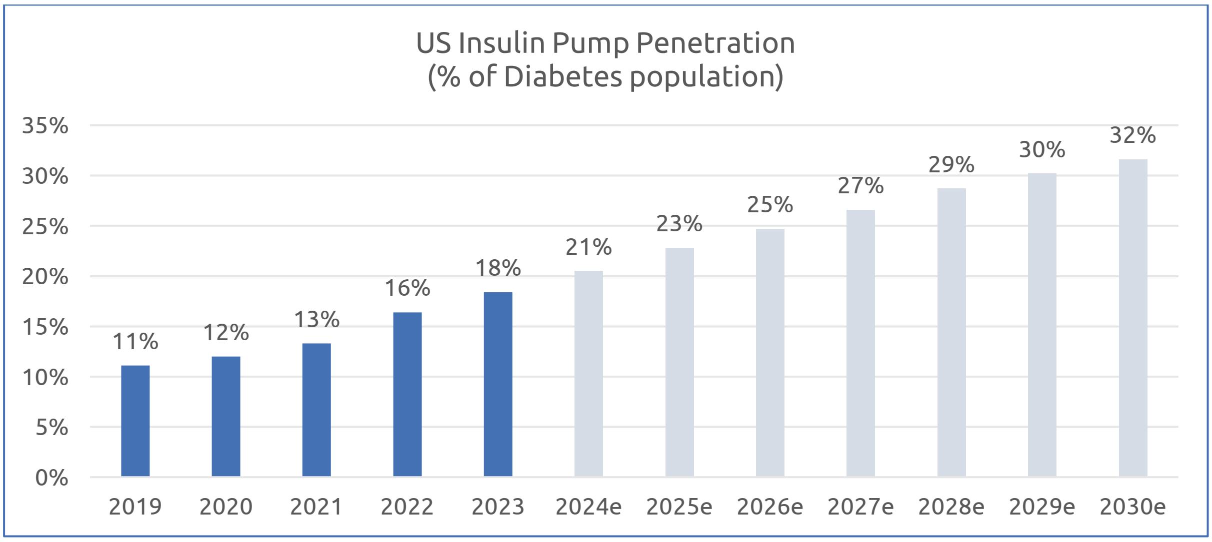
The table below illustrates what might be possible from a margin perspective, noting we have probably undercooked the long run gross margin.

Resmed we use as conceptual comparator for margins because prior to mid-2022 Insulet's CEO ran Resmed's sleep business and Insulet appear to be following many of Resmed's tactics.

Margin structure	**Resmed** 2023	**Insulet** 2023	**Insulet Long term?**
Gross margin	55.8 %	68.4 %	68.4 %
Cash costs	(24.3)%	(50.6)%	(24.3)%
EBITDA margin	31.5 %	17.8 %	44.1 %
D&A	(4.7)%	(4.8)%	(4.8)%
EBIT margin	26.8 %	13.0 %	39.3 %
PBT	26.1 %	12.7 %	39.0 %
Tax	(4.8)%	(0.5)%	(4.8)%
Net margin	21.3 %	12.2 %	34.1 %

Source: Company filings, Geometrica calculations and estimates.

Given Insulet's better product, lack of 4 year lock in contracts and availability via pharmacy given the product is a single use, not durable medical equipment, we think Insulet will over the next few years end up dominating the patch pump market.



Source: International Diabetes Federation, Company Reports, Geometrica

Novo Nordisk (NOVOB.DC, mkt cap €541bn) rose +5.8% during February. The company recently released early-stage data on a new oral weight loss drug (Amycretin) which whilst highly effective appeared to also be free from many of the symptoms that occur with GLP-1s such as Ozempic.

GLP-1s are challenged as oral (tablet) vs subcutaneous injection because there are absorption issues in the gut, necessitating a significantly higher active pharmaceutical ingredient (API) load (~10x). This in turn translates into a massive opportunity cost if an oral is priced similarly to an injectable and you can supply 9 less injectables for every pill made in a market that is capacity constrained.

Novo also decided to push Amycretin from phase 1 trials straight to phase 3, noting they expected commercialisation at the worst before the end of the decade. A pill with no to minimal side effects and no gut absorption issues has the potential to greatly expand the market for weight loss drugs. Novo's near-term valuation multiples look high but we remind ourselves that is because Novo is capacity constrained…as additional capacity is added earnings go up and the stock gets cheaper.

