OVERVIEW

The Geometrica Fund returned **-0.2%** in June, net of all costs bringing our calendar year to date return to +11.8% and closing out the 2024 financial year at +10.4%[1].

Notable contributors for the month included Carnival Cruises, Insulet, Novo Nordisk, Nvidia, Taiwan Semiconductor and Uber. Detractors included Paladin, First Solar and Tidewater.

In June we added two stocks to the portfolio. Both are situations where evidence and our diligence findings lead us to forecast earnings for these companies that are materially higher than consensus. We look forward to writing about them in the months ahead.

We continue to find new compelling opportunities for capital deployment. Change is the only constant; change drives opportunity.

INVESTMENT FRAMEWORK

Before diving into stock specifics of what transpired over the last 30 days, it is worth restating our investment framework as this is what will drive returns well beyond the next month.

For a company's shares to make their way into our portfolio, we need to believe that the market has erred in its assessment of a company's future earnings prospects. That is, that there is a material market inefficiency on offer.

We generally search for two types of market inefficiency, as depicted in the diagram below, which we refer to as our "barbell" approach.

The intention of our barbell approach is to ignore most of the market where the status quo prevails and focus our time and attention instead on situations of *active change* which the market may have failed to price correctly.

This leads to a portfolio that tends to be very different to the broader market. When the market is forced to reprice a stock that was either misunderstood, neglected or previously loathed, the security tends to outperform until it is fairly priced.

Over time, this has led to market or better performance with typically relatively low market exposure, on a net and especially a gross basis, which can help in managing volatility and draw downs.

With modest drawdowns this leads to compounding over long stretches of time, which is absolutely the objective.

[1] Founder Class lead series for all returns cited

PORTFOLIO

Paladin (PDN.AU, mkt cap A$3.9bn) was the largest detractor from performance in June, falling -21.7%. The stock is up materially from where we bought in back in 2023 and we remain holders, given the large upside on offer as uranium *term* prices continue to climb in the face of ongoing supply shortages.

We originally acquired our position in Paladin back in 2023 for two reasons.

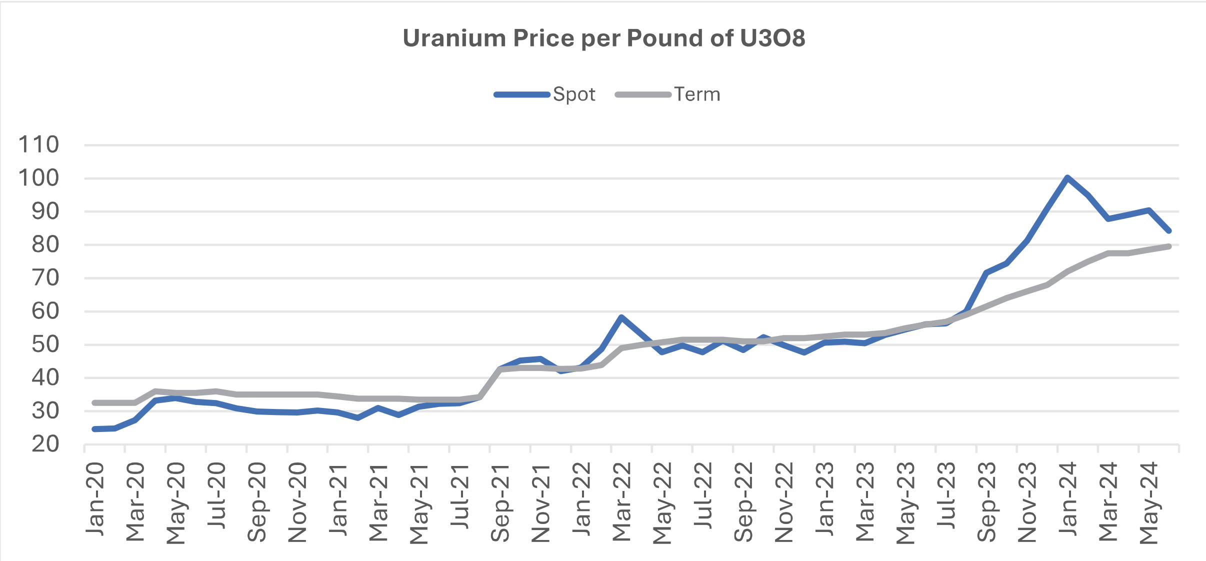
First, we had a positive view on uranium prices – which is the key earnings driver for Paladin - driven by long term demand but more tangibly by evidence of short and medium-term supply issues for the industry's largest and lowest cost producer.

