



Geometrica Fund

Absolute return

January 2025

Contrarian



Deep Research



Better Outcomes

Disclaimer

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The Fund is not suitable for all investors. Investing in any security or fund involves significant risk. The price of any security or fund may decline as well as rise.

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

Geometrica Fund overview

Asset Class

- Listed global equities
- Large / mid cap developed markets
- Long / short

Approach

- Opportunistic. Cash is natural alternative.
- Evidence-based research in situations of *rapid change*
- Low tolerance for drawdowns.

What we target

- Measurable asymmetric upside
- Situations where evidence indicates consensus error
- Anticipating and quantifying positive change

Key areas of edge

- Search: Wide, automated and back tested
- Deep Diligence: Traditional + data + field research
- Data: Ongoing monitoring of key value drivers

Outcomes: Outperformance. No down years. 9 years.

Three Tenets define our fiduciary responsibility

We believe that
**Capital preservation is
paramount**

We invest **only** when reward
significantly exceeds risk

Capital allocation is **scaled on
return asymmetry**, to drive
better risk adjusted returns

Alignment of incentives and behaviour

Persistently compounding capital

We believe in always challenging the consensus

The most **dangerous** trades are **consensus**

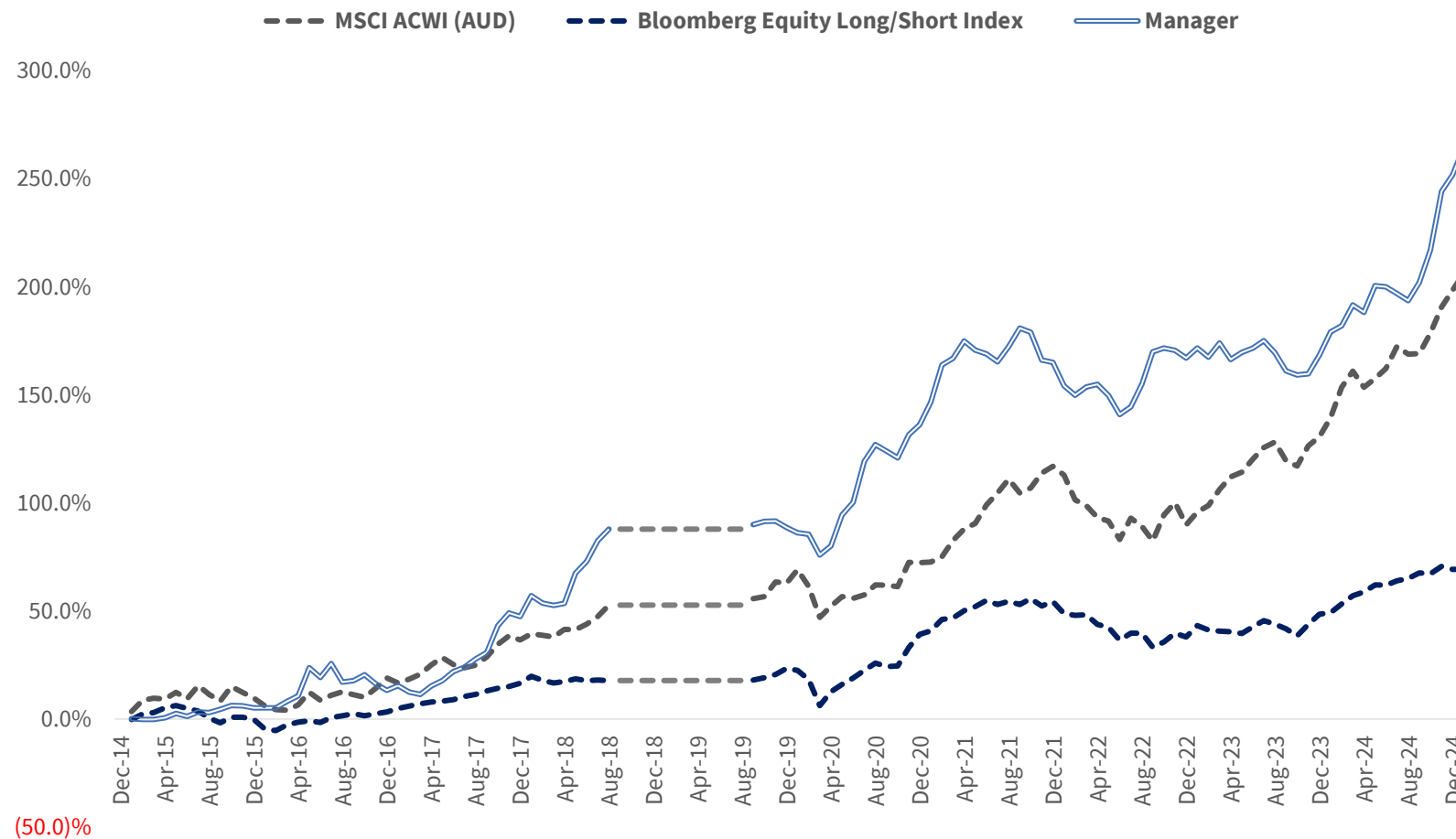
The most **compelling** investments are **contrarian**

By **avoiding large drawdowns** & seizing on **contrarian opportunities**, we can **compound capital**

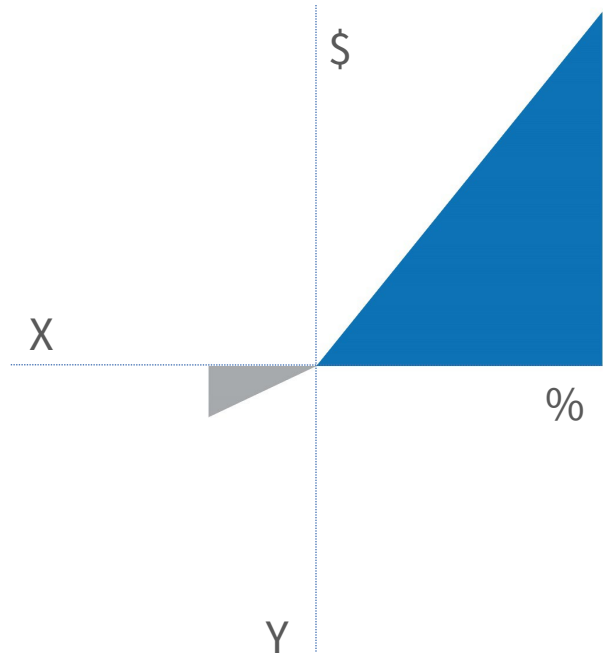
Performance

Historical performance net of fees

Year	Manager
2015	+5.1%
2016	+7.7%
2017	+30.3%
2018 (Jan-Aug)	+27.4%
2019 (Sep-Dec)	+0.5%
2020	+25.2%
2021	+12.2%
2022	+0.8%
2023	+0.5%
2024	+31.1%
2025	+3.6%
Total p.a	+15.3%
Total cumulative	+264.7%



Source: Mainstream, ASX announcements, Geometrica and Bloomberg. Performance is after all fees. Performance period is from January 2015 (excluding the period of September 2018 – August 2019; Manager left CVF in August 2018 and began Geometrica in September 2019). MSCI = MSCI ACWI (AUD).



