OVERVIEW

The Geometrica Fund returned **+3.4%**[1] in March net of fees.

Gains were broadly distributed within the portfolio. A currently modestly sized short book made a small positive contribution.

The fund's gross exposure is the highest it has been since March 2020 indicating the rich opportunity set we currently see.

PORTFOLIO

Tidewater (TDW.US, mkt cap US$5.1bn) advanced +31.4% in March and was a material contributor to monthly performance. On our numbers, there's still a way to go here.

As we wrote last month, Tidewater is an owner and operator of offshore support vessels (**OSVs**) which have traditionally been used in the offshore oil and gas industry but are increasingly being used in the offshore wind industry. Our attraction to the sector is driven by three dynamics:

1. Many of the stocks are trading well below 1x Tobin Q, meaning the replacement value of their net assets (predominately made up of the vessels) exceeds the sum of their market cap and net debt.
2. Low investor expectations. Many of these companies endured a perfect storm of industry oversupply from 2014 to 2022. Consequently, they trade cheap relative to earnings.
3. Surging returns. OSV rates (i.e. prices) are rapidly increasing due to a dearth of new supply and rising demand. These companies are now enjoying rapidly growing earnings and cashflows.

All of which means it is cheaper to buy a company that owns OSVs than to order new vessels and have to wait years for them. This is exactly what happened recently, when **MMA Offshore** (MRM.AU, mkt cap A$1.0bn) agreed to be acquired by Cyan Renewables, an OSV company focussing on the energy transition and offshore wind[2].

From the perspective of an OSV fleet owner, the operating aspects of installing an offshore oil facility and an offshore wind turbine are similar. But the valuation the market puts on oil activities vs renewable activities is vastly different.

OIL & GAS INDUSTRY

Name	Area	Ticker	EV/EBITDA CY 2025
BP	E&P	BP/ LN	3.7 x
Shell	E&P	SHEL LN	4.3 x
Tidewater	OSV	TDW US	6.7 x
Tidewater #	OSV	*TDW US*	*4.8 x*
MMA Offshore	OSV	MRM AU	6.4 x
Median			4.8 x

WIND INDUSTRY

Name	Area	Ticker	EV/EBITDA CY 2025
Vestas	Wind	VWS DC	9.6 x
Orsted	Wind	ORSTED DC	7.2 x
NKT	HV cable	NKT DC	10.4 x
Median			9.6 x

Source: Broker estimates. # denotes Geometrica estimate

Cyan Renewables might just have worked out that potential valuation multiple arbitrage. Cyan's website describes it as "*Asia's first dedicated Offshore Wind Vessel Operator for the Offshore Wind Industry*"[2].

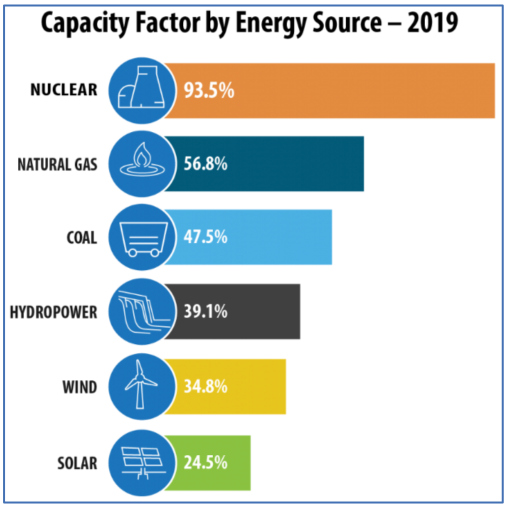
From what we can tell, Cyan Renewables doesn't yet have a fleet, aside from the one they're about to acquire via MMA[2]. Cyan's uncontested bid for MMA might just end up being very shrewd.