Second, the market was valuing Paladin solely on its low grade and short mine life Langer Heinrich asset and ignoring its potential to develop its Michelin project and thus increase and elongate Paladin's production and long-term earnings profile.

These two reasons remain intact. However, in June three things happened that impacted Paladin's share price negatively.

First, 2025 EBITDA guidance was around 10% lower than consensus. This was driven in part by lower sales guidance (but not production guidance) and higher unit costs. This was a negative, but not thesis breaking. Costs tend to rise with prices in a commodity cycle and sales volumes ultimately catch up to production volumes.

Second, uranium spot prices fell -7% in June, retracing a large gap over term prices. We've noted before the spot market is thin, dominated by financial players and tends to oscillate around term prices. We follow term prices as they reflect demand from users (e.g. nuclear power stations) as opposed to financial speculators. Term prices continue to rise as we write yet again in June.



Source: Cameco

Third, Paladin announced its stock-based acquisition of Canadian listed Fission Uranium which has a project in a uranium producing region of Canada. Stock based takeovers tend to almost always result in an initial value shift from bidder to acquirer given a control premium funded by scrip. This is the short term negative.

As part of the deal Paladin will achieve a listing on the Toronto Stock Exchange. The transaction both increases and elongates Paladin's future production profile and in doing so adds yet more uranium price leverage to Paladin.

If uranium prices do what we think they will, the acquisition of Fission will end up being a very good deal for Paladin.

Carnival Cruises (CCL.US, mkt cap US$22.1bn) reported strong second quarter earnings during the month and upgraded its fiscal year 2024 earnings guide by 20%.

In response, the stock rose +24.1% for the month. Carnival was a strong positive contributor for June.

We have had a modest position here for a while but increased sizing during the month as we increasingly see a clear path to significant share price upside. We continue to hold **Royal Caribbean Cruises** (RCL.US, mkt cap US$40.3bn) which advanced +8.0% in June.

Covid saw cruise company debt blow out; Carnival's net debt almost trebled between 2019 and 2023 and its credit rating was slashed from investment grade to junk.

Carnival is, we think, a great example of a left "barbell" inefficiency, where the market has irrationally extrapolated the negatives from covid.

Companies in highly consolidated sectors with significant barriers to entry and structural demand growth that undergo a crisis, tend to have a capacity to repair their balance sheet via operational recovery and pricing power. The big 3 cruise lines have close to 80% capacity share. As they prioritise debt repayment, capacity growth is very modest relative to history, meaning stronger pricing power, earnings growth and deleveraging capacity.

Every dollar of debt Carnival pays off adds to equity value in the context of enterprise value…when net debt is larger than market capitalisation this can be very positive for equity.

We bought into Royal Caribbean far earlier than Carnival as it "tipped" into its rapid deleveraging trajectory earlier. Royal had the strongest operations (large skew to the booming Caribbean market) and lowest leverage levels, so it was fastest to begin recovery.

Royal's share price is now above its 2019 highs (which is remarkable) and it is likely to see a return to investment grade credit status in late 2025 on our reckoning.

Whilst there is still upside in Royal and this will grow given the company is generating returns greater than its cost of capital, there is materially more share price upside available in Carnival, where expectations are modest, leverage meaningful and earnings upside still large.

Carnival's occupancy levels have now almost fully recovered (it has more European exposure and these markets recovered slower) and it has ample latent pricing power relative to alternative travel formats.

A recent positive structural change in the industry was a shift to active yield management. Historically, cruise companies would discount ticket prices close to the sailing date in order to 'fill the boats' but now, ticket prices rise from the time a future voyage goes on sale and typically rise more as sailing date approaches.

In short, this has trained most customers to book and pay deposits early, not late, in turn giving the cruise companies greater revenue certainty and also driving revenue maximisation by sailing date. A similar dynamic was seen in the airline industry through the 2010's which transformed that industry's return on capital profile. The objective has shifted from "filling the boats" at any price, to maximizing revenue through various yield management strategies such as base loading and dynamic pricing.

Carnival's forward booked position and cash deposits are now at record levels – not just for 2024 but also 2025.