*“It’s not whether you’re right or wrong that matters...
...it’s how much money you make when you’re right...
...and how much money you lose when you’re wrong...
...that really matters”*

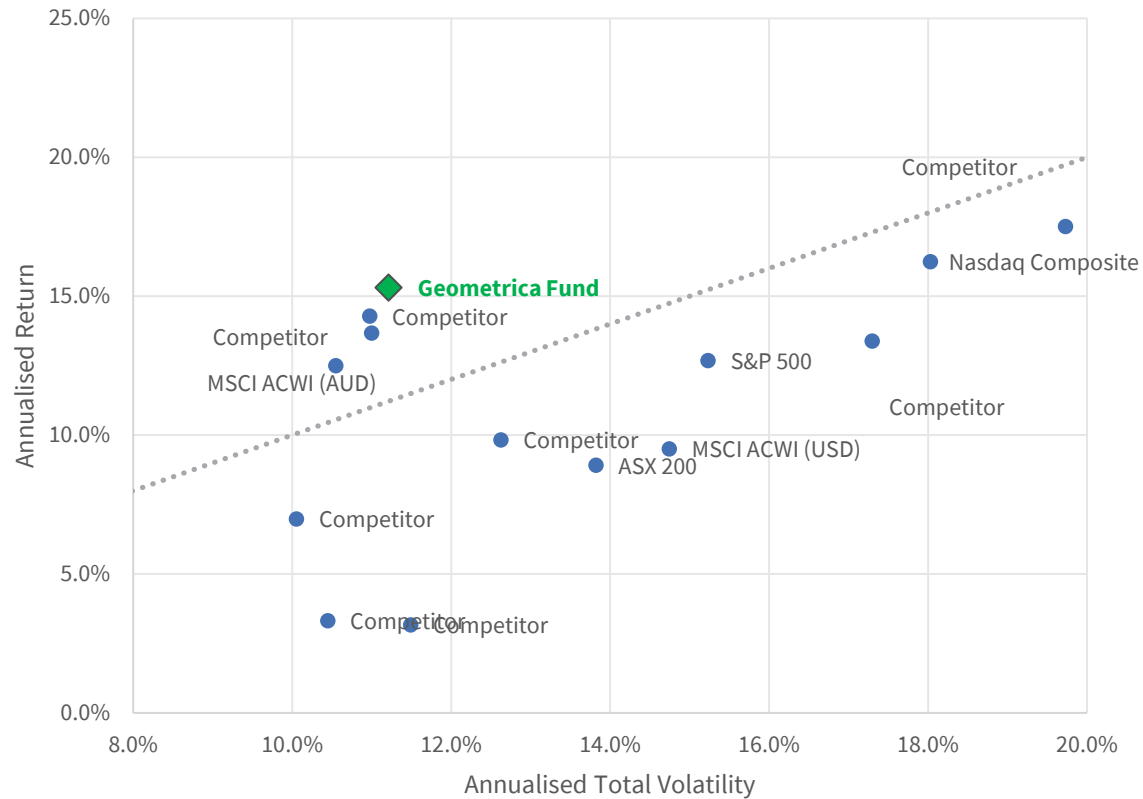
Stanley Druckenmiller

Risk and reward

Sharpe Ratio: Manager ITD

Sharpe Ratio - Manager ITD

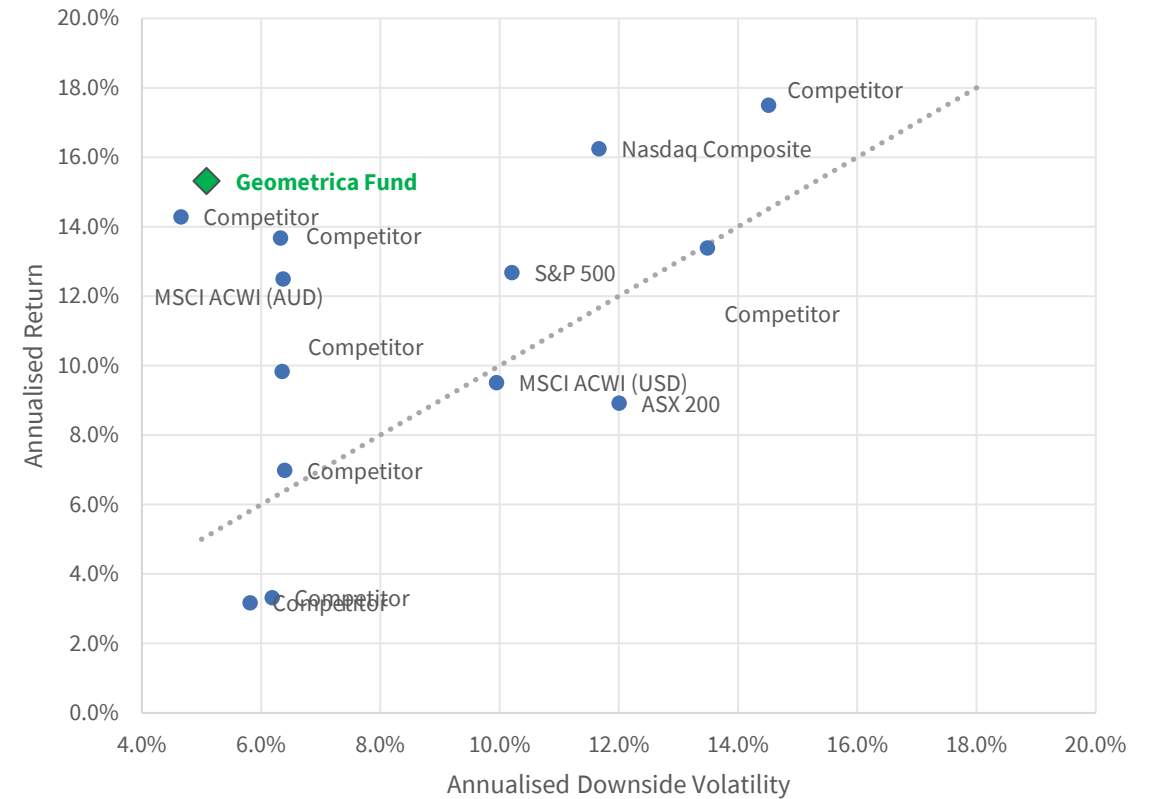
..... 1x Sharpe



Sortino Ratio: Manager ITD

Sortino Ratio - Manager ITD

..... 1x Sortino



Typical portfolio characteristics

Long positions

- Opportunistic
- 15-30 positions
- Companies in “recovery” phase or “revolution” phase
- Non consensus forecasts
- Positive informational and risk asymmetry
- Prefer longer half life situations
- Preference for quarterly reporting + large / mid cap + developed markets

Short positions

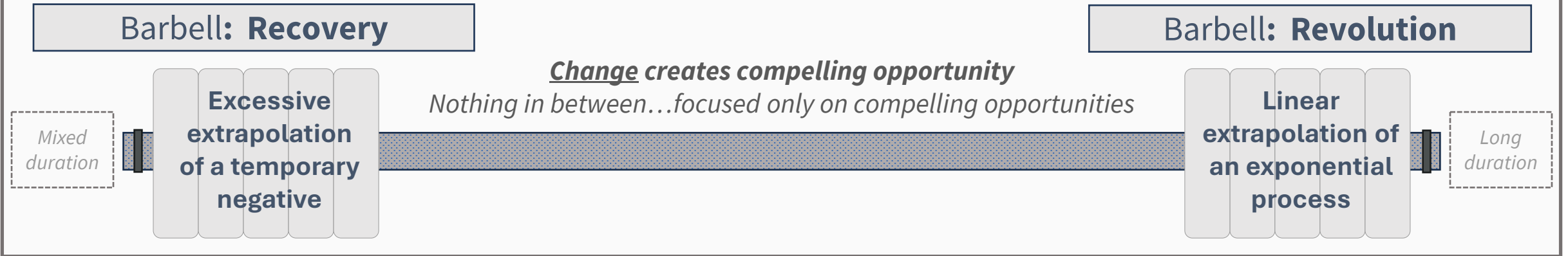
- Opportunistic
- 0-30 positions
- “Good” company decaying, reflexive reversal, one trick ponies, fads
- Non consensus forecasts
- Smaller sizing than longs

