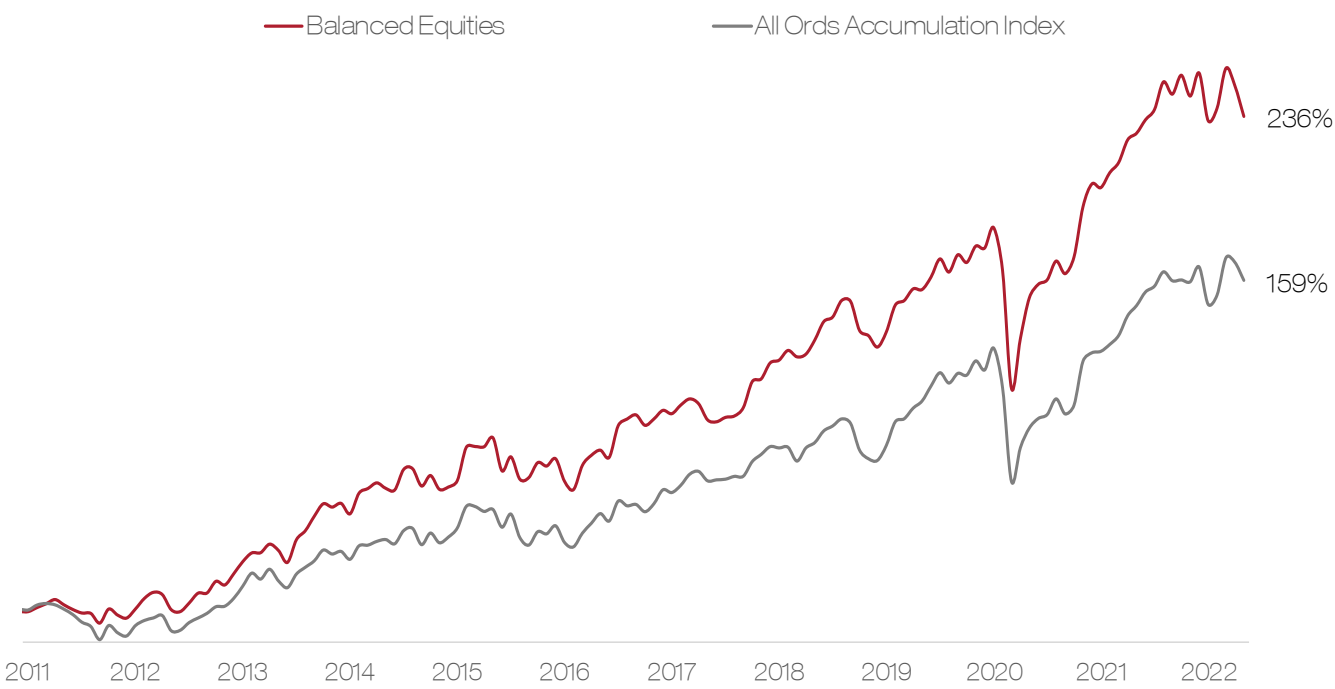
Endeavor Asset Management

Balanced Equities

May 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	-4.1%	-1.1%	2.4%	15.7%	9.6%	11.6%	12.3%	11.1%	236%
All Ordinaries Accum.	-3.1%	2.7%	4.7%	16.7%	8.5%	9.4%	10.5%	9.5%	159%
Outperformance	-1.0%	-3.8%	-2.3%	-1.0%	1.1%	2.2%	1.8%	1.6%	77%



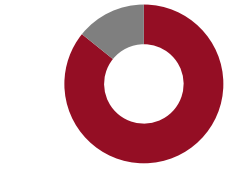
Top Contributors

BHP Group
Mineral Resources Limited
Worley Limited

Top Holdings ASX 200

Altium Limited
BHP Group
Commonwealth Bank
CSL Limited
National Australia Bank

Cash Weighting



Equities 86% Cash 14%

Bottom Contributors

City Chic Collective
Corporate Travel Management Limited
Silver Lake Resources

Ex 200

City Chic Collective
Clover Corporation
Imdex Limited
Money3 Corporation
Tassal Group Limited

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

Volatility in equities continued in May as investors considered the impact of tighter financial conditions on global growth and earnings. Commodities continued to perform well, and growth stocks struggled on the back of valuation multiples compressing. Globally, real estate was the worst-performing asset class as indicators suggested housing markets are slowing down.

In order to combat inflation, central banks can only manage the demand side of the equation. They have indicated there will be tighter financial conditions which will soften economic growth and help ease inflation pressures. The supply side is being impacted by restrictions in China, the war in Ukraine, and ongoing supply chain disruptions, all of which have proved to be more persistent than expected but are likely to subside in time.

While nobody truly knows how high interest rates will need to go to combat inflation, we believe the central banks' strategy will be effective. Due to central bank messaging, bond and equity markets have priced in over cash rates over 3% in Australia and the USA. **Valuation multiples have decreased, particularly in growth and small cap stocks, and the negative wealth effect is reducing demand.** This is helping to ease the pressure on the global supply chain bottlenecks. Recent data is also showing an increase in the number of people actively looking for work, which will help balance the tight global labour market.

