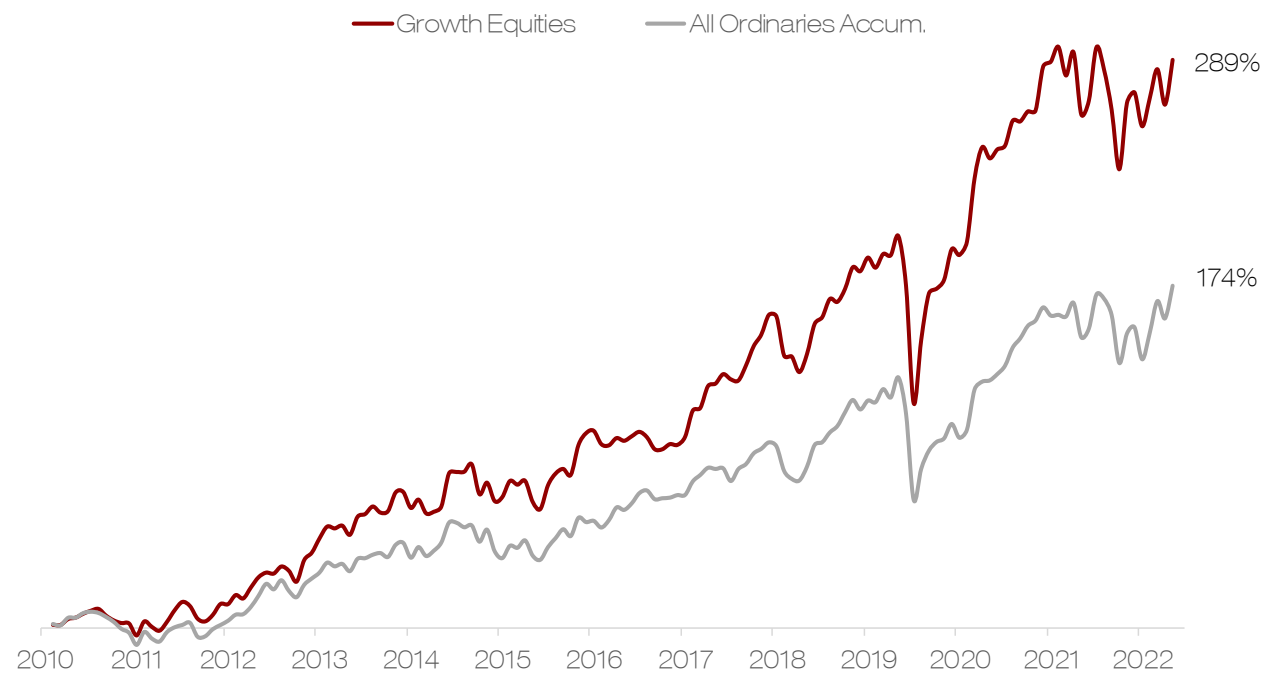
Endeavor Asset Management

Growth Equities

January 2023

Performance*	Month	Quarter	One Yr	2 Yr pa.	3 Yr pa.	5 Yr pa.	10 Yr pa.	12 Yr pa.	Inception
Growth Equities	6.2%	5.3%	7.7%	7.1%	9.1%	11.6%	12.0%	11.5%	289%
All Ordinaries Accum.	6.4%	9.6%	10.5%	10.1%	6.4%	8.7%	8.9%	8.3%	174%
Outperformance	-0.2%	-4.3%	-2.9%	-3.0%	2.7%	3.0%	3.0%	3.2%	115%



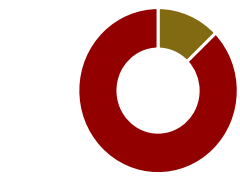
Top Contibutors

Polynovo Limited
BHP Group Limited
Block
Altium Limited
Imdex Limited

Top Holdings ASX 200

BHP Group Limited
CSL Limited
Worley Limited
Altium Limited
Wesfarmers

Cash Weighting



Cash 13% Equities 87%

Bottom Contibutors

Computershare Ltd
Beach Energy
Top Shelf
Telstra Corporation.