Macro considerations

- Macro for risk mitigation, not to drive investment decisions
- No borrowing for leverage
- No writing of options
- *“If you have to hedge, don’t invest”*

Our barbell approach focuses on situations of rapid change

Barbell Approach: Focus only on situations of *rapid change*



EXAMPLES: RECOVERY

Stock	Country	Fear	Progress
Ambu		Cost blowouts and product misses	New CEO. Cost cutting + more focused product launches. Recent major US CMS award. Strong margin recovery in process. Revenues strong.
DOF Group		Recent creditor restructuring	Hydrocarbon customer orders back to old peaks with 30% less Offshore Support Vessels. Large offshore wind demand emerging (MMA takeover).
Resmed		GLP1 fears + COGS compression	Inventory normalisation driving GPM expansion and cashflow. GLP-1 meta analysis shows GLP-1 <u>additive</u> to PAP demand as GLP-1 base expanding.
Royal Caribbean		Covid victim	Covid wiped out revenue. No government assistance. Mounting debt. But huge structural demand (cheapest form of international travel).
Netflix		Subscriber fall, ads dilutive	Covid normalisation caused the subscriber contraction. Ad tier, given high CPM (cost per mille) are wildly accretive and expand market size.
IDP		Covid sudden stop	Covid drove pent up demand and online adoption and multiple expansion on a stock which was net cash. Large winner.
GVC / Entain		Covid impacts on high street business	Covid impacted UK business. Emergent US business penalised on equity accounting losses where US comps valued on sales. Large winner.
Activision		Scandal	HR scandal involving very poor behaviour and culture. Regulatory investigation, staff protests. Core franchises intact. Recovery + takeover.

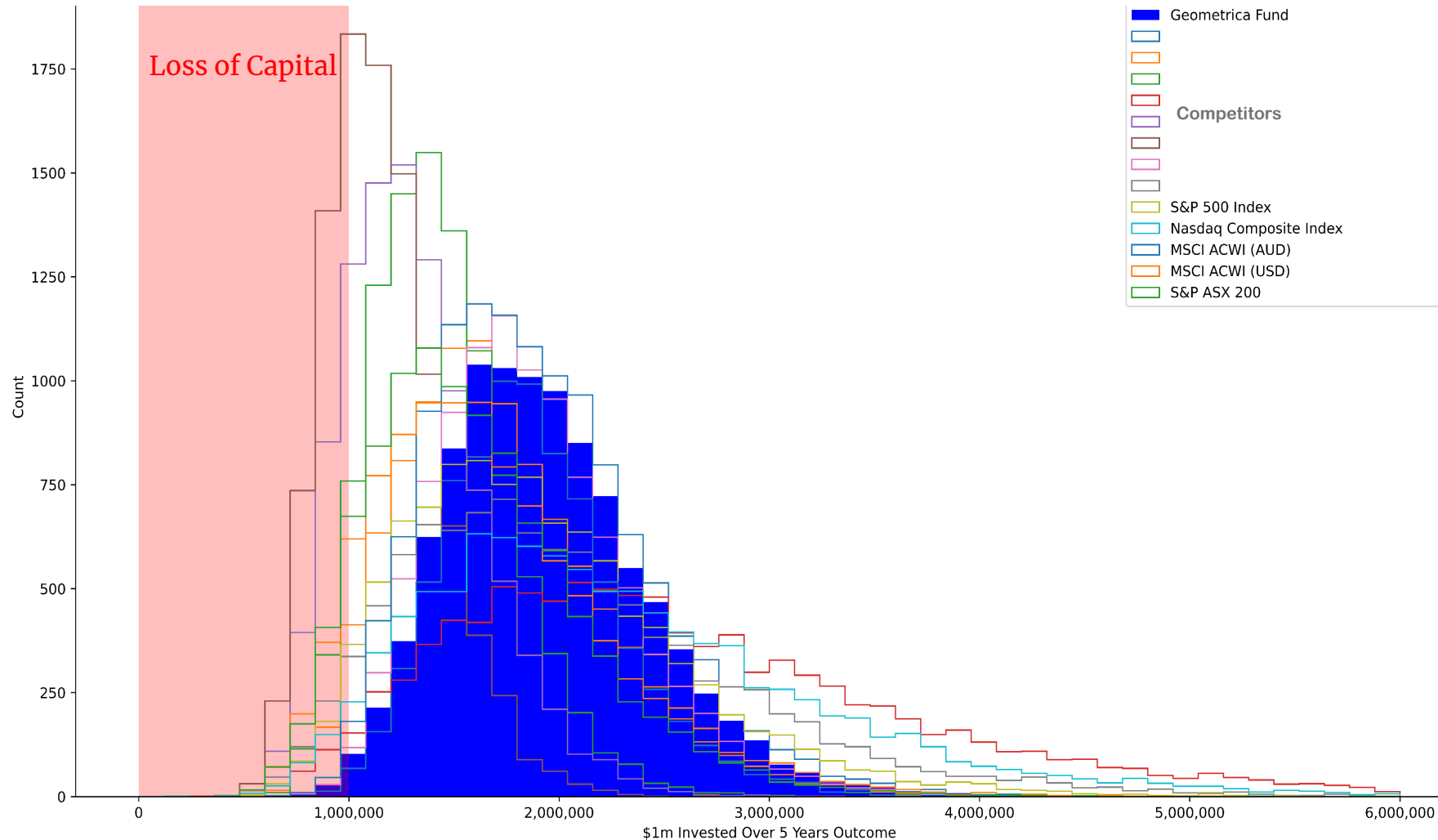
EXAMPLES: REVOLUTION

Stock	Country	Inefficiency	Progress
App Lovin		Structural change	Business model shift to ad exchange from app based business. Very rapid growth in game ads, shifting to new vertical. Cheap on FCF. Large upside.
Novo Nordisk		Paradigm shift x blockbuster drug	Incretin drug class to drive unparalleled demand. New oral formulations coming. Obesity as contributor to multiple co-morbidities to open CMS.
NKT		Energy transition rent trap	Renewables low capacity factor drives demand for high voltage DC cable. Major wave of offshore wind driving massive demand. Sold out until 2027.
Nvidia		Rapid fall in compute cost - massive demand	Parallel processing benefits driving datacenter mix shift to GPU. Potential for rent shift from DC to upstream not in the price yet.
AMD		Beneficiary of Intel's stumbles	AMD server chips better yield / cost of ownership due to "chiplet" design vs Intel monolithic approach. As share gained, margins inflected.
HelloFresh		Circularity of adex and customer additions	Covid impact drove rapid demand, not reflected in earnings expectations, despite circularity to advertising. Large winner. Nb - current short.
Daiichi Sankyo		Soft sales causing sell off	Enhertu (antibody drug conjugate) primarily breast cancer drug targeting particular over expressing genes. Blockbuster drug. <u>Saving many lives.</u>
Afterpay ¹		Free credit drives adoption	"Free credit" for consumer + "Card not present" fraud saving for merchant drove massive growth. Flat cost curve ultimately caught up.