Taiwan Semiconductor Manufacturing Co. (TSM.US, 2330.TT, mkt cap US$721bn) rose +13.9% in February and was one of the largest contributors to performance. At each earnings release over the last several quarters, TSMC has become progressively more sanguine on the contribution AI will make to its future earnings. TSMC is the principal foundry for Nvidia, but also AMD and Apple. TSMC also make chips for Intel. Intel were previously the industry leader when it came to advanced nodes (smaller, more energy efficient chips) but over the last decade TSMC has leapfrogged Intel and Samsung and is probably in the situation where no other competitor can manufacture at leading edge nodes with economic yields. TSMC exited the recent semiconductor downturn with probably its highest ever trough cycle gross margin, implying an increasingly structurally profitable business.

Tidewater (TDW.US, mkt cap US$4.3bn) advanced 4.2% in February and continues to leg higher into March as we write. Tidewater owns and operates offshore support vessels (**OSVs**), which are placed on a time charter basis, principally to customers in the oil and gas industry but increasingly to offshore wind companies (more on this another time).

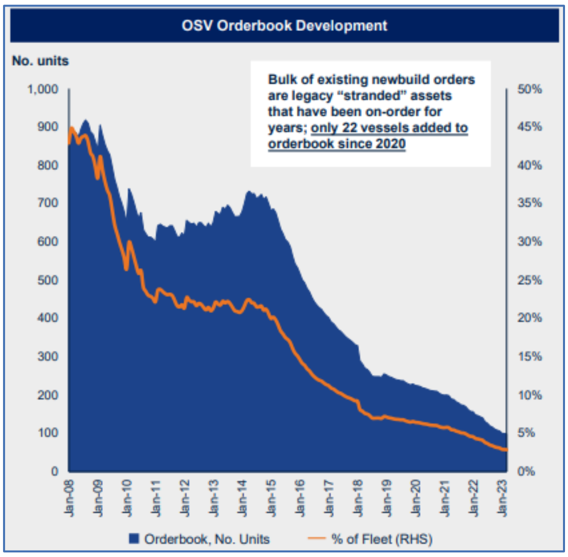
Pretty much the entire OSV industry was wiped out in the aftermath of the 2014 oil price crash. Such an event scars investors and scars company management. It modifies behaviour. So, in the event of a gradual demand recovery, nice things can happen. Management tend to be cautious about adding additional capacity. Investors tend to be cautious and attach a low valuation multiple, at least initially.

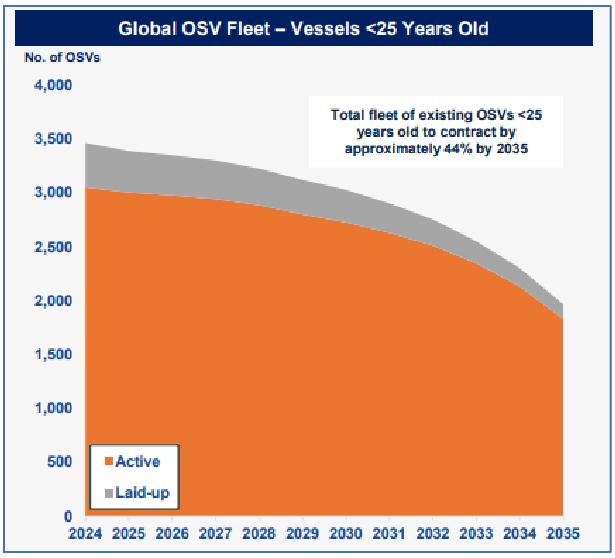
Low starting expectations benefit so many things in life.

In this vein, the benchmark Australian analogue is Pasminco, the Australian lead and zinc mining and refining company. Pasminco went bust in 2002, but then relisted its zinc assets as "Zinifex" in 2004.

Investors were sceptical if not terrified. Management were sensible. And the underlying earnings environment meanwhile was rapidly improving. Zinifex then went from ~$2 to ~$20 a share over the next few years as pricing for zinc recovered and then some.

