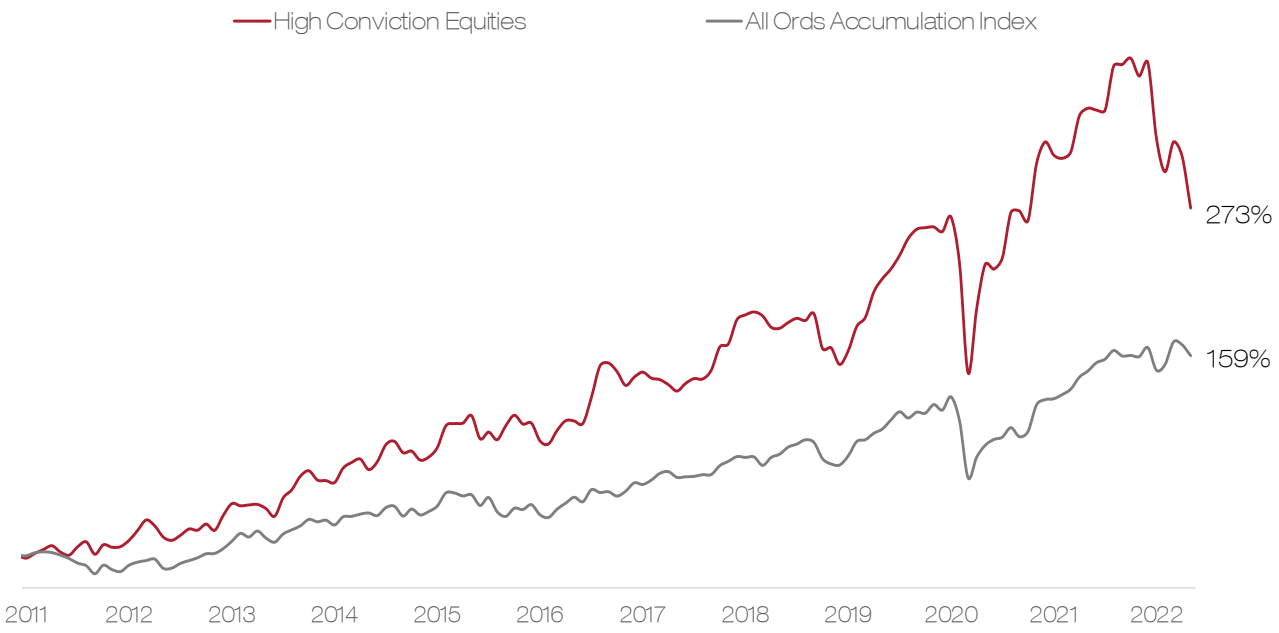
Endeavor Asset Management

High Conviction 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
High Conviction	-9.7%	-7.0%	-17.1%	6.4%	5.4%	10.0%	12.1%	10.9%	273%
All Ordinaries Accum.	-3.1%	2.7%	4.7%	16.7%	8.5%	9.4%	10.5%	9.5%	159%
Outperformance	-6.6%	-9.7%	-21.8%	-10.3%	-3.1%	0.6%	1.6%	1.4%	114%



Portfolio Factsheet

Top Contributors

Immutep Ltd
Polynovo Limited
Stanmore Resources Limited

Bottom Contributors

City Chic Collective
Panoramic Resources
Universal Biosensors

Top Holdings

Altium Limited
Block Inc.
Imdex Limited
Money3 Corporation
Stanmore Resources Limited

Cash Weighting

Equities 90% Cash 10%

Portfolio Characteristics

High Risk
Unconstrained in ASX200
Unconstrained in Ex200
20-25 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 High Conviction portfolio returned -9.7% in the month of May (after fees) compared to the All-Ordinaries Accumulation Index (the benchmark) -3.1%. Weakness was more prevalent in the Small Industrials Index -7.5%. Macro concerns continue to dominate investor's concerns about persistent cost inflation and the need for higher interest rates to cool demand. We view the resolution of supply chain issues as the most critical factor to curb cost inflation. Once supply chain issues inevitably ease, so may the pressure to increase interest rates.

We continued to fine tune the portfolio in May, exiting lower conviction investments and reallocating capital to higher conviction investments in the portfolio. We have taken a slightly more defensive stance in the portfolio, increasing the cash weighting and continuing to reduce exposure to lower liquidity stocks.

The High Conviction portfolio is down 23% calendar year to end of May. The positioning of the portfolio, predominately in small cap companies, has been challenging with the small cap industrials sector down 18% for the same timeframe whilst the All-Ordinaries Index has been well supported by large cap resource and energy companies. The small cap sector of the market defines the core of the portfolio's opportunity set that we have an edge in. The weakness in small caps has resulted in the small cap's average PE multiple being at the largest discount to the big cap's in over 20 years.

So far this calendar year to end of May, companies within the ASX300 information technology sector are down an average of 30%, consumer discretionary down 28%, and healthcare down 19%. These have been the weakest sectors, yet over the long term have typically been the better sectors to invest in. We believe the information technology and the healthcare sectors present some of the best risk-return opportunities in the market at present and the portfolio is positioned for this. City Chic is the only company we currently hold that has exposure to the consumer discretionary sector, following exits in Lovisa and Kogan earlier in the year.

We remain confident in a turnaround in share price performance for the companies we are holding, given unchanged earnings outlooks and strong balance sheets which eliminates the risk of discounted capital raisings. Companies that are forced to raise money whilst their share price is depressed in a weak market is a form of permanent capital destruction and limits the rebound potential.