Lower volatility leads to better Expected Outcomes

Higher volatility leads to fatter tails

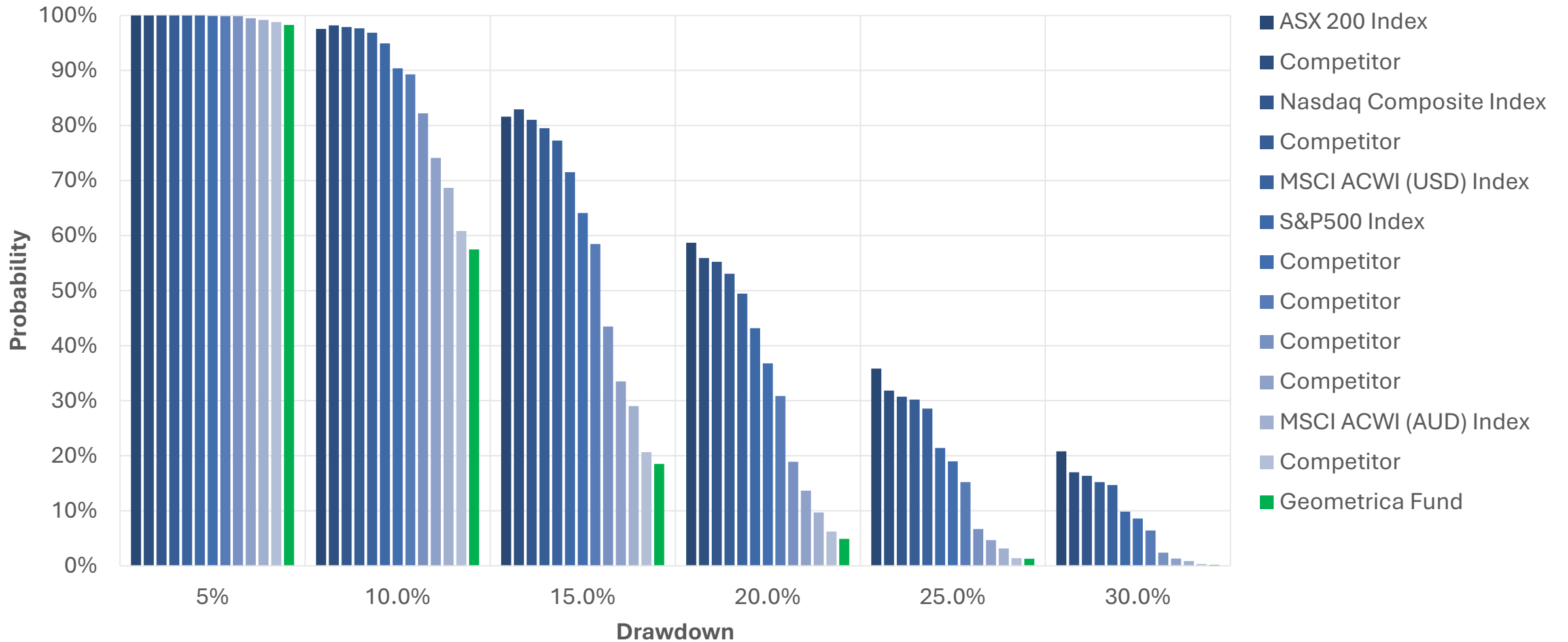
5 Year Investment Outcomes After 10,000 Simulations



Source: Fund disclosures, Geometrica. Based on published data from and on comparable fund strategies since 2014.

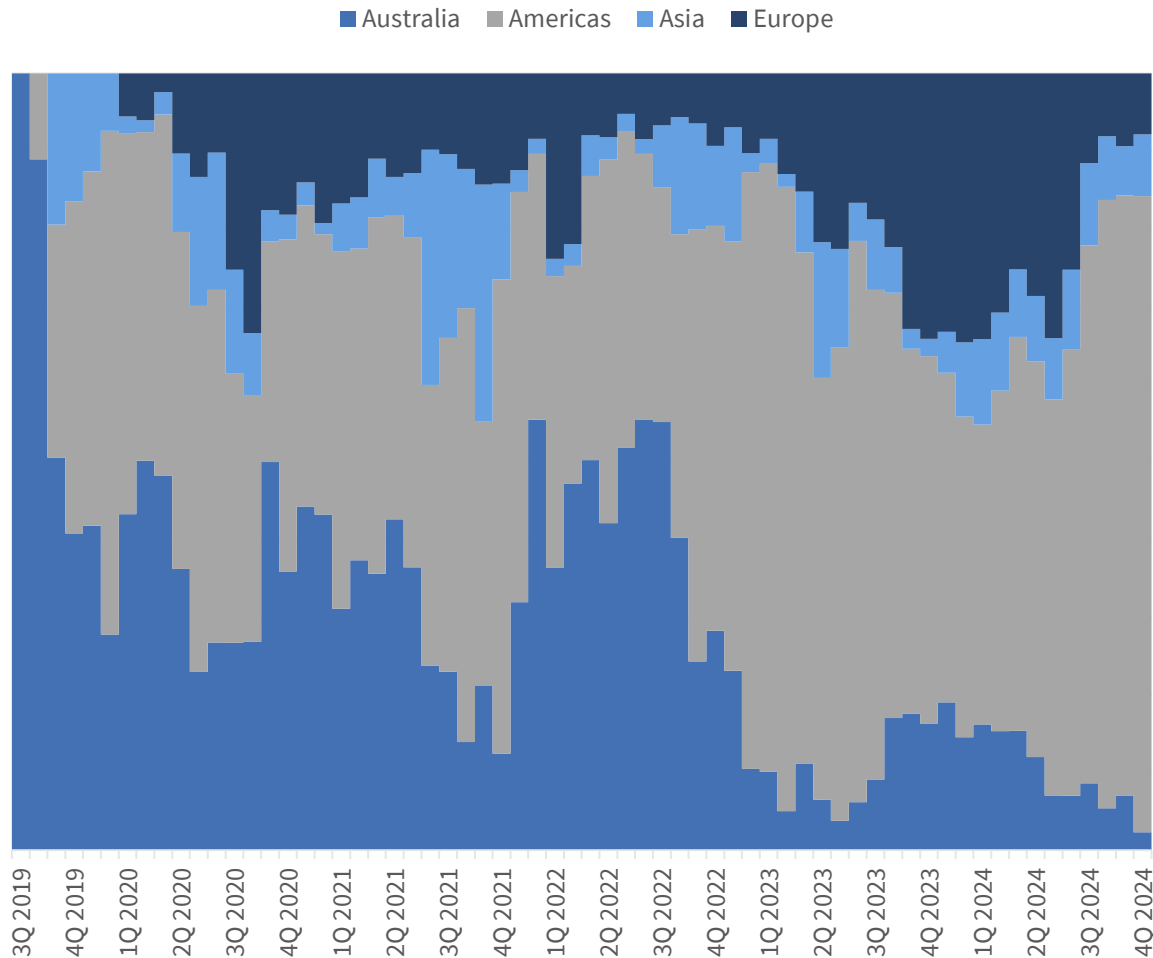
Lower volatility reduces investment timing risk

Q: What is the probability of an "X%" Drawdown Over a 5-Year Investment?