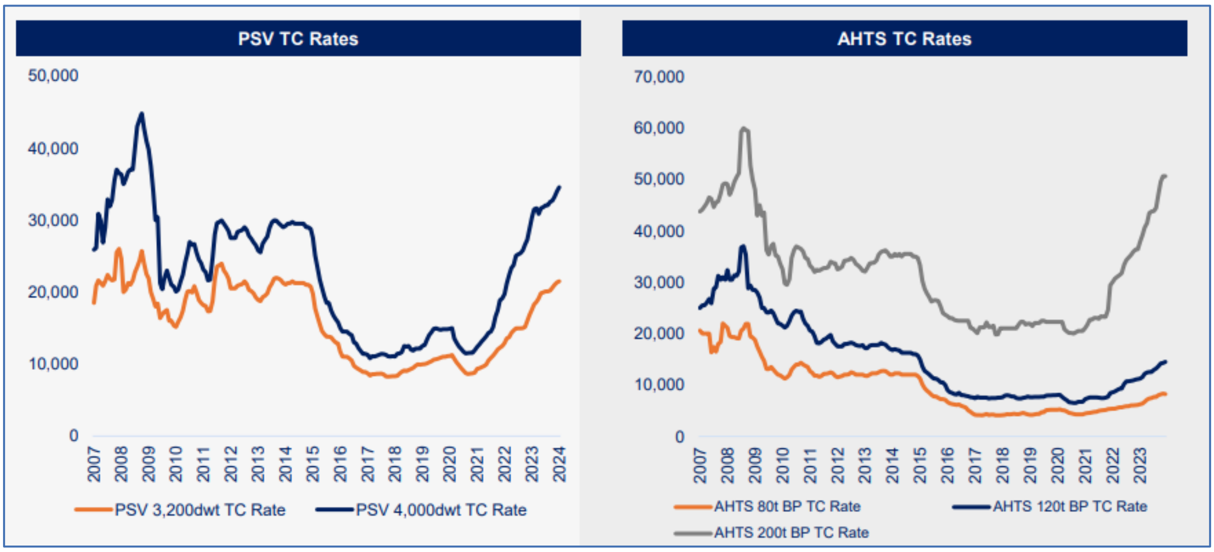
Such is the case with Tidewater. There has been a dearth of new capacity. If you wanted to buy lots of OSV's, its cheaper to buy Tidewater than put an order in for a bunch of OSVs.





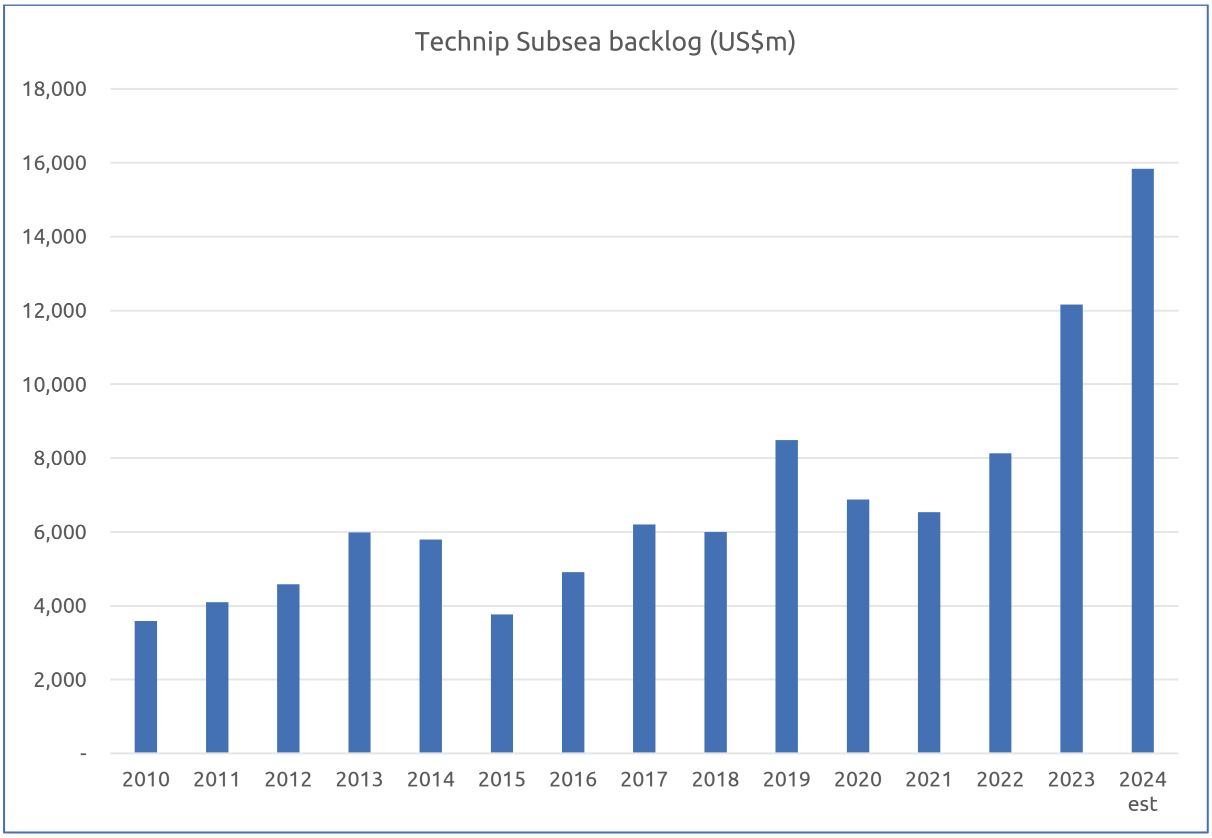
Source: Tidewater March 2024 Investor presentation