Carnival has a number of other operational tailwinds which will become apparent across 2025 and 2026.

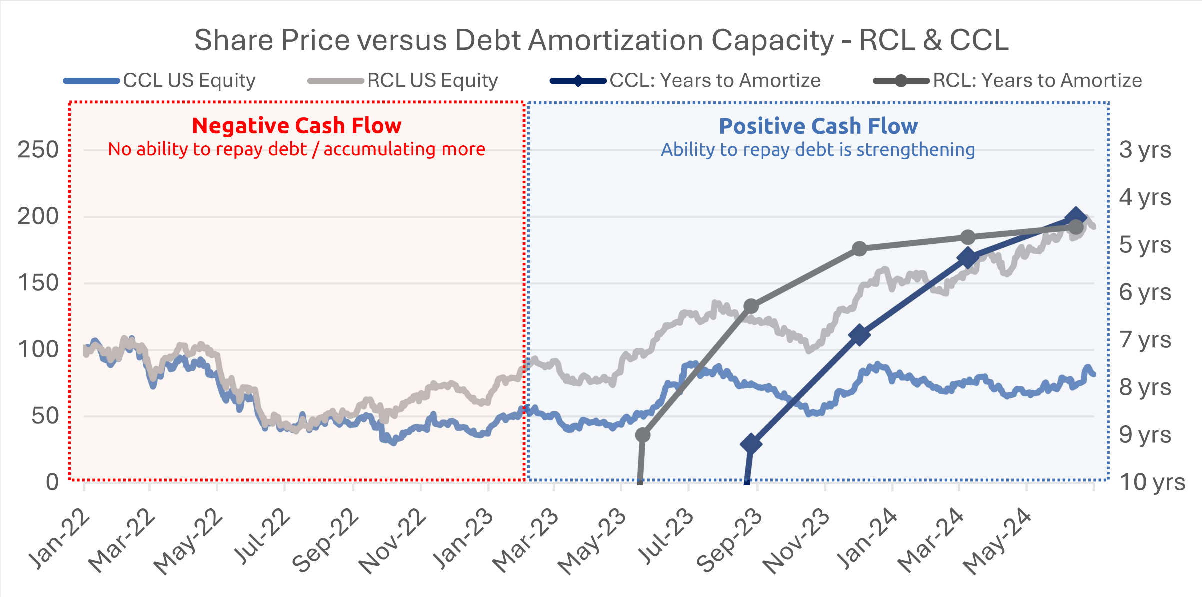
Carnival's now surging cash flows should see it transform its credit rating from "junk" to "investment grade" as it rapidly pays down its debt over the next three or so years.

The chart below shows, for Royal Caribbean and Carnival, their capacity to amortise or repay all their net debt, as measured in years, based on trailing 12 month operating cashflow. A lower number is better as it indicates debt can be repaid faster. Share prices have been indexed to 100 at 31 December 2021.

This measure of debt repayment capacity is far from perfect – but no measure is perfect. Operating cashflow ignores capital expenditure but we view capex trends as disciplined for these two companies.

Crucially, Carnival has an extremely low level of new ship orders relative to its fleet size, which on our forecasts indicates it will generate free cashflow equal to around 60% of its current market cap over the next three years.

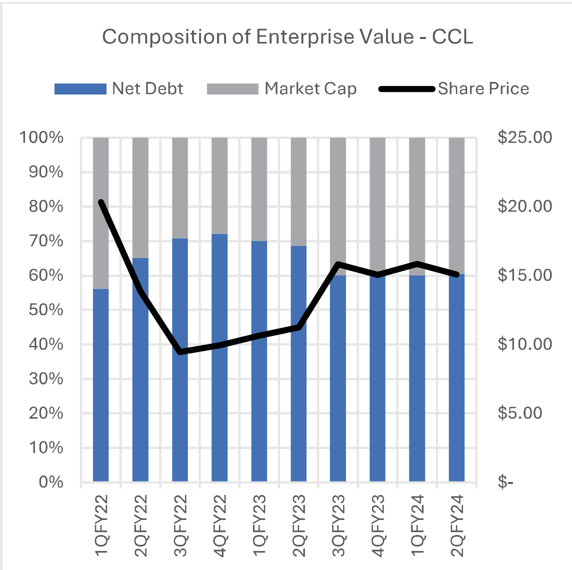
Royal Caribbean vs Carnival Cruises – Years to amortise debt versus share price performance.