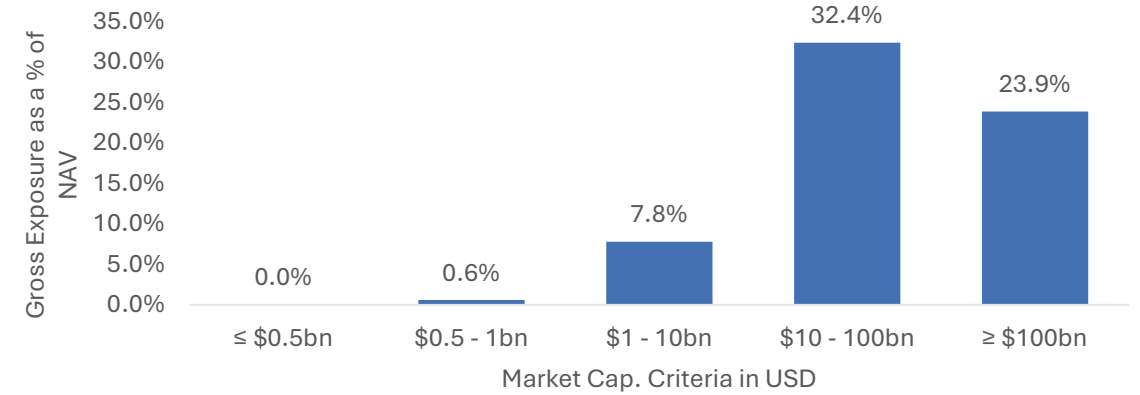


Liquid and Geographically Diversified

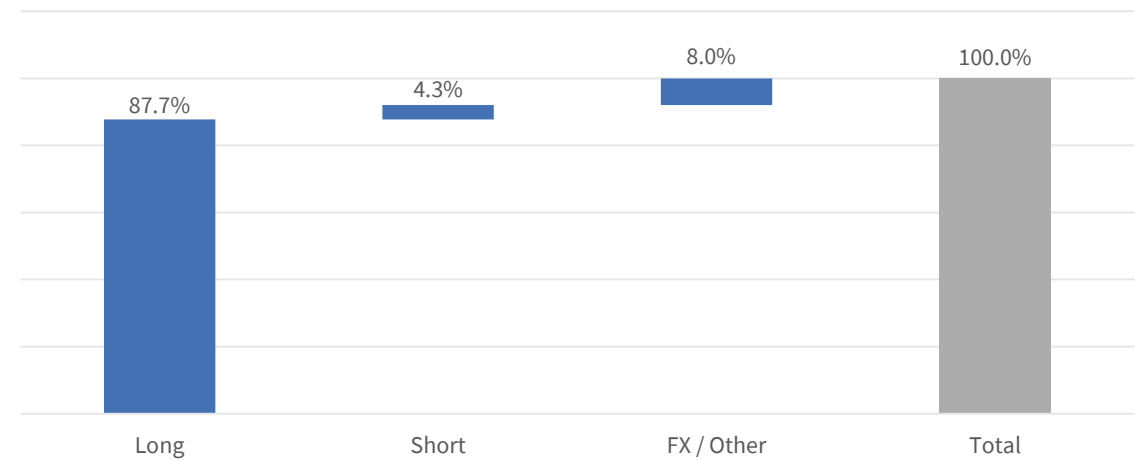
Geographic exposure (gross)



Portfolio by market cap (US\$b)