Ex 200

Imdex Limited
Solvar Limited
Polynovo Limited
Bellevue Gold
Synertec Corp

Portfolio Characteristics

PM: Hayden Beamish
Moderate/High Risk
75% ASX200 Limit
25% Ex200 Limit
20-35 ASX Listed Equities
Unconstrained Cash

*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 Growth Equities Portfolio returned 6.2% in January, which brings the 10 year return to 12% p.a. The All Ordinaries Accumulation Index returned 6.6% which brings the 10 year return to 8.9% p.a. Since inception the portfolio has returned 289% after fees compared to the benchmark 174%.

Recently the chances of a soft landing in the global economy have increased. Inflation has softened while the labour market remains strong. As equity investors, we live in a world of probabilities and there is now a higher chance that corporate earnings will be resilient. Nevertheless, opportunities and risks remain. Some high-quality businesses with defendable earnings will perform well, but in Australia there are specific sectors to avoid such as consumer discretionary and commercial property. We consider the market to now by driven by company fundamentals which suits active managers.

The top contributors for the month were Polynovo, BHP, Block, Altium and Imdex. There were only four detractors which included Computershare, Beach Energy, Top Shelf and Telstra.

Imdex was a top contributor for January after they announced the acquisition of key competitor Devico for ~A$324m (A$224m equity, A$120m debt facility). The Norwegian based is second to Imdex in the market for exploration tools. Likely benefits for the combined group include a highly complementary product portfolio, additional scale, and a skilled team with decades of research and development expertise. A particularly exciting potential value add is access to Devico's market leading directional drilling offering. There is a significant growth opportunity with this offering since only a small portion of Imdex's customer base utilise directional drilling technologies.

Prior to the transaction, consensus estimates on IMD's core business had revenue growing at 3.6% CAGR to FY27e. We thought these estimates were understated. The company's new Blastdog offering is edging closer to material revenues, commodity prices are improving along with drilling budgets. Although consensus numbers were lifted following the transaction, estimates on the core business still seem too low. Devico's highly skilled research team could enhance Imdex's product pipeline, lifting future revenue potential. Overall, the acquisition was well received by the market with IMD shares appreciating +15% over the month.

In October we took the opportunity to capitalise on macro fears and increased our weighting in BHP. It was a top contributor to performance this month and has returned 22% since the October purchase (ex dividends). It's now one of our largest positions. We took the view that China's reopening was more imminent than the market expected, and BHP would benefit as a result of positive sentiment and higher commodity prices. The stock is yielding close to 10%.

Reliance Worldwide (RWC) was added to the portfolio in January. Reliance is a high quality business that sells a suite of products for plumbing and heating systems. The share price declined due to higher interest rates and property headwinds. We believe the earnings should prove resilient since demand is more closely correlated to housing maintenance as opposed to new builds. After a 50% sell off in the share price the stock was trading close to 10x EV/EBIT when we added it to the portfolio. The company also has the ability to manage margin pressures through price rises which we see as a competitive advantage.

To finish, we will repeat our macro outlook from the December newsletter. We said that "we are reminded that the most compelling bear theses are often constructed towards the market lows. A decline in consumer spend due to higher interest rates will impact many businesses. But we think the RBA have managed the tightening cycle well, and are likely to pause interest rate hikes imminently. **We expect to transition from a macro driven market to a focus on company fundamentals once again**.

There are also reasons to be optimistic about the future. Valuations have de-rated. Interest rate expectations have peaked. China is opening and stimulating the economy. The job market remains strong. The Australian economy continues to grow."