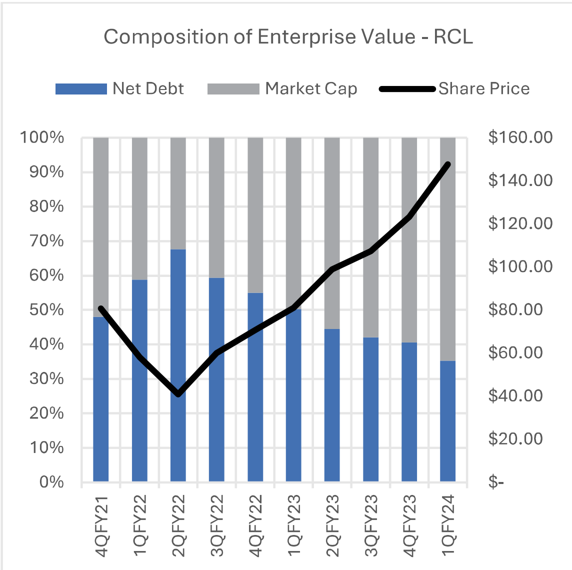


Source: Company filings, Bloomberg, Geometrica. Share prices indexed to 100 at 31 December 2021. Years to amortise is based on operating cash flow on a trailing last 12 months basis.

As Carnival's debt repayment story garners attention, it should follow Royal Caribbean's trajectory.

Royal Caribbean vs Carnival Cruises – Capital structure mix and share price performance.





Source: Bloomberg, Royal Caribbean & Carnival Cruises

Ultimately, we buy a stock for what it will become relative to current perception. The greater the transformation and the more the market is forced to shift its earnings expectations upwards, the greater the return potential on offer.

Insulet (PODD.US, mkt cap US$13.8bn) saw its share price rise +13.9% in June. The maker of wearable insulin "pod" pumps approaches multiple growth drivers for the remainder of 2024 including an indication for insulin intensive type II diabetes, production integrations with several continuous glucose monitors, further smart phone integrations and the international roll-out of Omnipod 5 which has dominated the US market for new pumps to date. Insulet has quite material margin leverage as it continues to grow its installed base of users who typically have high lifetime values driven by low churn levels.

Novo Nordisk (NOVOB.DC, mkt cap €594bn) rose +8.4% in June. Novo, like Eli Lilly, is in the envious position of having near insatiable demand for its GLP-1 weight loss drugs.

For both companies, the primary challenge is ramping supply fast enough to one day be able to meet demand. Because Semaglutide is the basis for both Type 2 diabetes drug Ozempic and weight loss drug Wegovy, Novo have constrained their marketing of GLP-1s for weight loss in order to mitigate shortages for Type 2 diabetes users.

Which is to say, current earnings are understated relative to where they will be once Novo ramps supply capacity. So, whilst valuation is extended relative to Novo's trading history, you could have said that many times in the last few years and sold way too early.

Beyond meeting demand for Semaglutide, Novo has other irons in the fire. The GLP-1 Semaglutide is a blockbuster, but Novo is improving on it, with Cagrisema in late-stage trials. Novo has stated that a weight loss pill will be widely available before the end of the decade. The current GLP-1s have gut absorption challenges necessitating higher API loads, hence why they are administered as subcutaneous injections – this product form maximizes earnings.

A weight loss pill, with 15-20% weight loss efficacy and a low-cost profile with lower API load has the potential to dramatically expand demand and extend Novo's upwards earnings trajectory.

During June additional data was released on the SURMOUNT-OSA trial, which is of consequence to **Resmed** (RMD.AU, mkt cap A$27.9bn), which traded off -7.3% during June.

We had expected a 10-15% proportion of subjects in the Tirzepatide arm to see a reduction in AHI sufficient to not require CPAP therapy. The actual number reported was substantially larger: 3-4x larger than our expectations.

In other words, the potential for people to drop out of the user base, assuming they are ok with taking weight loss medication, is larger than we estimated, based on simple extrapolation from a prior GLP-1 trial. And as shareholders of Novo, we are aware of better formations and forms (e.g. double and triple agonists and pills) coming.

The risk to Resmed is long term, not near term. Resmed has disclosed data showing that people adopting GLP-1s in a 12- and 24-month window are more likely to use CPAP therapy that those that don't, but this may be backward looking.