[1] Founder class lead series
[2] ASX announcement dated 25 March 2024. MMA Offshore announced it had entered a binding Scheme Implementation Deed with a subsidiary of Cyan Renewables, an offshore support vessel company focused on the energy transition. Per its website, Cyan Renewables details its fleet as "to be announced". https://www.cyanrenewables.com/vessels

The Fund owned MMA but in small size due to its low liquidity and alas, we sold the last of our stock on 22nd February just prior to the bid of 25th March. We promptly reinvested the proceeds and then some into another OSV company we have been working on since October 2023. It was up 16% over the month between our sale of MMA and the subsequent bid, but more importantly, this stock trades at a c.40% discount to MMA's enterprise value yet has a younger and higher specification fleet.

NKT (NKT.DC, mkt cap €4.2bn) advanced +10% in March. NKT is a formerly out of favour company on its way to becoming a market darling. NKT makes electrical cables, with a heavy skew to very high voltage cables, the kind used in offshore wind and electrical transmission projects.

Other companies in the offshore wind industry such as developers and turbine manufacturers have been beset by project delays. One cause of these delays has been an acute shortage of high voltage DC cable. NKT are sold out until 2027 and have commenced a significant capacity expansion which we think is likely to fall short of actual demand.



Source: US Department of Energy

NKT operates in one of the sweet spots of the energy transition. This is because not all watts are equal when it comes to capacity, which should drive leveraged demand for high voltage DC cables.

A traditional coal thermal generator might have a capacity factor of, say, 70% meaning it generates on aggregate at nameplate capacity 70% of the time.

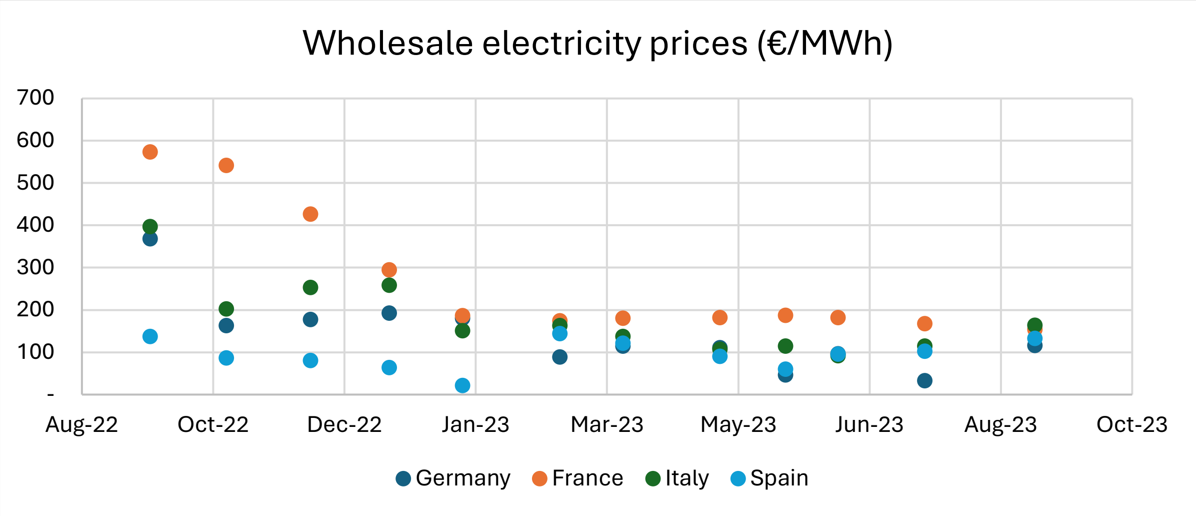
When you get to wind, capacity factor is typically around 15-35% because the resource is significantly less reliable. You might need 3-4x more wind MW capacity than the coal equivalent to generate the same volume of electricity.

Whilst it is not an exact proration, the same dynamic spills across to HV DC cable intended for offshore wind use.

