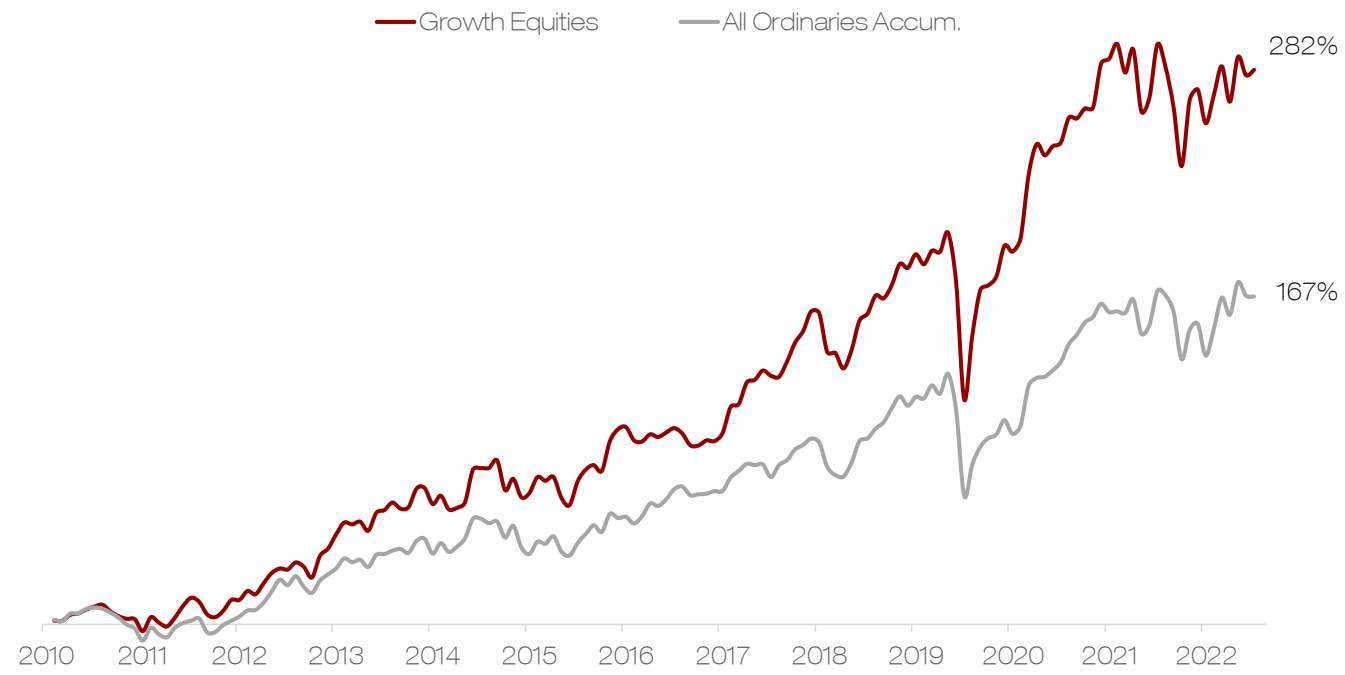
Endeavor Asset Management

Growth Equities

March 2023

Performance*	Month	Quarter	One Yr	2 Yr pa.	3 Yr pa.	5 Yr pa.	10 Yr pa.	12 Yr pa.	Inception
Growth Equities	0.7%	4.4%	-3.3%	5.2%	21.3%	11.0%	11.6%	11.1%	282%
All Ordinaries Accum.	-0.2%	3.6%	-1.1%	6.9%	17.3%	8.8%	8.3%	7.8%	167%
Outperformance	0.9%	0.8%	-2.2%	-1.7%	4.0%	2.2%	3.3%	3.3%	116%



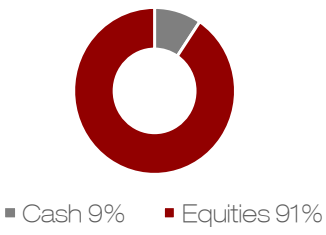
Top Contibutors

BHP Group Limited
Newcrest Mining
Nanosonics
Xero Ltd
Wesfarmers

Top Holdings ASX 200

BHP Group Limited
CSL Limited
Worley Limited
Wesfarmers
Telstra Corporation.

Cash Weighting



Bottom Contibutors

Polynovo Limited
Computershare Ltd
Worley Limited
Block
Solvar Limited

Ex 200

Imdex Limited
Solvar Limited
Polynovo Limited
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

In March, the Endeavor Growth Equities Portfolio increased 0.7%, which brings the return to 14.7% this financial year. Over the past three years the portfolio has returned 21.3% p.a., while the total return since inception is 282%.

Macro

Solvency concerns in the U.S. regional banking sector prompted a shift in central bank strategies in March. The Reserve Bank of Australia (RBA) signalled a pause in February and followed through in March, maintaining the cash rate at 3.6% as it assessed global financial conditions and awaited further data on Australian inflation and the labour market.