General economic headwinds will likely bring to the fore the importance of investing in high quality companies and the portfolio is well positioned to navigate the current macro uncertainty. We hold a select group of quality, well-managed and growing companies that we think are attractively priced. We continue to focus on ensuring most of our investments have a strong competitive advantage, high barriers to entry and a good organic earnings growth outlook, while trading on what we consider to be compelling valuations.

We expect volatility in markets to continue this year which will present opportunities. We have already seen valuations in some of the best businesses in the world de-rate considerably. We have increased weightings in our highest conviction holdings and added some new opportunities to the portfolio. We are also positioned fairly defensively, with a high cash weighting of 15% on 31 May. **Market corrections often create compelling investment opportunities which ultimately lead to significant future returns**, and we are confident that our recent and future additions will generate good returns over the next three to five years

As expected, our top contributors in May came from our resources exposure which included **BHP Group, Mineral Resources** and **Worley Limited**. While our detractors included **City Chic, Corporate Travel** and **Money3 Group**.

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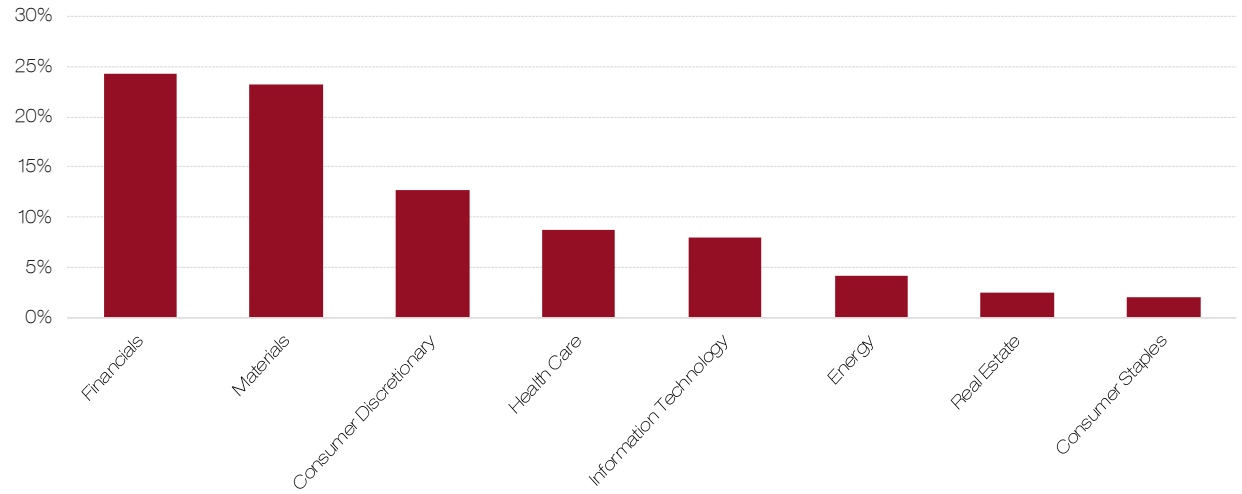
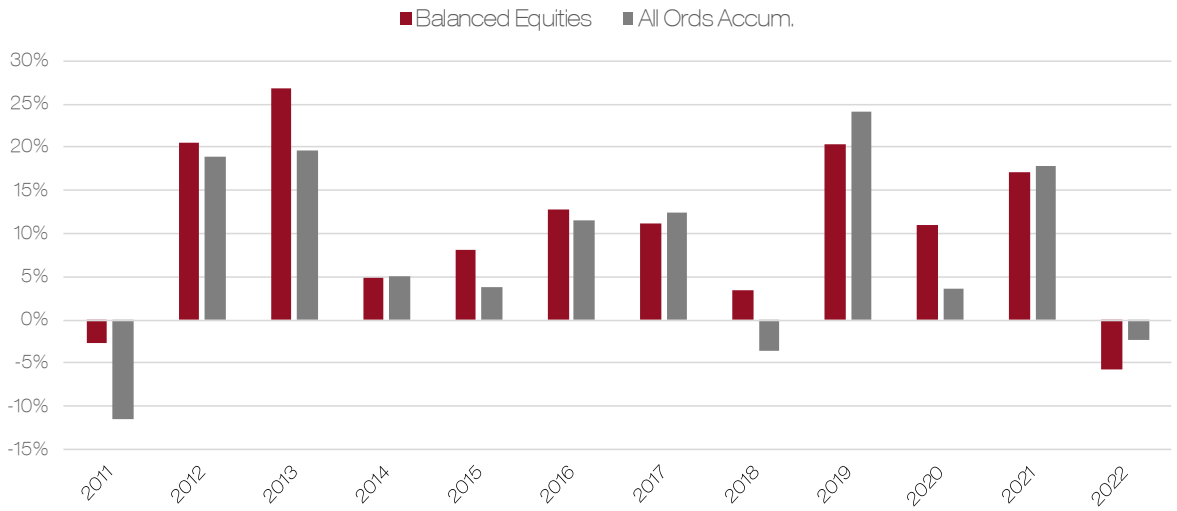
Portfolio Factsheet - May

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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