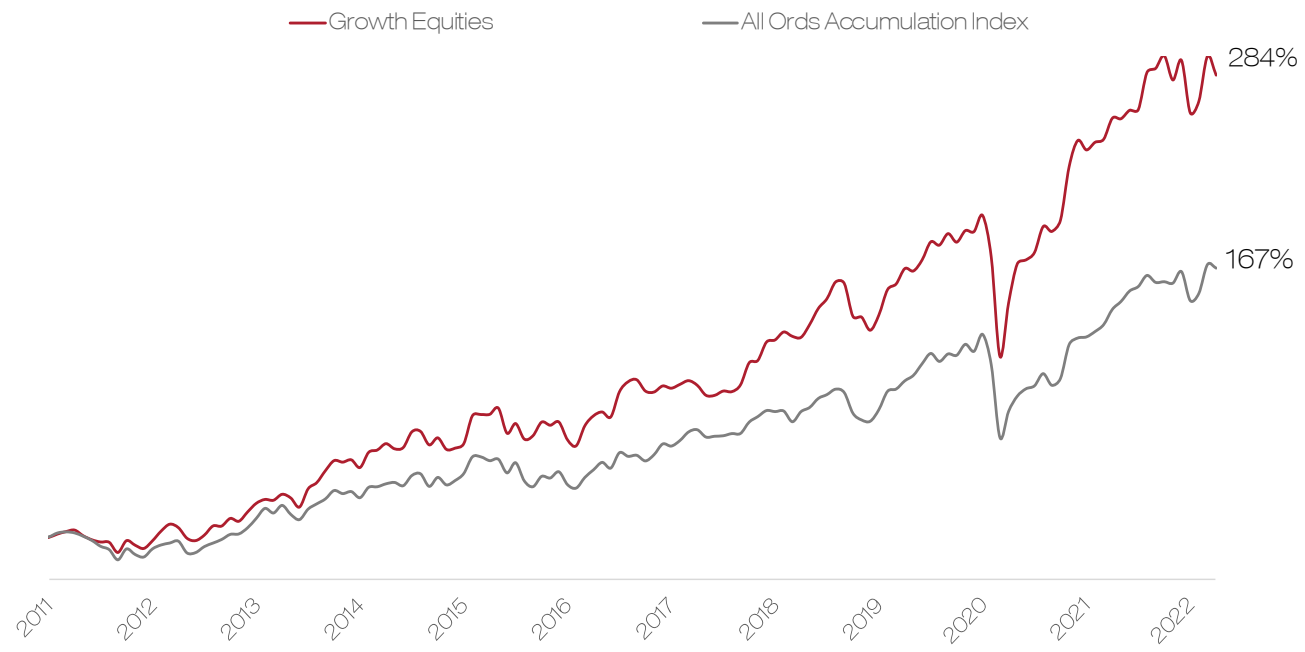
Endeavor Asset Management

# Growth Equities

## April 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 |
|---|---|---|---|---|---|---|---|---|---|
| Growth Equities | -2.9% | 6.3% | 7.3% | 24.8% | 12.8% | 14.3% | 13.2% | 11.9% | 284% |
| All Ordinaries Accum. | -0.8% | 7.9% | 10.2% | 21.5% | 10.3% | 9.5% | 10.0% | 9.1% | 167% |
| Outperformance | -2.1% | -1.6% | -2.9% | 3.3% | 2.5% | 4.8% | 3.2% | 2.8% | 117% |



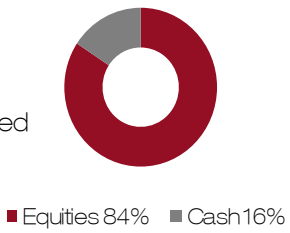

### Top Contributors

AMP Limited
Panoramic Resources
Whitehaven Coal Ltd

### Top Holdings
ASX 200

AMP Limited
BHP Group
Corporate Travel Management Limited
CSL Limited
Whitehaven Coal Ltd

### Cash Weighting




### Bottom Contributors

Block Inc.
Life360 Limited
Silver Lake Resources

### Ex 200

Bigtincan Holdings
Imdex Limited
Medical Developments
Money3 Corporation
Panoramic Resources