And with rising demand, given constrained supply, pricing becomes the rationing factor and has the potential to go much higher than prior peaks.



Source: Tidewater March 2024 Investor presentation

Forward demand is surprisingly strong. **TechnipFMC** (FTI.US, mkt cap US$10.9bn) are the leader in subsea engineering and as such a significant forward indicator of demand. Technip articulate a position where they have demand visibility through to the end of the decade.



Source: TechnipFMC, broker forecasts

At current day rates (which we anticipate will continue to go higher), Tidewater is trading on ~3.5x EV/EBITDA and a 24% free cashflow yield. In the previous cycle, the company and peers traded on ~7x.

Resmed (RMD.AU, mkt cap A$42.8bn) fell -8.7% in February. The specific issue dogging the stock is a well anticipated trial from Lilly called SURMOUNT-OSA that will test Tirezipitide (Mounjaro) for an Obstructve Sleep Apnea (OSA) indication.

More generally the spectre of incretin or GLP-1 type weight loss drugs causing a reduction in Resmed's customer base has driven a multiple de-rate for Resmed, even as their US market share has jumped from around 65% to around 90% and margins are abnormally low due to a temporary product mix shift.

We expect the SURMOUNT-OSA trial to be pitched as a screaming success, demonstrating declines in AHI (the index that measures OSA severity).

The trial has a CPAP arm. But it's not a true head-to-head trial pitting Mounjaro against CPAP, because the trial design has CPAP usage cease a week prior to measurement. And history shows AHI goes up fast after CPAP treatment ceases.

Over time, we expect some people who would have suffered from OSA to no longer do so due to use of incretin or GLP weight loss drugs.

But we also expect Resmed customer numbers to increase. Because the population of undiagnosed OSA sufferers is a multiple of those currently receiving treatment and awareness tends to drive diagnosis and treatment.

In a sense, the market is looking at Resmed's current installed base as the condition population and fearing churn yet ignoring new user growth potential from increases awareness.

Paladin (PDN.AU, mkt cap A$3.7bn) and other uranium stocks fell in February and have generally fallen in March to date. Spot prices initially ran on Kazatomprom's 2024 supply cuts in January but retraced in February and March, we think largely due to Cameco confirming its 2024 and 2025 production targets. Contract price data, a truer measure of end demand, remains supportive. Fundamentally, the excess of demand over supply continues.

The source of market apprehension appears to be **Kazatomprom's** (**KAP.LI**, mkt cap $10.2bn) production plans, namely the possibility of rapid production growth in 2025. For this to occur, Kazatomprom will need to solve for a significant increase in sulphuric acid supply and execute on their largest growth project, the Budenovskoye mine. Evidence suggests the reagent will take longer to obtain and we are somewhat sceptical on the ramp profile of Budenovskoye, given its recent provenance, but that's another story.