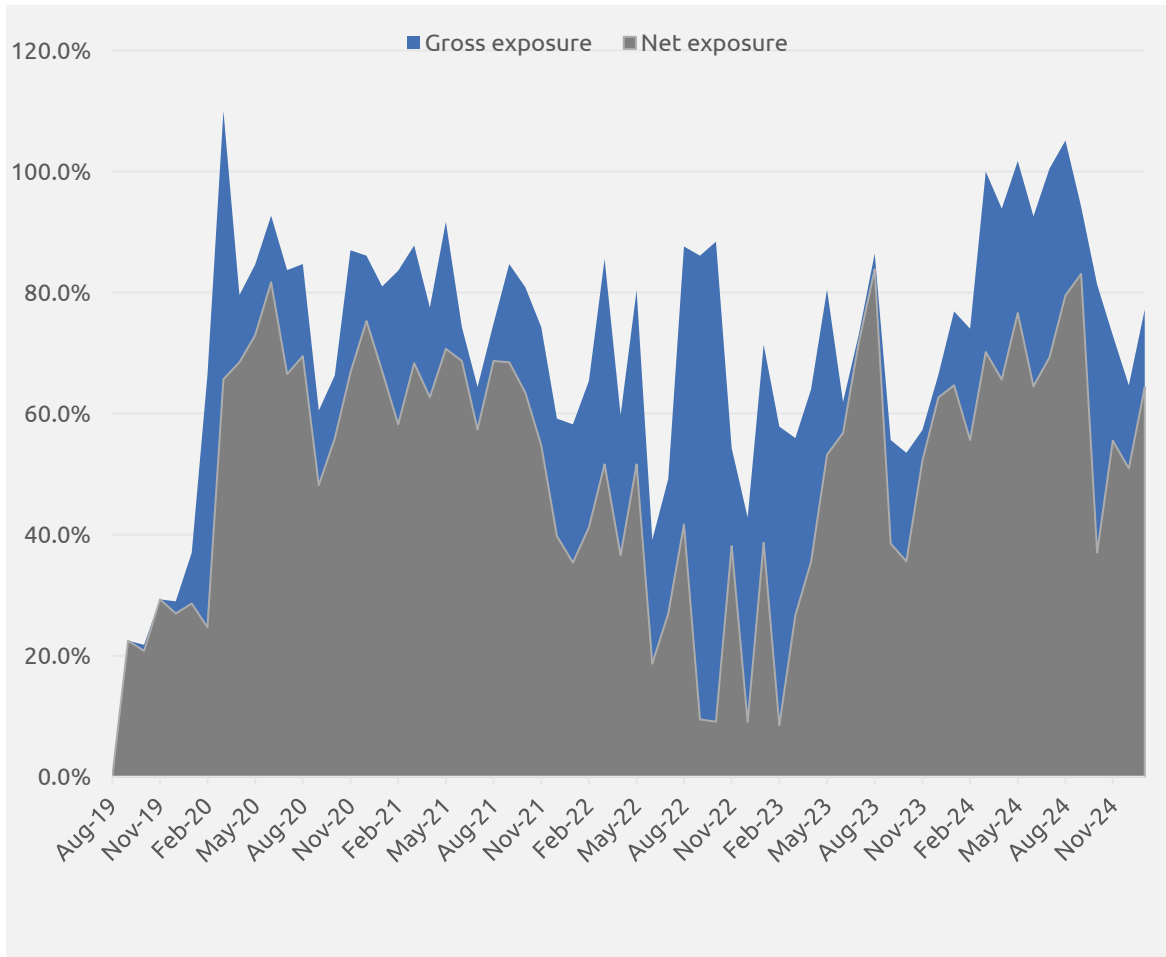


Performance attribution inception to date

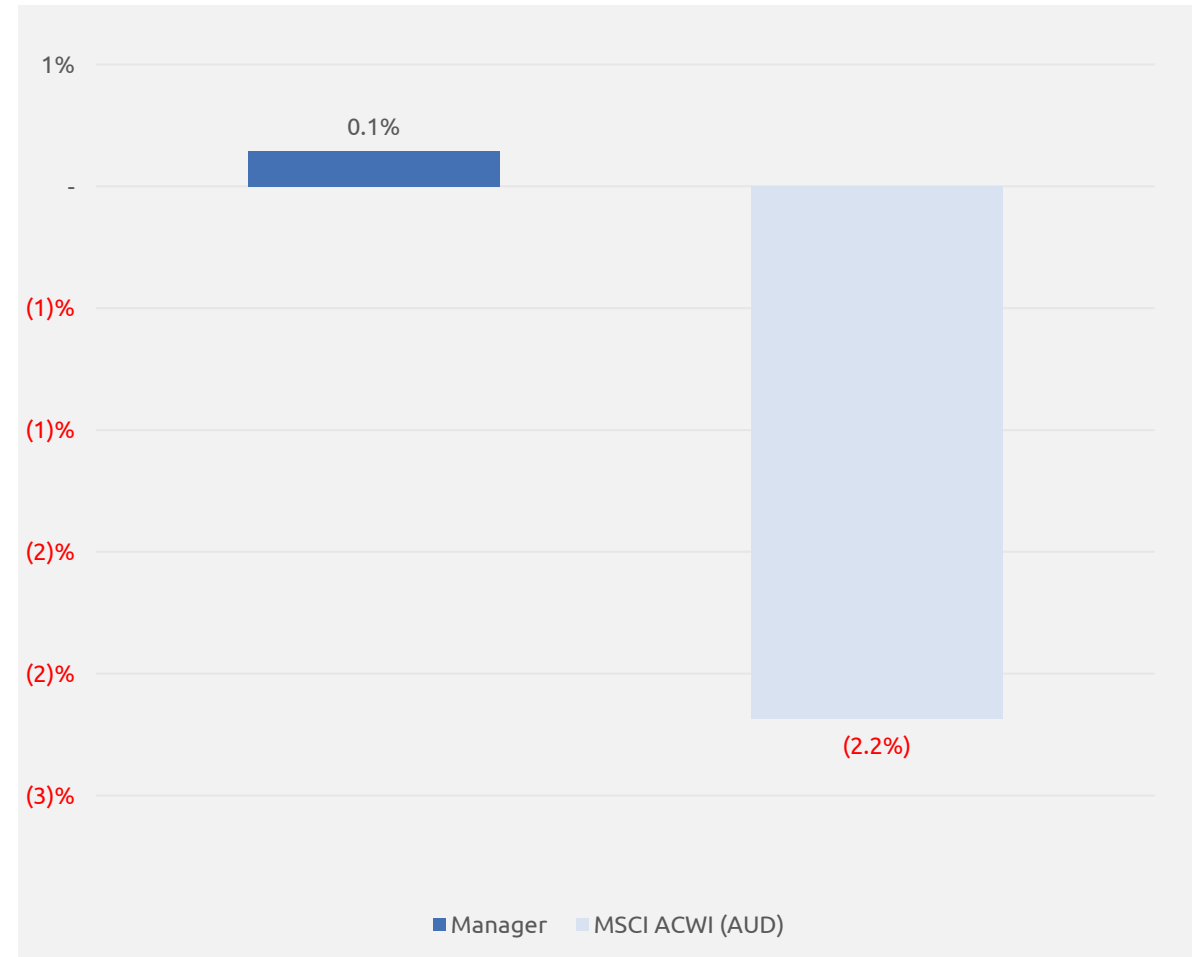


Process, not leverage, drives outcomes

Gross & net exposure



Performance in down-market months



Investment team



Gary Hui
Managing Partner,
Portfolio Manager

- >25 yrs of learning as Analyst, Risk Manager and Investment Banker
- Lead PM of ASX listed CVF, 23.1% p.a.
- Ex Indus Capital, a US\$4.7bn US hedge fund, founded by former Soros Fund Management partners. Short selling specialist.
- Ex J.P. Morgan Proprietary Trading, ECM and M&A.



Ben Wolrige
Portfolio Manager

- >16 yrs experience as PM and Analyst.
- Co-PM/Analyst at CVF
- Ex VGI Partners, a \$3bn Sydney based hedge fund. Short selling responsibilities.
- Ex Corality Financial Group (project finance & modelling consultancy) and Macquarie Bank.



James Bradley
Head of Data &
Analyst

- >6 yrs experience as an Analyst
- Econometrician specialising in Machine Learning, Massive Data Mining and Quantitative Finance.
- Computer science background.
- Former sell side research analyst at Wilsons, developing a “Data Insights” research product that generated significant alpha.

Advisory Board



David Hancock
Advisory board chair

- Chairman of FinClear. Former Group Head / Executive Director at AfterpayTouch.
- Held executive and board positions at Commonwealth Bank, Tower Insurance and at J.P. Morgan.



Stephen Menzies
Legal advisor

- Former partner of Ashurst / head of China practice.
- Former Non-executive director of Platinum Asset Management Ltd and Century Australia Investments Ltd.
- Former National Director of Enforcement at the Australian Securities Commission.



Rodney Jones
Macroeconomic advisor

- Principal of Wigram Capital Advisors, a macroeconomic advisory firm.
- Former Partner of Soros Fund Management.

Selected case studies

Common attributes:

Thesis contradicted the (then) consensus narrative

+

Thesis grounded in evidence and logic

=

Contrarian



Example: (Long) Netflix

Consensus narrative

- **Negative subscriber growth**, so inability to increase content spend implying a **broken business model**.
- Netflix announced ad supported tier.
- **Market assumed ad tier would be profit dilutive** due to subscriber downtrading.



20 April 2022:

“Today, we sold our investment in Netflix...”

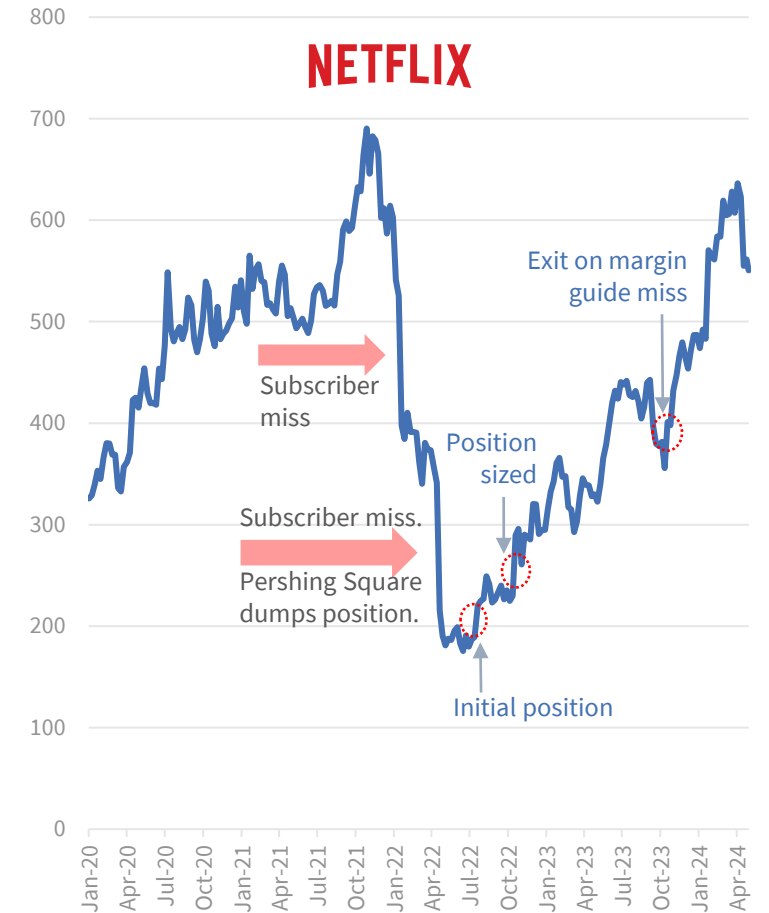
“...continued disappointing subscriber growth...”