### Portfolio Characteristics

Moderate/High Risk
75% ASX200 Limit
25% Ex200 Limit
20-35 ASX Listed Equities
Unconstrained Cash
All Ords Accum. Benchmark

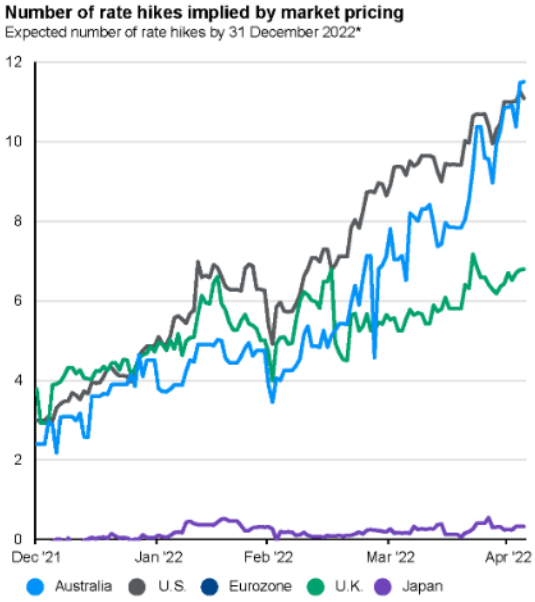
*Note: Performance of the strategy group is representative of individual client portfolios, although performance can differ due to inherent differences between clients' portfolios such as initial entry timing, legacy holdings or requested stock exclusions. Performance measured is after fees, taxes and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

# Portfolio Commentary

In April, inflation pressures increased and global economic activity showed signs of softness. Together they both amplified stagflation concerns in the market. In order to combat the increasing inflation, central banks increased expectations for higher interest rates which flowed through to more volatility in equity markets.

The tightening financial conditions have come at a time when economic growth has experienced a sharp downshift. The U.S. economy contracted last quarter, eurozone figures are soft and data from China is starting to demonstrate the impact of recent lockdowns.

While the macro warrants ongoing caution, there are reasons to be optimistic. The market has now priced in significant rate hikes which have made valuations more compelling. See the chart below from JP Morgan. Also, if the macro environment deteriorates further, the businesses that can structurally grow earnings regardless of the economic environment will be in demand. These are the businesses that we specifically look to invest in.




In April, the Australian market fell 0.8%, which was much better than the 8.7% decline in the S&P 500. The Endeavor Growth portfolio returned -2.9%. The return since inception is now 284% compared to the All Ordinaries Accumulation Index which has returned 167%. Utilities and consumer staples were the best performing sectors, while consumer discretionary, materials and IT were weak. The market weakness was especially focused on more growth orientated and smaller capitalisation stocks. For example, the Nasdaq was down 13.4%, the Russell Microcap Growth was down 5.7%, MSCI All Cap World Growth index was down 11.2%. This is a theme that has continued on from recent months where the Australian index has outperformed global equity markets due to the high weighting in materials and financials.

We have experienced markets like this before, where the selling is focused on our area of speciality, and in the past, these sell offs have created the best opportunities in the future. Even considering the share price weakness we are seeing in the market, and in some of our holdings, our portfolio is in great shape. **Reporting season was strong, the company fundamentals are improving, and we remain confident that our investments have a sound future.** While the macro environment can dictate share prices in the short term, we know that over the medium to long term earnings growth is the most important driver of returns. If we remain patient, we're confident the share prices will eventually reflect the promising company fundamentals.

Contributors to the portfolio in April were **AMP Limited, Whitehaven Coal** and **Panoramic Resources** and new addition **Mineral Resources**. A key detractor in April was **Money3**, a core holding in the portfolio, which has suffered a valuation de-rating despite being on track with earnings guidance. We have seen this before with Money3 where market fears overtake rational fundamentals, which in the past has been short lived. Money3 has derated from 13x to 10x earnings which are expected to grow +15% in FY23. We view this as compelling value. The Money3 example is not alone, in fact is a common scenario that has played out in the market. Despite the weakness, **nothing has changed our view about the long-term earnings prospects of the portfolio's holdings.** We are viewing the significant share price pull backs as buying opportunities and are increasing our weightings in our highest conviction holdings accordingly.