The effect is exacerbated because the best and closest to consumer offshore wind sites have generally already been used. New offshore wind projects are going further offshore, meaning more cable is required.

The other demand driver for NKT is the European drive to net zero, which necessitates a gargantuan investment into transmission infrastructure.

The lack of ideal interconnectivity within the European electricity grid was laid bare by the Russian invasion of Ukraine and the spillover impacts to Europe's electricity markets. Neighbouring countries were paying vastly different prices for electricity in a very high volatility environment. In effect, reflecting policy induced infrastructure vulnerability, with real costs for industry.



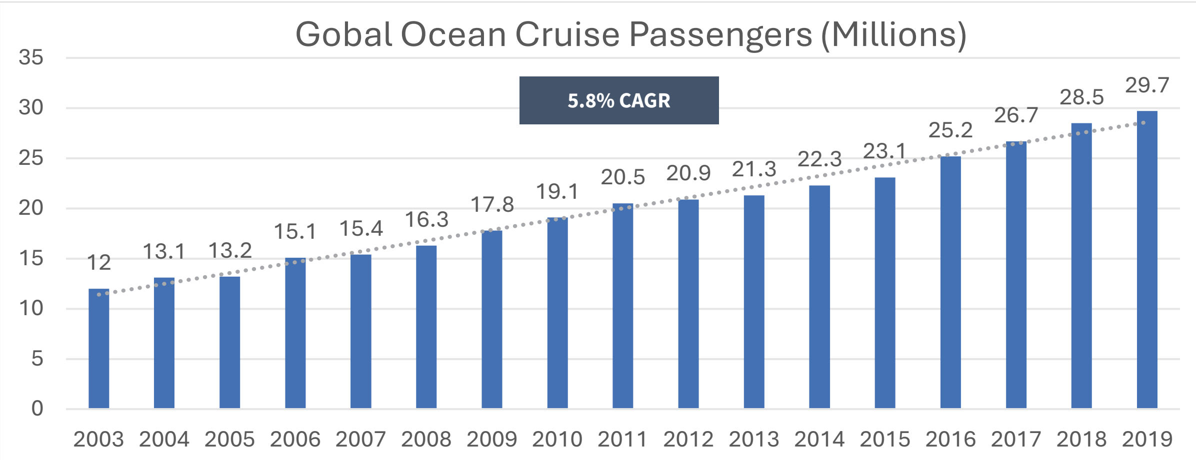
Source: Trading economics, Geometrica.

Nvidia (NVDA.US, mkt cap US$2.2 tn**)** advanced +14.2% in March on the back of analyst upgrades and commentary from high bandwidth memory names indicative of continued strong demand growth for the balance of 2024.

Royal Caribbean Cruises (RCL.US, mkt cap $34.7bn) advanced +12.7% in March. RCL surprised the market back in February by upgrading quarterly revenue and earnings guidance for 1Q 2024 and fiscal 2024 only a few weeks after giving initial guidance at its full year 2023 results.

For perspective, the industry suffered the perfect storm across 2020-2022, with COVID-19 wiping out revenue across 2020 and 2021, resulting in the cruise lines accumulating mountains of debt...just in time for interest rates to surge in 2022, poleaxing equity valuations that little bit more.

But when you pull back from the challenges of recent years, the underlying demand drivers for the industry are compelling. And it is important to remember that good companies can crawl out from under a mountain of debt. As they do, the action of paying down debt is a direct value transfer to equity.