Inflation appeared to peak, with the Australian monthly rate dropping to 6.8% YoY in February. The housing market showed signs of stabilization, although the Westpac "Time to Buy a Home" index fell to a record low.

The labour market remained tight, with unemployment at 3.5% and 65,000 jobs added in February. Retail sales growth slowed to 0.2% in February, and consumer sentiment lingered near historical lows. U.S. credit card spending data indicated a slowdown in goods spending, which should further ease inflation.

Sector performance in Australia during March had materials leading with a 5.9% gain, followed by telecoms at 3.4%. Financials and energy underperformed, declining by 4.9% and 1.5% respectively.

Valuations rose modestly, with the ASX 200 trading at 14.4x, close to its level at the beginning of the year. U.S. markets appeared more expensive at 18.1x forward P/E, up from 16.7x three months prior.

Portfolio

During the month, we capitalized on market volatility to reduce our cash holdings from 15% in February to 9% by the end of March.

Our portfolio comprises companies capable of thriving regardless of the economic climate, placing us in a healthy position. We believe that the majority of our holdings are well-insulated from potential recession-induced earnings downgrades. Our strategy involves maintaining a well-balanced portfolio, featuring what we consider to be best-in-class companies, without being overly concentrated in any specific sector.

Currently, our portfolio is tilted towards healthcare, technology, and industrials, while being underweight financials and real estate. Considering the prevailing macroeconomic conditions, we believe we are well positioned for growth over the short and long term.

Entries and Exits

After entering the banking crisis without any large financials exposure, we added **Macquarie Group** and **ANZ Group** to the portfolio following the sell off in response to the Silicon Valley Bank crisis. We purchased ANZ at $22.90/share and Macquarie Group at $174/share, both offering reasonable risk/reward ratios and healthy dividends. They ended the month slightly higher.

We re-entered **Whitehaven Coal** at $6.60/share in March. The share price has been volatile, which suits our valuation-based investment approach. We first entered Whitehaven at $2.20 in July 2021, exited at $10.50/share in October 2022. We recently re-entered based on its compelling valuation..

In March we participated in a capital raise for a small gold company called **Ora Banda Mining** at $0.11/share. We believe that new CEO Luke Creagh, formerly of Northern Star, is the right person to turn the company around. Based on the spot gold price and some conservative assumptions, our internal valuation is nearly 3x our entry point. While turnarounds can take longer than expected, we believe our patience will pay off.

We exited **Computershare** based on the impact to their income margin following the decline in bond yields. Given the business is a beneficiary of higher bond yields, we viewed the decline in bond yields as a risk to earnings and consensus estimates.

Contributors and Detractors

We entered **Newcrest Mining** in August last year just under $20/sh. The stock has since rallied to $30/sh following multiple takeover offers from Newmont. Newcrest was originally a Newmont subsidiary spun off in the 1960s, and we think the latest owner is high enough to see it return to its former parent. We continue to hold NCM and await details about a potential final dividend.

Accounting software provider **Xero** increased 15% as the market responded positively to the newly appointed CEO's announcement of cost-cutting measures and a disciplined growth strategy, which includes targeting jurisdictions that offer higher returns on new customers. Xero meets all our investment criteria: it is a global leader, tapping into a sizable addressable market with a sustainable competitive advantage and a high return on invested capital (ROIC).

Wesfarmers was a top contributor during the month. We highlighted Wesfarmers as a new entry in October following the multiple decline from 23x EV/EBIT to 17.5x EV/EBIT. We thought the retail concerns were priced in, and the lithium upside was not. The return since we invested has been a modest 9% including dividends, and we think the company still remains good value.

Skin regeneration company **Polynovo** saw a 27% decline in March after the company's Chairman sold 18% of his holding. We had recently trimmed our holding in Polynovo prior to the Chairman's sale based on valuation. We remain confident about the long term outlook for the company and we took the opportunity to add to our holding on the share price weakness during the month.

Block's performance suffered during the month due to accusations from a short report that targeted the company on multiple grounds. In response, Block has issued a comprehensive rebuttal, addressing some outdated claims that date back to 2020. The key concerns seem to have been alleviated. We had been proactively decreasing our exposure to Block prior to the short report based on valuation. We currently only have a small weighting in Block which is under review.

Outlook

As we look ahead to the coming month and the remainder of the financial year, we remain cautiously optimistic about the outlook for the portfolio. While uncertainties in the world still linger, we believe our balanced and diversified portfolio of great businesses will continue to perform well.