“changes in the company’s future subscriber growth can have an outsized impact on our estimate of [sic] intrinsic value.”

Evidence

- Netflix was **gaining share** in **viewing time**
- No competitors were growing in a manner indicating share gains from Netflix.
- Viewing time was impacted by end of Covid – “back to school and work”.
- Analogue in music and comparable CPM rates for similar product **indicated ad tier would be more profitable** than most popular ad free tier.
- Netflix was trialling **anti password sharing measures**, accretive to revenue.
- NFLX **lowest valuation** since pre Qwikster.

Opportunity?



Source: Company accounts, Geometrica

Example: (Long) Ambu

Consensus narrative

- Large short interest – consensus short on falling margins and missed forecasts.
- But because the earnings were crushed by lax cost control...Ambu was a prime candidate for a “self-help” turnaround.

Evidence based reality

OPEX crushes EBIT

DKK m	Revenue	COGS	OPEX	EBIT
2019	2,820	1,154	1,032	634
2022	4,444	1,890	2,372	182
Change	1,624	736	1,340	(452)
Change %	57.6 %	63.8 %	129.8 %	(71.3)%
3yr CAGR	16.4 %	17.9 %	32.0 %	(34.0)%

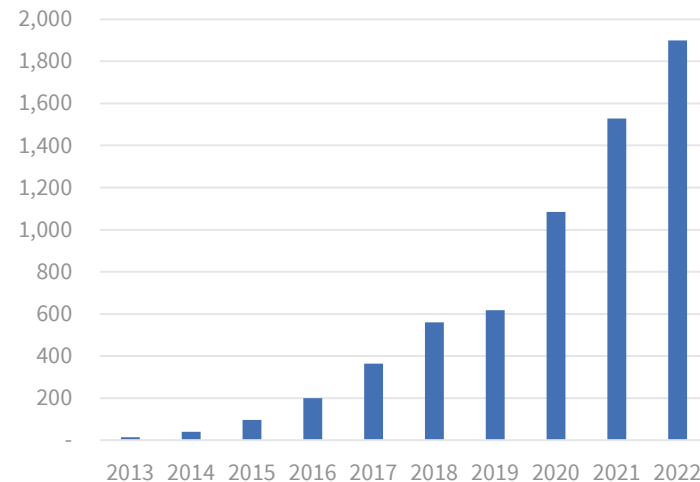
- AMBU grew OPEX ~2x sales rate for 3 years, compressing EBIT 71%!.
- Poor cost control, not low demand, tanked earnings.
- Cost cuts + cost control given strong revenue growth will mathematically drive margins higher.

Source: Company accounts, Geometrica

Contrarian (evidence based) reality

- Ongoing underlying strong unit sales growth.
- Despite everything...volumes still growing.
- Ambu single use endoscopes mean **no infection risk**. This category is growing **3x faster** than reusable endoscopes.

Single use endoscope unit sales (000's)



Source: Company accounts, Geometrica. 2019 slow down due to ending a large distributor contract.

Opportunity?

- New management in late 2022. Plan to double margins...back to old levels.
- And the stock follows its margins.

Ambu...margin recovery



Source: Company accounts, Geometrica

Example: (Long) DOF Group

Consensus narrative

- Owner of Offshore Vessels (OSVs). Driven by offshore oil and gas IMR¹ and subsea.
- Covid (2020) killed the oil capex cycle...and DOF. Restructuring starts 2020, completes 2023 with almost full debt to equity swap.
- IPO in June 2023 on a low multiple. On earnings underpinned by crisis era (2020-2021) contracts. "Trough on trough" valuation at IPO.

Contrarian (evidence based) reality

- Oil markets have recovered since 2021.
- Subsea **backlogs are higher than 2013 peak...**but **OSV fleet size is 30% lower.**
- **Wind demand for OSVs has just started.** MMA (compco) recently acquired by wind operator.
- OSV rates are rising fast. Logically, they will surpass prior cycle all-time highs.

Opportunity?

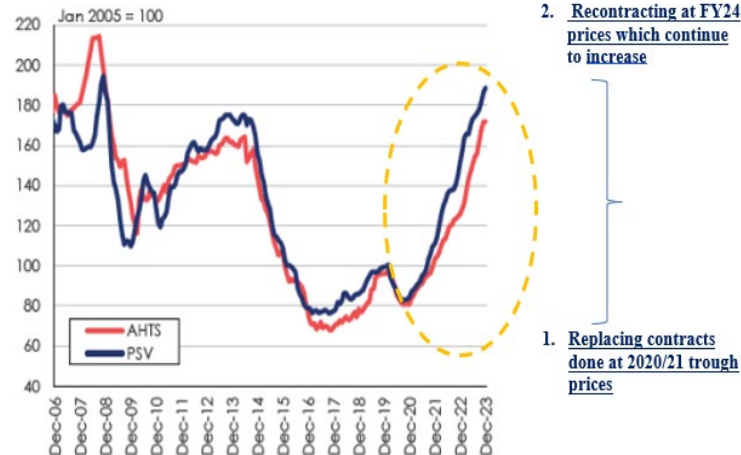
- DOF starting to replace 20/21 vintage contracts at rates **~2x higher.**
- **At current market rates, DOF EBITDA increases ~76% from 2023 levels, on our forecasts.**
 - **39% FCF yield, 3.3x EV/EBITDA**
- Half the multiple MMA was acquired for.

Creditors Force DOF in Bankruptcy Wiping Out Shareholders



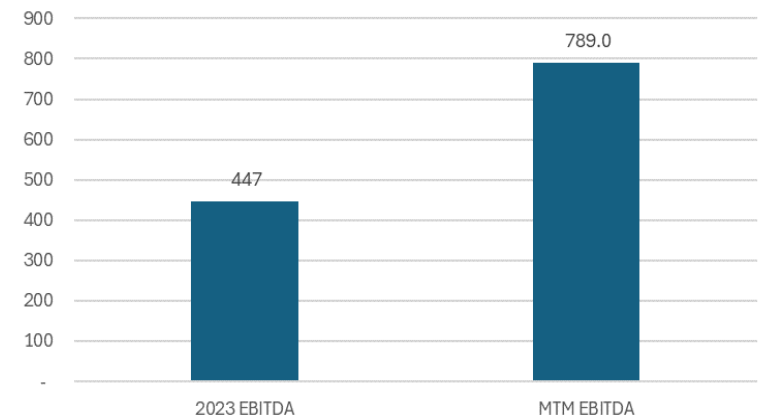
DOF says refinancing will proceed as parent company is forced into bankruptcy (DOF file photo)

Clarksons OSV Rate Index



Source: Clarksons

2023 EBITDA vs "Leading Edge" EBITDA (USD M)



Source: Company announcements & Geometrica

¹ Inspection, Maintenance and Repair.