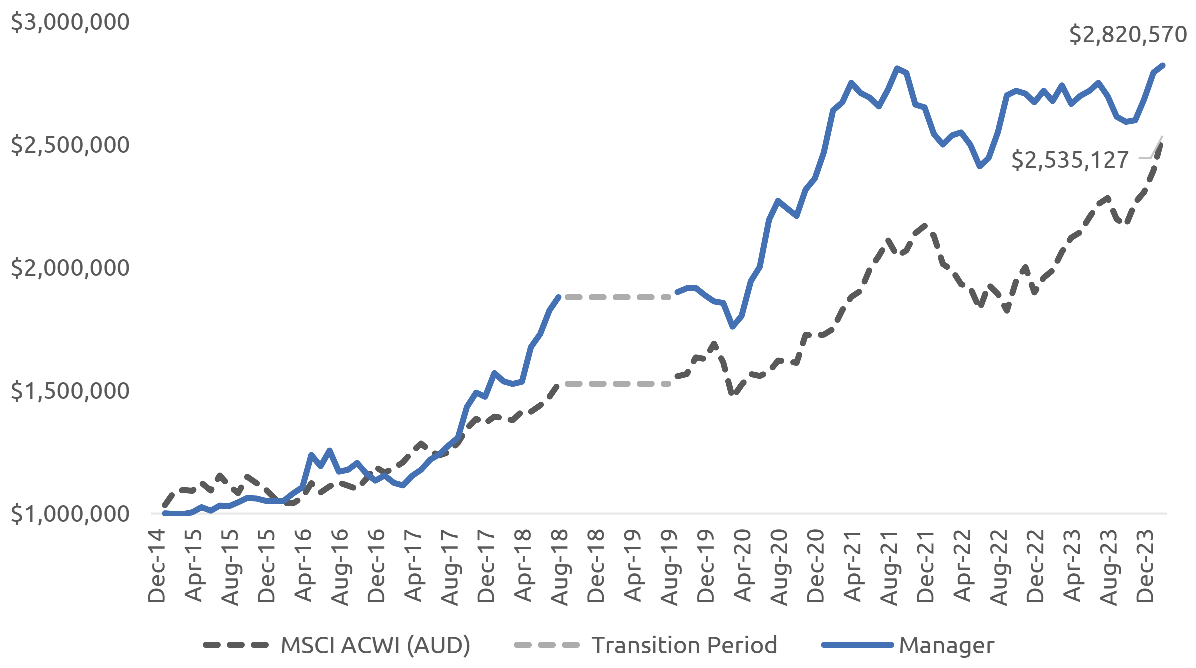
STRATEGY PERFORMANCE (%, NET)[3]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Fund
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
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
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
2018	+6.5	-2.1	-0.7	+0.6	+9.1	+3.2	+5.6	+2.9	--	--	--	--	+27.4
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	+1.5	+0.5	-2.0	-3.5	+1.4	+4.4	+5.8	+0.7	-0.4	-1.3	+0.8
2023	+1.7	-1.5	+2.4	-2.7	+1.2	+0.8	+1.2	-2.0	-3.1	-0.8	+0.2	+3.3	+0.5
2024	+4.0	+1.0											+5.1

2015 – 2018: CVF (same portfolio managers and strategy)
2019 onwards: Geometrica.
Index = MSCI All Country World Index (AUD)

Strategy ITD	+182.1
Strategy p.a.	+13.5
Geometrica p.a.	+9.5

STRATEGY PERFORMANCE CHART (%, NET)[4]

