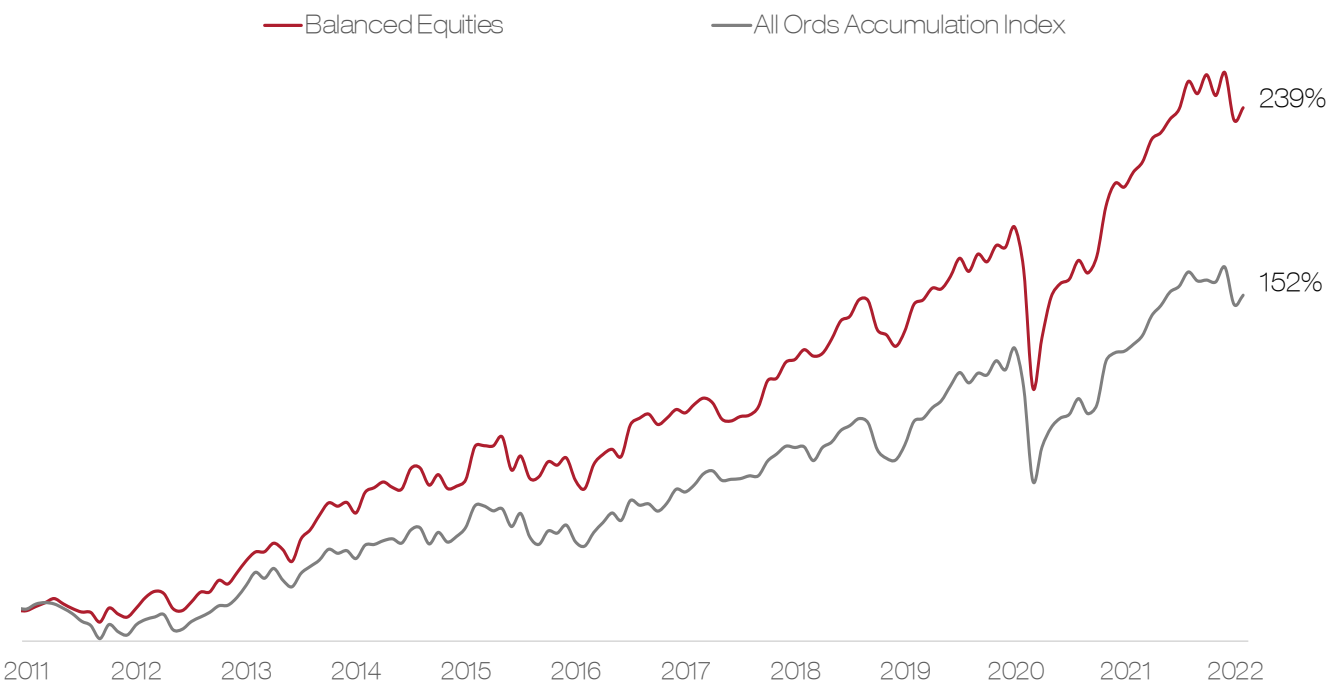
Endeavor Asset Management

Balanced Equities

February 2022

Performance*	Month	Quarter	One Yr	2 Yr p.a.	3 Yr p.a.	5 Yr p.a.	10 Yr p.a.	11 Yr p.a.	Inception
Balanced Equities	1.7%	-1.7%	9.7%	13.5%	11.1%	11.1%	11.9%	10.7%	239%
All Ordinaries Accum.	1.7%	-2.4%	10.0%	9.8%	9.3%	9.0%	9.6%	8.7%	152%
Outperformance	0.0%	0.7%	-0.3%	3.7%	1.8%	2.1%	2.3%	2.0%	87%



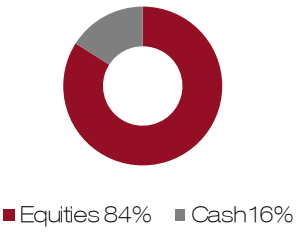
Top Contributors

Challenger Limited
Silver Lake Resources
Woodside Petroleum Ltd.

Top Holdings ASX 200

BHP Group
Commonwealth Bank
CSL Limited
National Australia Bank
Woodside Petroleum Ltd.