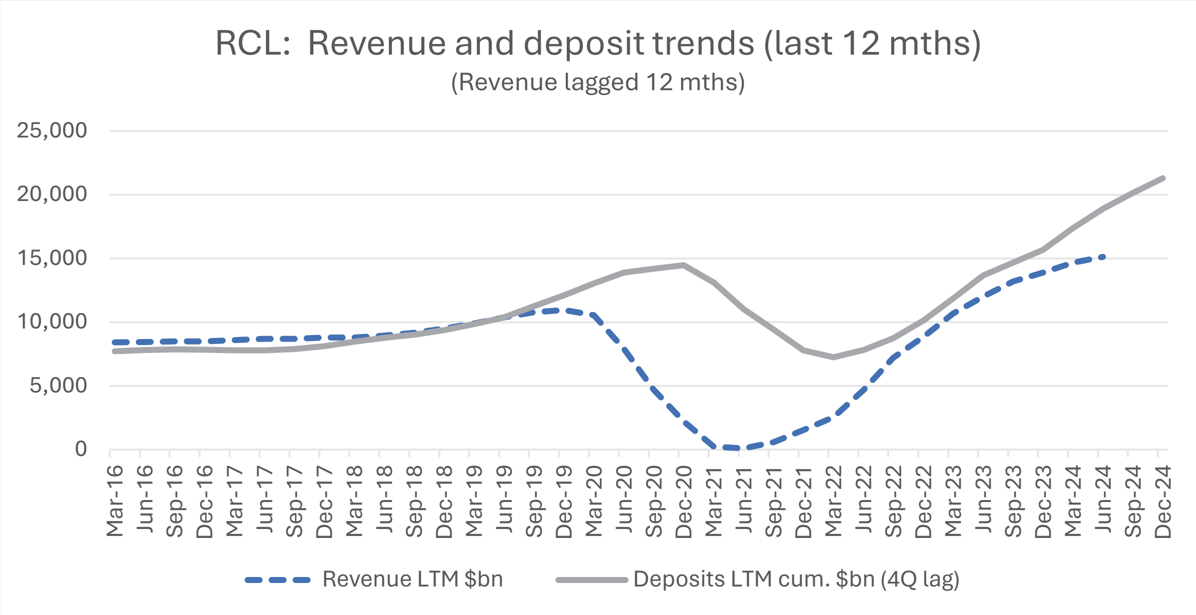


Source: Company materials, Geometrica

We think RCL is one such situation. Whilst the stock has rallied since our entry in June of last year, the overarching mental model, evident in some broker research, is one of mean reversion i.e. a return to 2019, which was a record year for the industry, with upside beyond that somehow constrained. We think this is wrong for several reasons:

- **Fleet consolidation:** The pattern continues to be a shift to larger ships, driving down per-berth unit costs. A corollary is barriers to entry in the industry continue to rise.
- **Cost management:** Apart from a blip in 2024 caused by a kick in dry docking costs (~3yr cycle, with a lot of ships due to dock in 2024 given their release from warm storage in 2021), costs have been very tightly controlled across RCL and its competitors. This is benefiting margins.
- **Revenue management:** Inventory price development has changed. In prior periods some operators would hold prices high, only to discount close to sailing date. This trained consumers to expect discounts and wait for them. Now, the pattern is better pricing way in advance and, given strong demand, a glide up in pricing closer to sailing date. Customers are now being trained to book further ahead.

Deposits are typically made 6-12 months in advance of voyage and are ~20% of total ticket value, thus deposits are a good lead indicator for the company's revenues for the next 12 months. When we look at the revenue forecasts and deposit patterns for the industry, we can't help feeling that the street is too pessimistic.



Source: Company disclosures, Geometrica.

Resmed (RMD.AU, mkt cap A$41.2bn) rose +13.1% during the month. We continue to await the outcome of Lilly's SURMOUNT-OSA trial, with a topline read out due imminently. Our sizing is modest in the context of the near-term asymmetry on offer.

Paladin (PDN.AU, mkt cap A$4.3bn) rose +10.5% in March. Paladin have commenced production at their Langer Heinrich mine restart. Paladin's Michelin project is thus likely to receive far greater management focus in the near future, and offers what we think will be considerable upside in time.

Ambu (AMBUB.DC, mkt cap US$4.4bn) was a detractor, retracing 5.8% in March on limited news. We continue to think that Ambu is on a multi-year recovery path, with EBIT margins having the potential to double as management emphasise cost control in a growing revenue environment.