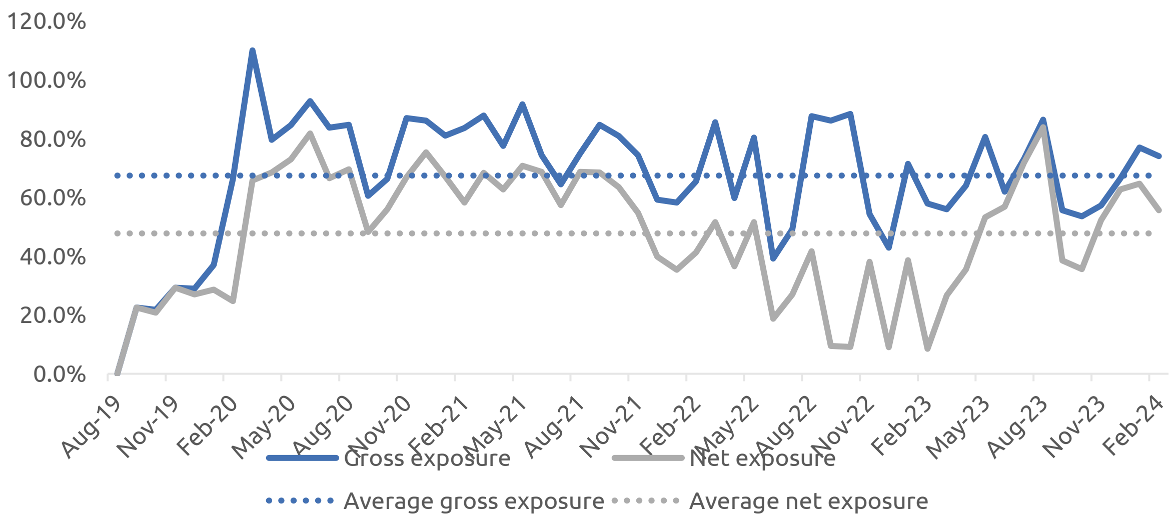


[3] *Performance is after all fees, Founder Lead Series unit.*
[4] *Performance is after all fees, Founder Lead Series unit.*

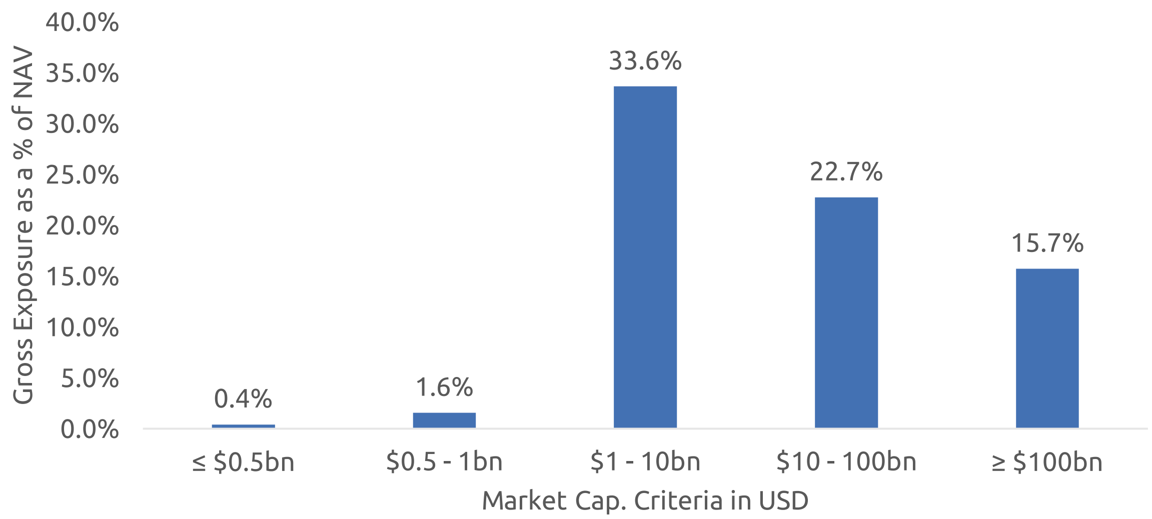
ASSET ALLOCATION

Country	Long	Short	Gross	Net
Australia	7.5%	(3.3)%	10.8%	4.1%
Americas	27.7%	(2.9)%	30.6%	24.8%
Asia	5.4%	(1.7)%	7.1%	3.7%
Europe	24.3%	(1.4)%	25.6%	22.9%
Total	64.8%	(9.2)%	74.1%	55.6%

GROSS & NET EXPOSURE



GROSS EXPOSURE BY MARKET CAPITALISATION



FUND OVERVIEW

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 (Founders Class)	1% management (+GST) 15% performance (+GST)
Benchmark	RBA Cash Rate
High water mark	Yes
Liquidity	Monthly
Administration & custody	Apex