Example: (Short) A2 Milk



Consensus narrative

- **Earnings guidance** in August 2020 and November 2020 was **for earnings recovery** in China Daigou sales channel.

Guidance

Analyst:

“So all the feedback that we’re getting around three to four months worth of inventory relative to usual, say, one to two months is off. Is that what you are suggesting?”

A2 Milk executive:

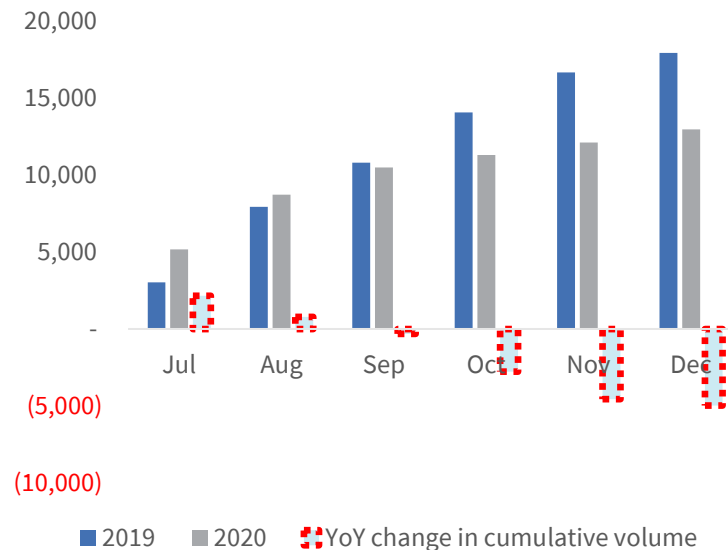
“That’s correct”

Source: Company announcements

Contrarian (evidence based) reality

- We tracked A2 sales volumes via a public data source.
- The data showed A2 would materially miss their earnings guidance.

A2 English label cumulative shipments to Australia



Source: Company accounts, Geometrica

Dashed Expectations

- A2M’s share price fell 23.7% when they finally made their profit warning.

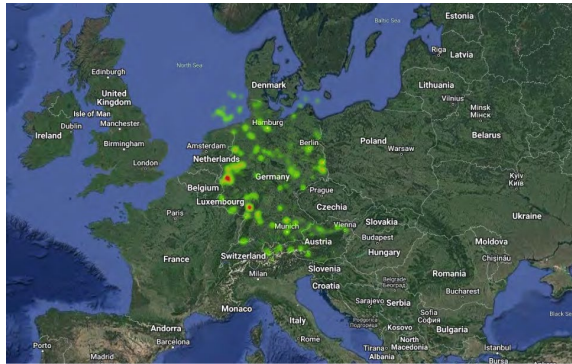


Source: Company accounts, Geometrica

Bespoke data and evidence in our process

Long: Whitehaven Coal (WHC AU Equity)

Live tracking German electricity consumption + modelling coal burn



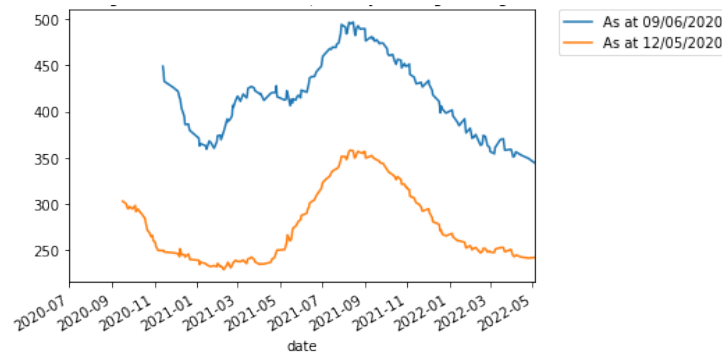
Short: A2 Milk (A2M AU Equity / ATM NZ Equity)

Tracking main market pricing by very large sample of wholesalers



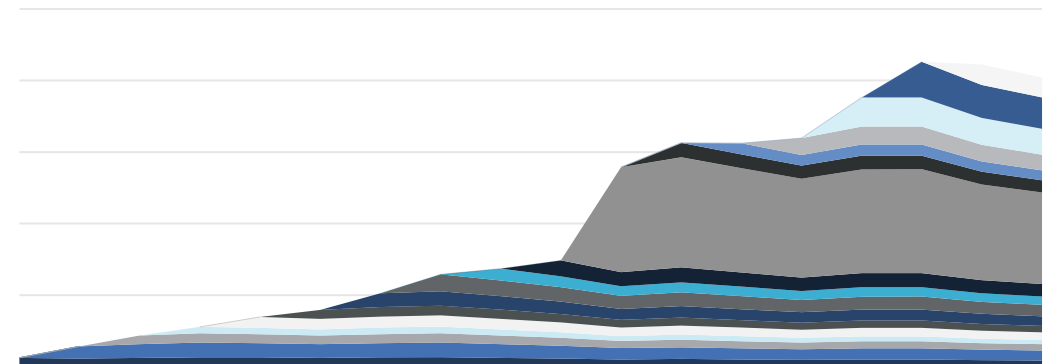
Long: Royal Caribbean Cruises (RCL US Equity)

Tracking voyage price curves + cabin class “book outs” by vessel and voyage



Short: GrubHub (GRUB US Equity)

GrubHub’s “layer cake” of orders: Back book collapse and timing the short



Recap

Item	Description
Fund	A\$ wholesale unregistered Australian unit trust.
Asset class (predominant)	Listed equities (International Developed Market). Large / mid cap focus.
Approach	Opportunistic. Protect capital first, make money next.
Constraints	Investment Process focused on constraining downside risks + isolating upside opportunities
What we target	Change. Situations of active price discovery.
Things we avoid	Consensus ideas. Small caps / illiquidity. Emerging markets. Investing when our earnings estimates are the same as consensus.
Short selling	Opportunistic. Generate \$ in falling markets / single stock shorts in compelling situations.
How do we <i>find</i> investment targets	Automated search for targets.
How do we <i>diligence</i> targets	Logic + evidence + internal earnings estimates. Fundamental research process. Emphasis on logic and evidence.
Active share	High (a process outcome, not an input).
Correlation / downside share	Low
Purpose	Compound investor capital by sidestepping downside risk and actively participating in upside risk.
Record	+14.9% pa through cycles. Low downside volatility. <i>Compounding of investor capital.</i>
More info / examples / docs	www.GeometricaFund.com

Offer

Item	Description
Fund	Geometrica Fund, a wholesale unregistered A\$ unit trust
Investor eligibility	Wholesale investors only as defined per Corporations Act (2001) Cth
Gross exposure range	Up to 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%. Spread for benefit of Fund, not Manager
Fees (Founder units)	1.0% management (+GST) / 15% performance (+GST) over RBA cash rate
Liquidity	Monthly
Investment horizon	3 – 5 years minimum as a suggestion
Platforms	Ausmaq, Hub24, Powerwrap & Netwealth
Administrator	Apex Fund Services
Website	www.GeometricaFund.com

Contact Information



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Contrarian



Deep Research



Better Outcomes