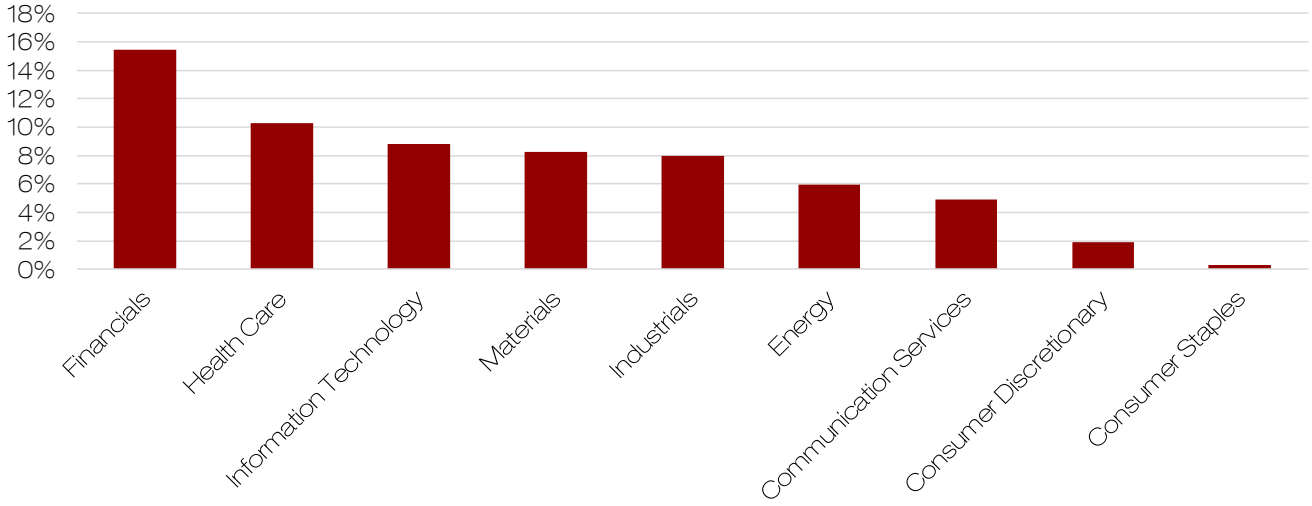
Our recent entries and exits have been strategically chosen to capitalize on market opportunities while taking into account the risk. We will closely monitor macroeconomic conditions, including inflation, interest rates, and employment data, to make informed decisions and ensure our portfolio remains resilient amidst any potential economic turbulence.

Overall, we are confident in our ability to navigate the challenges ahead and deliver consistent returns for our investors.

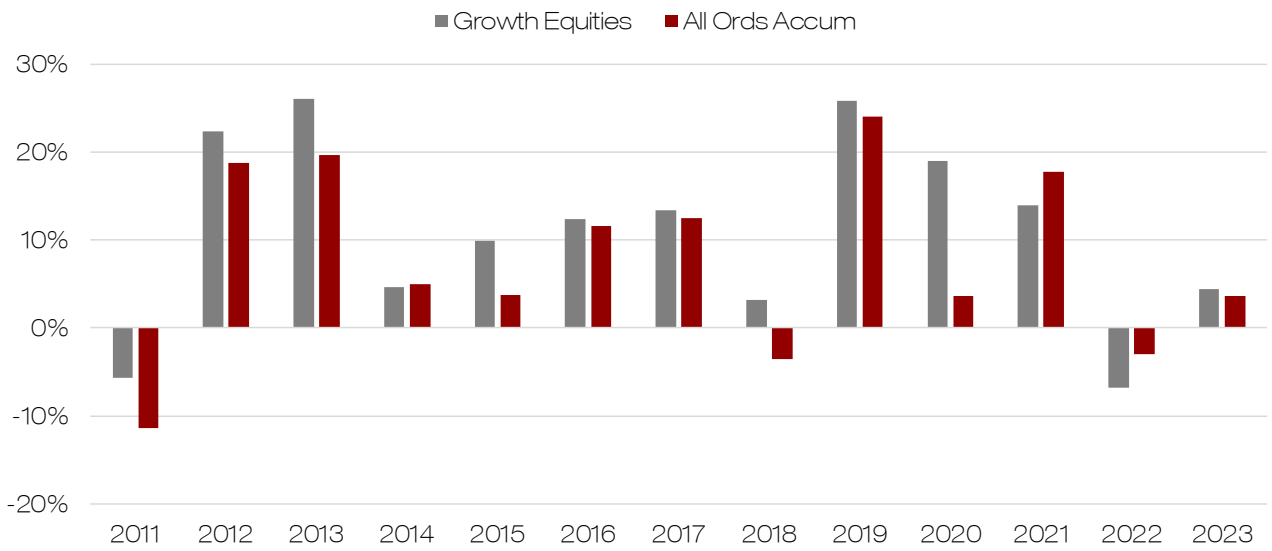
*Note: Performance of the strategy group is representative of individual client portfolios, although performance can differ due to inherent differences between clients' portfolios such as initial entry timing, legacy holdings or requested stock exclusions. Performance measured is after fees, taxes and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

Portfolio 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

*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.