Cash Weighting



Bottom Contributors

City Chic Collective
IGO Limited
Trajan Group

Ex 200

City Chic Collective
Imdex Limited
Kip McGrath Education
Money3 Corporation
Symbio Holdings Ltd

Portfolio Characteristics

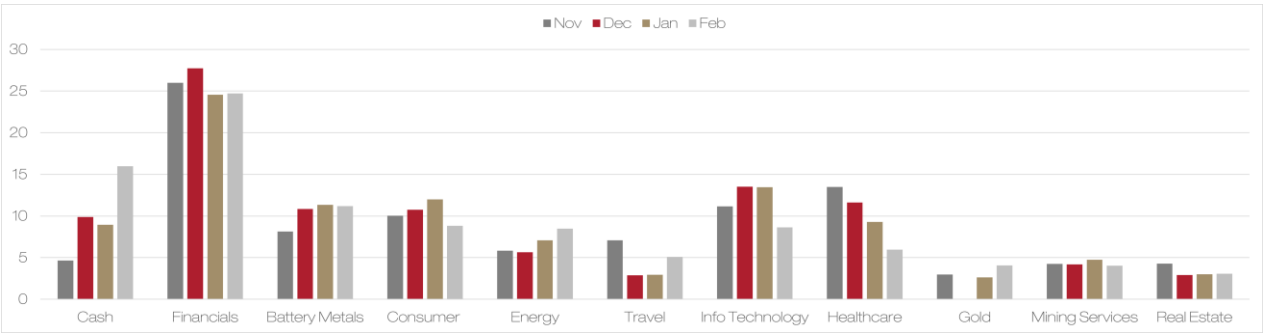
Low/Moderate Risk
85% ASX200 Limit
15% Ex200 Limit
20-35 ASX Listed Equities
Unconstrained Cash
All Ords Accum. Benchmark

*Note: Performance of the strategy group is representative of individual client portfolios, although performance can differ due to inherent differences between clients' portfolios such as initial entry timing, legacy holdings or requested stock exclusions. Performance measured is after fees, taxes and franking credits. Monthly performance figures include an accrual for fees charged quarterly. Top holdings and contributors are listed in alphabetical order.

Portfolio Commentary

The last few years have been extraordinary. In the newsletters this month we will try to demonstrate how we react to the constantly changing macro-economic environment.

Since November we have made considerable changes to the portfolio. Cash weightings are higher and we are positioned more defensively. The change in our exposure levels can be seen below:



In November, several holdings hit our valuation targets and after being fully invested for most of the year, we began to steadily increase cash levels. We reduced **Lifestyle Communities** since we expect higher interest rates to soften property demand. We increased our weighting in **BHP** based on a compelling valuation which would only improve if inflation and commodity prices continued to appreciate. By the end of the month, we held just under 5% cash.

In December, global equities markets finished the quarter strongly. We exited **Afterpay** based on valuation and reduced our weighting in **Xero**. We increased **BHP** to the largest position in the portfolio. Along with some other changes in the portfolio, the net result was an increase in cash levels to 10%.

January was one of the worst starts to the year on record for global equity markets. Fortunately, we entered the month with a higher cash weighting. We added **Silverlake Resources**, a gold producer which was trading at a 15% FCF yield and 0.7x the net asset value. We added **Breville** and **Carsales**, two high-quality businesses which we expect to perform well over the next 3-5 years. We increased **Webjet** based on valuation and the belief that Omicron has accelerated the end of the Covid-19 pandemic. The portfolio had close to 9% cash at the end of January. Ready to deploy if further opportunities present.

February is when most ASX-listed companies report their half-year financial results, and we were pleased to see strong results reported across the portfolio. We made numerous changes to the portfolio during the month and following reporting season, we are more confident about the long-term prospects of our holdings. But due to macro concerns the share price reactions tended to underwhelm. This is symptomatic of the market at the moment. **The recent reporting season confirms our own view that the prospects of our companies are promising.**

The weaker share prices have presented buying opportunities. We added to our position in **Money3,** which saw their share price fall in February. Our investment thesis hasn't changed despite the share price decline, and it has a strong competitive position owing to market-leading and in-demand products.

The company is enjoying strong growth, especially as they expand out into large addressable markets. And it trades on what we consider to be a compelling valuation.

We are working hard to manage the short-term risks but to also take advantage of opportunities to set the portfolio up for great long-term returns. **The portfolio has a high cash weighting because when quality companies go on sale, it doesn't often last long.** We are poised to take advantage of any opportunities if equity markets remain volatile. You should be aware that this might result in above-normal turnover in the portfolio.

Following a busy and volatile reporting season, the investment team is looking forward to travelling freely again to meet management teams and visit their operations. We believe that this is an important aspect of our investment process and is something that gives us an edge in our efforts to gain conviction in managing the portfolio for you.