GLP-1s have been around for a long time, but the drug trialled in SURMOUNT-OSA was Tirzepatide, which is different in that it is both a GIP and GLP-1 receptor agonist. Tirzepatide only started being marketed as a weight loss drug under the name "Zepbound" in December 2023 which means its impact on the data Resmed is sampling is likely trivial at this juncture.

First Solar (FSLR.US, mkt cap US$23.2bn) fell -17.0% in June, retracing some of its jump from the prior month.

We've taken profit on most of the position and hold a small sizing now, which will likely stay small until the air clears on the US election and the policy environment as it pertains to US solar.

Tidewater (TDW.US, mkt cap US$5.0bn) fell -7.9% in June on limited news flow. Supply and demand remain highly supportive in the sector and prices continue to rise. A large part of Tidewater's fleet is set to reprice throughout 2025, which should drive significant earnings growth and share price upside.

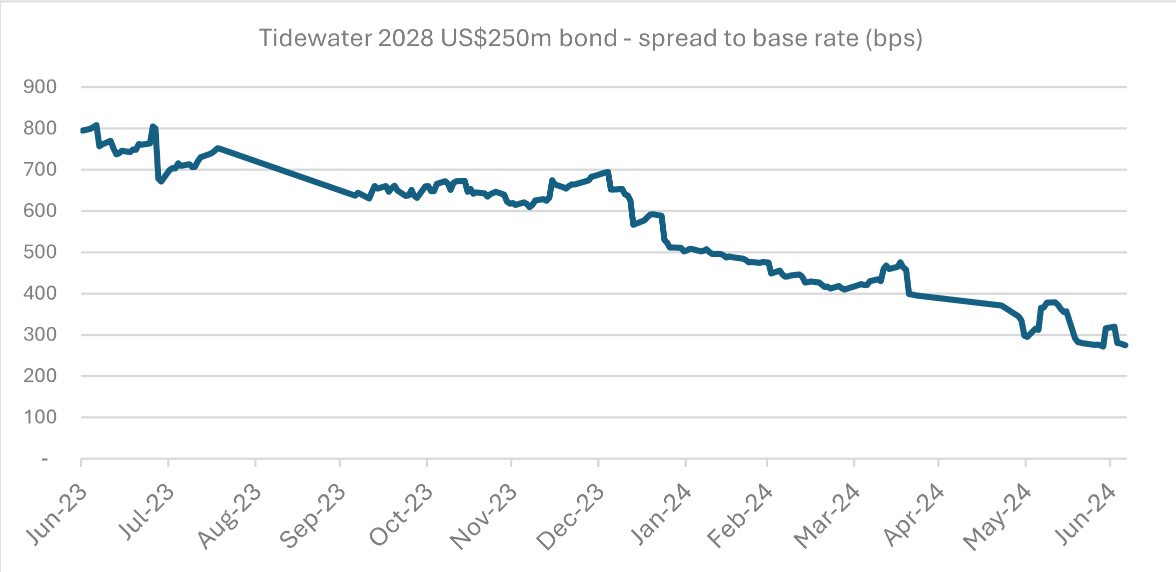
The other feature of this sector is ongoing consolidation. Tidewater acquired Solstad's fleet in 2023 and this should materially benefit earnings in 2025 as contracts on those vessels reprice at more than double the current rates.

As we write **DOF Group** (DOFG.NO, mkt cap €1.6bn) have announced the acquisition of Maersk's offshore supply vessel fleet, with the stock closing up on the news.

The transaction saw DOF issue US$500m of bank debt with a 7-year amortization profile at a 350 basis point spread. This is a fairly material change in fortunes; less than two years ago debt markets were firmly closed to DOF.

DOF has no bonds outstanding presently; all of its debt is bank based. But elsewhere in the sector Tidewater does have bonds that we can observe. Tidewater has a US$250m senior unsecured bond with around four years to maturity. It trades well above par and also above its next call level. The credit spread the market has demanded on Tidewater's 2028 maturity has progressively tightened.

Bond markets might just be opening to these issuers now. For DOF in particular, once two pieces of debt with cash sweeps are refinanced – we think in 2025 – we would expect their ample free cashflow yield to be redirected towards shareholders.