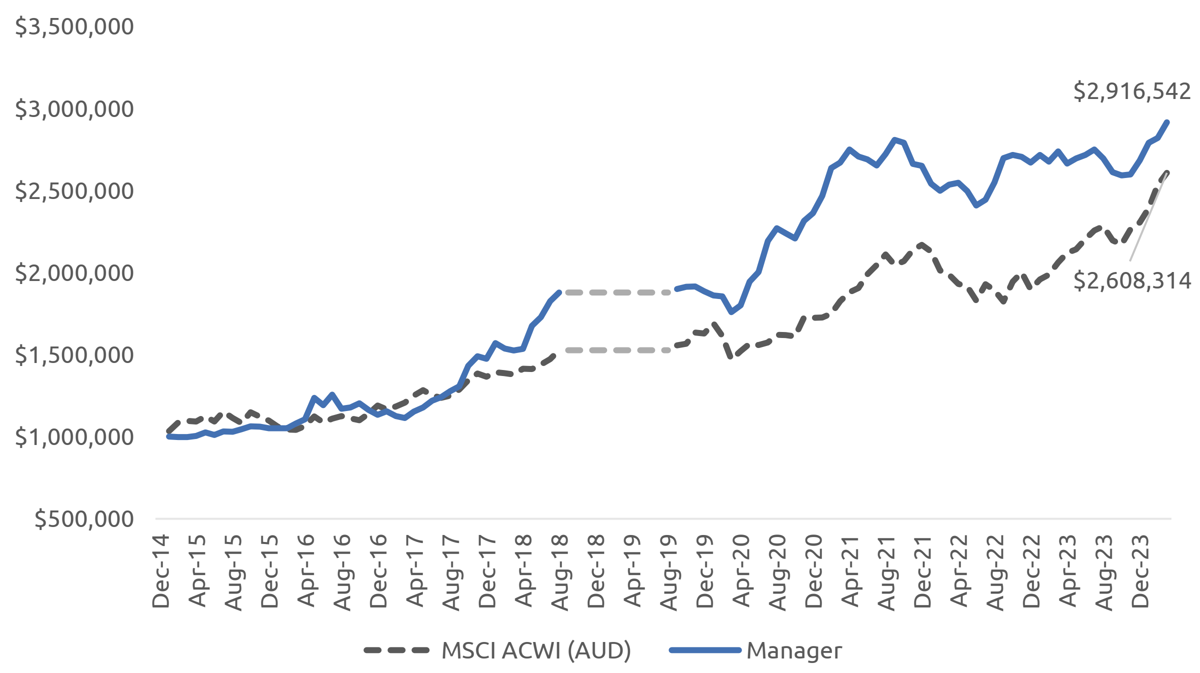
PERFORMANCE (%, NET)[3]

	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	+3.4										+8.7

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

Manager ITD	+191.7
Manager p.a.	+13.9
Geometrica p.a.	+10.1

PERFORMANCE CHART (%, NET)[4]