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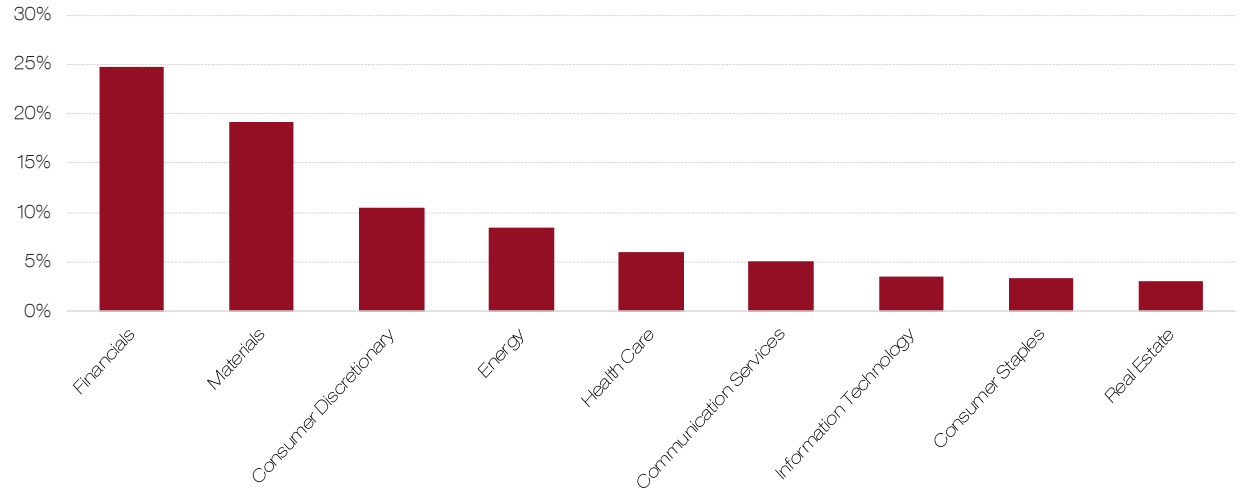
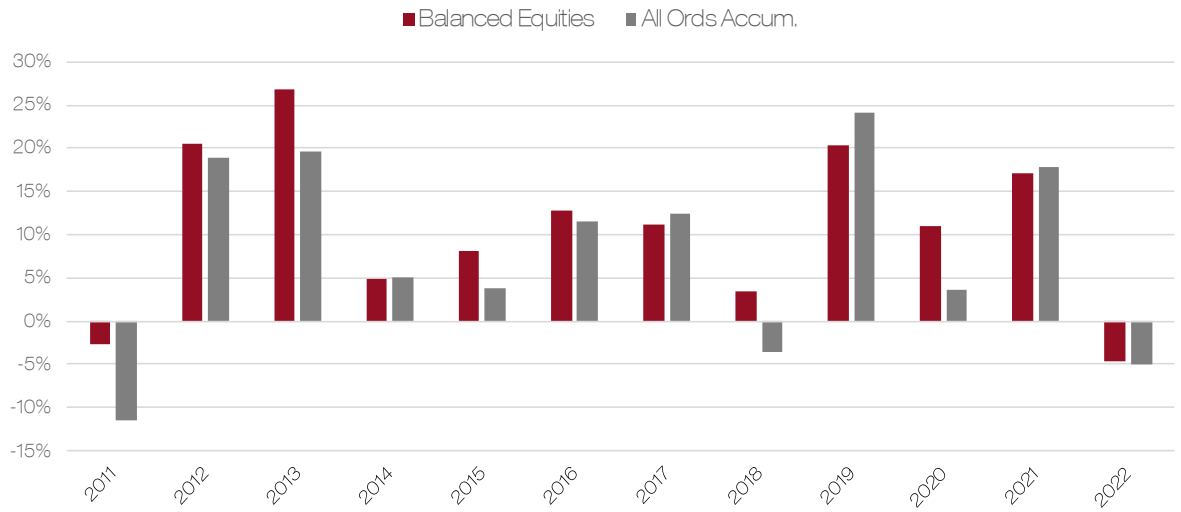
Portfolio Factsheet - February

Industry Exposures



Annual Return Chart



Investment Philosophy

Bottom up, fundamental focused investor with a 3-5 years time frame

Focus on under owned, under researched businesses

Returns can be maximized through fundamental industry and company research combined with active portfolio management

Small cap bias where inefficiencies in the market are the greatest

High conviction concentrated approach allows portfolios to hold only high conviction investment ideas

When investing in companies Endeavor take on the view of being the owner of the business

A concentrated portfolio with a flexible mandate

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