Source: Bloomberg

Uber (UBER.US, mkt cap US$147.7bn) rose +12.6% in June, after falling for the three months prior. We took advantage of the market's marking down of the shares to add to our holding.

Uber's margin structure remains immature. Evidence indicates that as Uber continues to mature its operating areas in the core mobility business, margins and returns will benefit. The same pattern holds for Uber's other major vertical of food delivery.

Uber's competitive position by virtue of the breadth of its platform is exceedingly strong.

We have witnessed over the years the gradual grinding down of single vertical businesses that compete against large platforms profitably straddling multiple verticals. Single vertical competitors to Microsoft over the years have often lost out to Microsoft's capacity to bundle and cross subsidize.

Uber still has many competitors. Given its capacity to envelop single vertical competitors, this represents long term opportunity to Uber, not threat.

Nvidia (NVDA.US, mkt cap US$3,017bn) was again a contributor to performance in June rising +12.7%. We continue to be holders.

We have worked back to what we think is the root driver of demand for Nvidia's powerful parallel processors.

Nvidia are making their customers very large sums of money. Whilst this continues, demand for Nvidia's products is likely to remain robust.

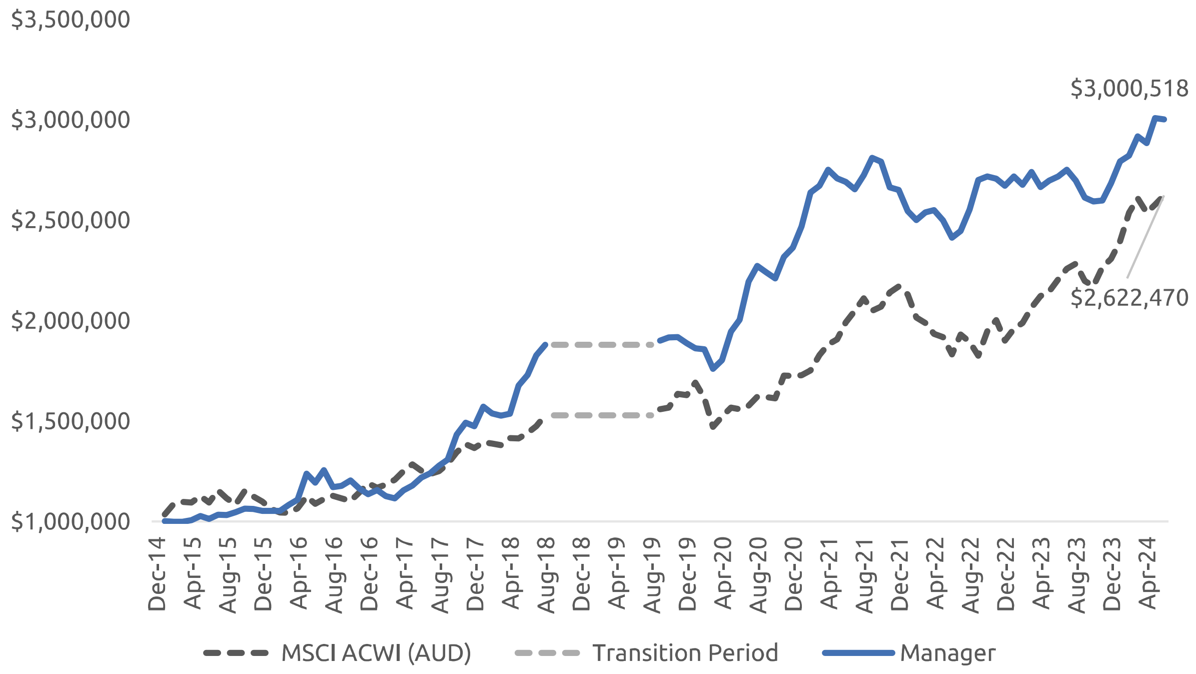
PERFORMANCE (%, NET)[2]

	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	-1.1	+4.3	-0.2							**+11.8**

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

Manager ITD	+200.1
Manager p.a.	+13.8
Geometrica p.a.	+10.2

PERFORMANCE CHART (%, NET)[4]