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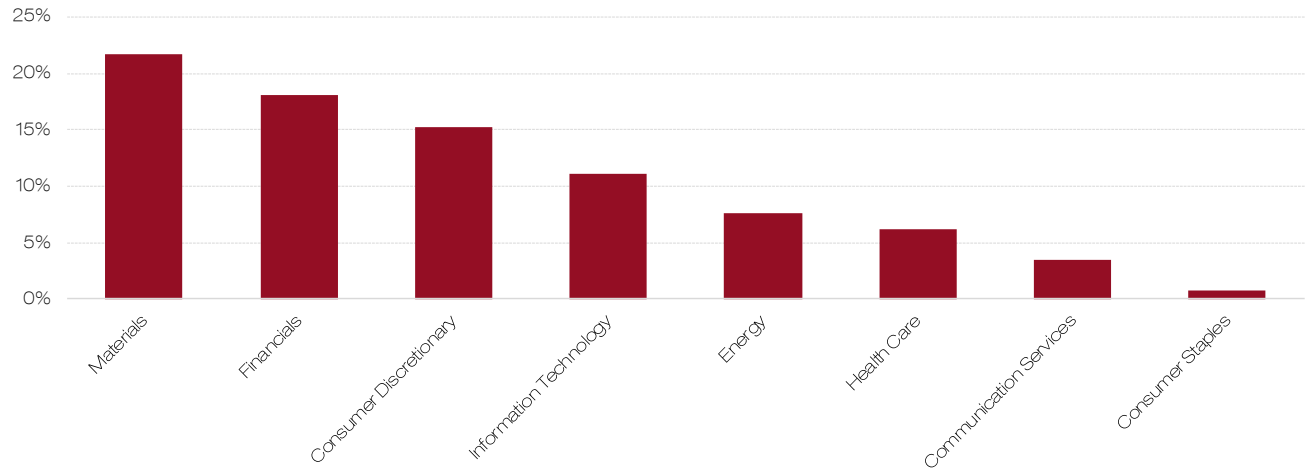
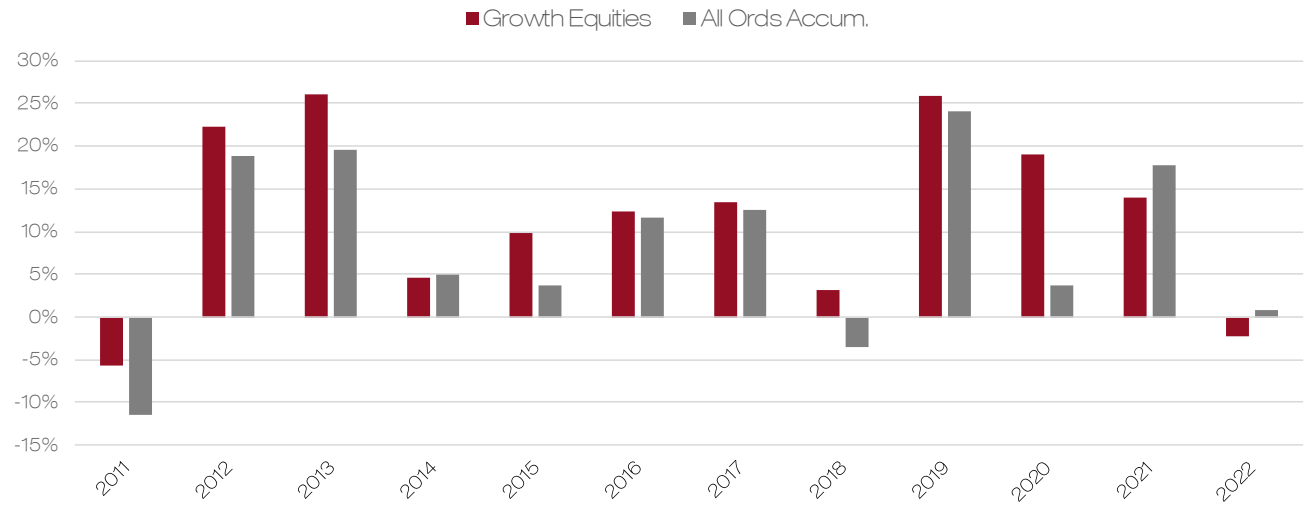
# Portfolio Factsheet - April

## 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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