We have confidence adding to our holdings on weakness, which we have been doing, because **we have conviction in our process and the future earnings potential of our investments**. The portfolio remains invested in a select group of high quality, well managed and strong growing companies that we think are attractively priced. In contrast to how the share prices have traded recently, operationally they have been performing to expectation. We continue to focus on ensuring the overwhelming majority of our investments have a strong competitive advantage, in a sector with high barriers to entry, with strong organic earnings growth outlooks, that are well managed and trade on what we consider to be compelling valuations.

We reiterate that despite the weakness in the portfolio, 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**. The bearish economic outlook has a minor impact on the earnings outlooks of the companies in our portfolio, and ultimately, we remain convicted that company fundamentals will prevail in time. We have experienced these types of markets before. In the short term the market may ignore fundamentals for a time, but we are confident that earnings growth ultimately determines long-term share price performance. General economic headwinds will likely bring to the fore the importance of investing in companies that are not at the mercy of the economic cycle. Our portfolio is well placed for this. Market corrections like we are currently experiencing often create compelling investment opportunities and ultimately leads to significant future returns.

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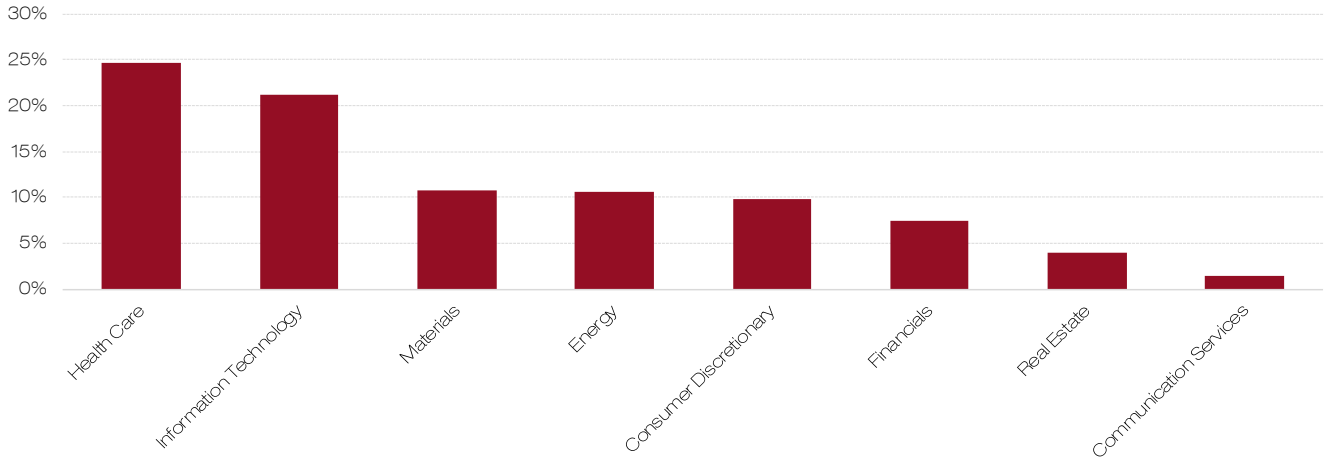
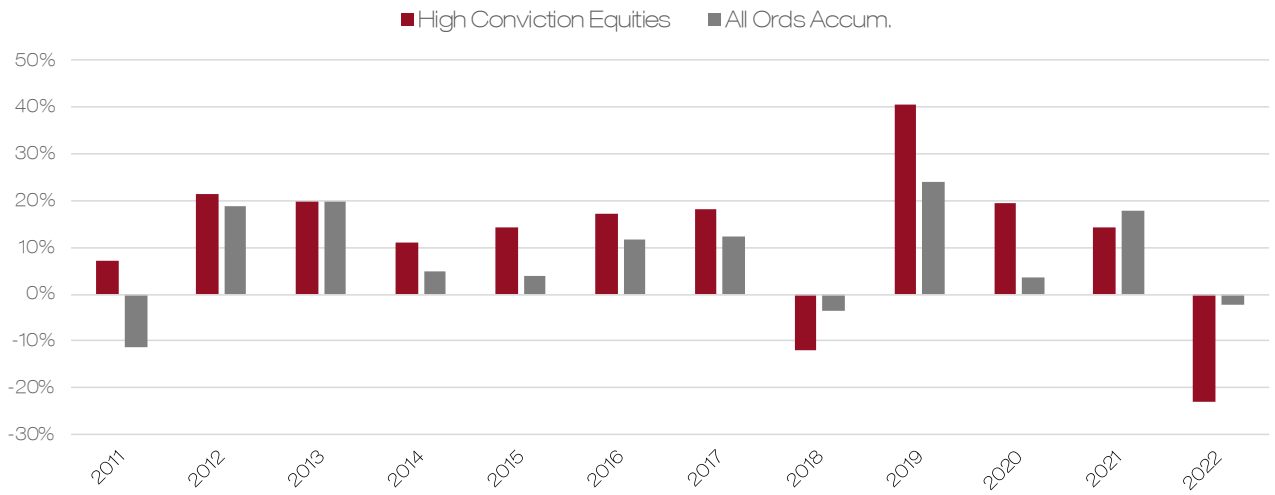
Portfolio Factsheet - May

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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