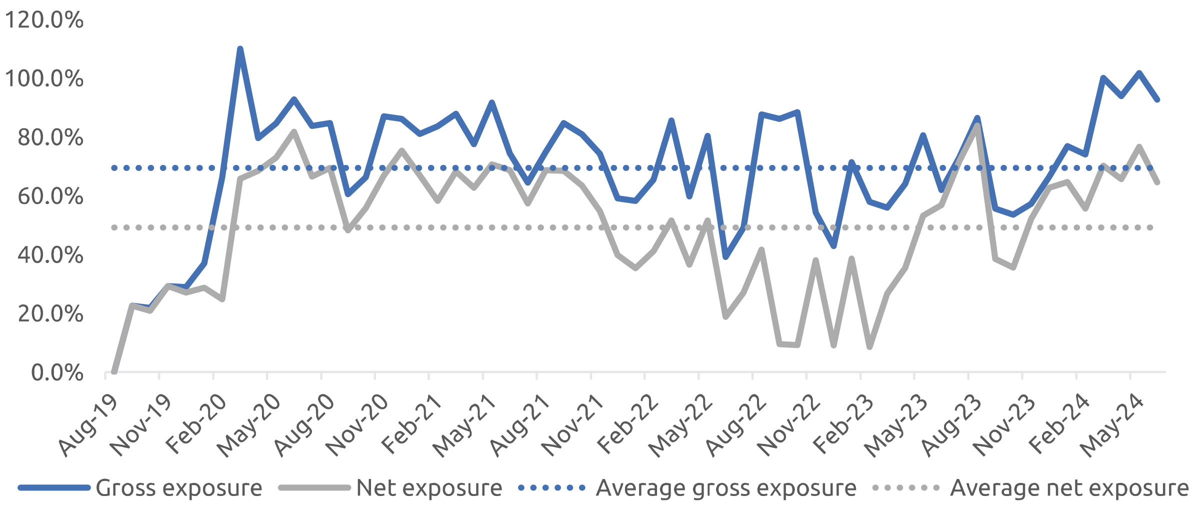


[2] Performance is after all fees, Founder Lead Series unit.
[4] 2015-2018: CVF (same portfolio managers and strategy); 2019 onward: Geometrica. Index = MSCI All Country World Index (AUD)

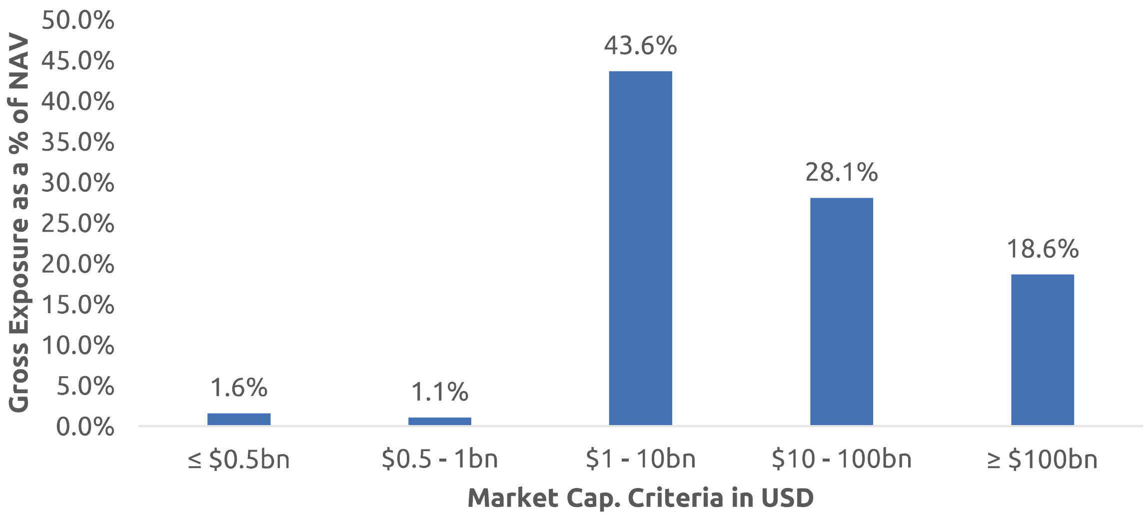
ASSET ALLOCATION

Country	Long	Short	Gross	Net
Australia	7.3%	(3.8)%	11.1%	3.5%
Americas	41.3%	(5.9)%	47.2%	35.4%
Asia	4.5%	(3.3)%	7.8%	1.2%
Europe	25.5%	(1.1)%	26.5%	24.4%
Total	78.6%	(14.0)%	92.6%	64.5%

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