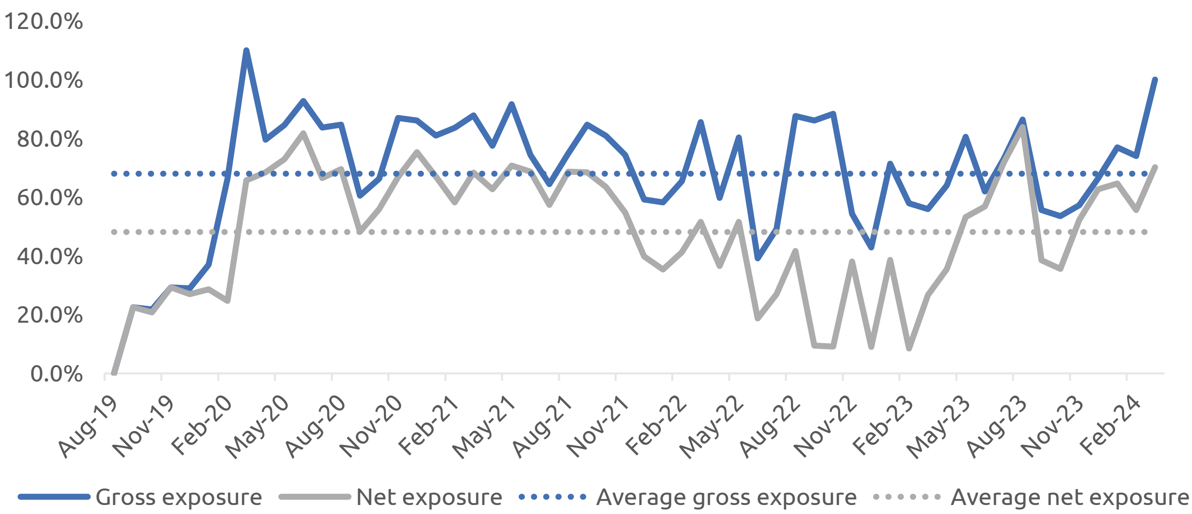


[3] Performance is after all fees, Founder Lead Series unit.
[4] 2015-2018: CVF (same portfolio managers and strategy); 2019 onward: Geometrica. Index = MSCI All Country World Index (AUD)

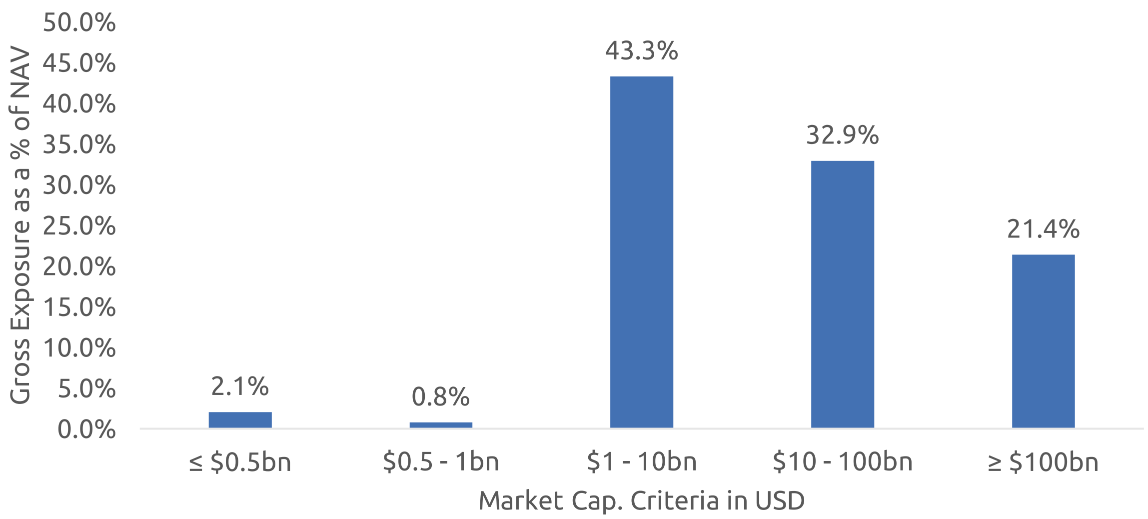
ASSET ALLOCATION

Country	Long	Short	Gross	Net
Australia	9.9%	(6.3)%	16.2%	3.5%
Americas	33.9%	(4.7)%	38.6%	29.3%
Asia	7.8%	(3.2)%	11.0%	4.6%
Europe	33.5%	(0.7)%	34.2%	32.8%
Total	85.1%	(14.9)%	100.0%	70.2%

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
More information	www.GeometricaFund.com