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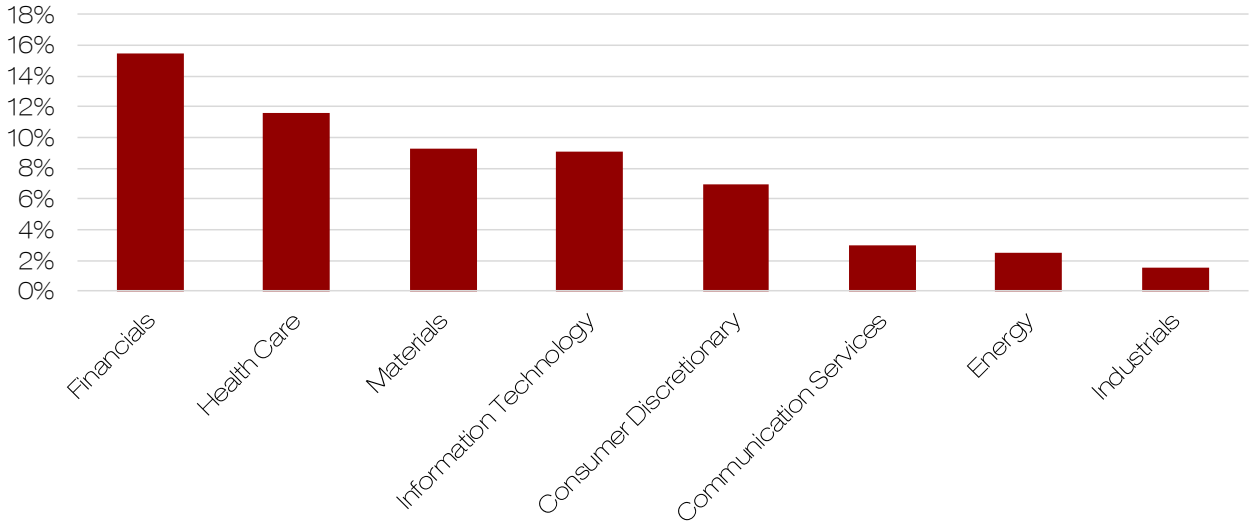
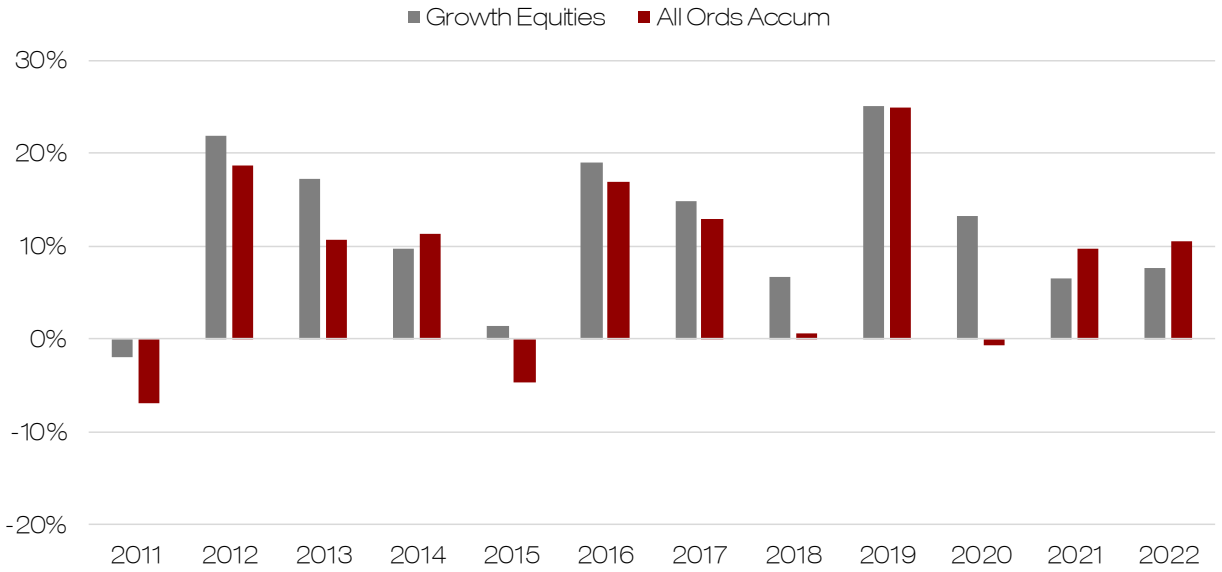
Portfolio Factsheet

Industry Exposures



Annual Return*



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 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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