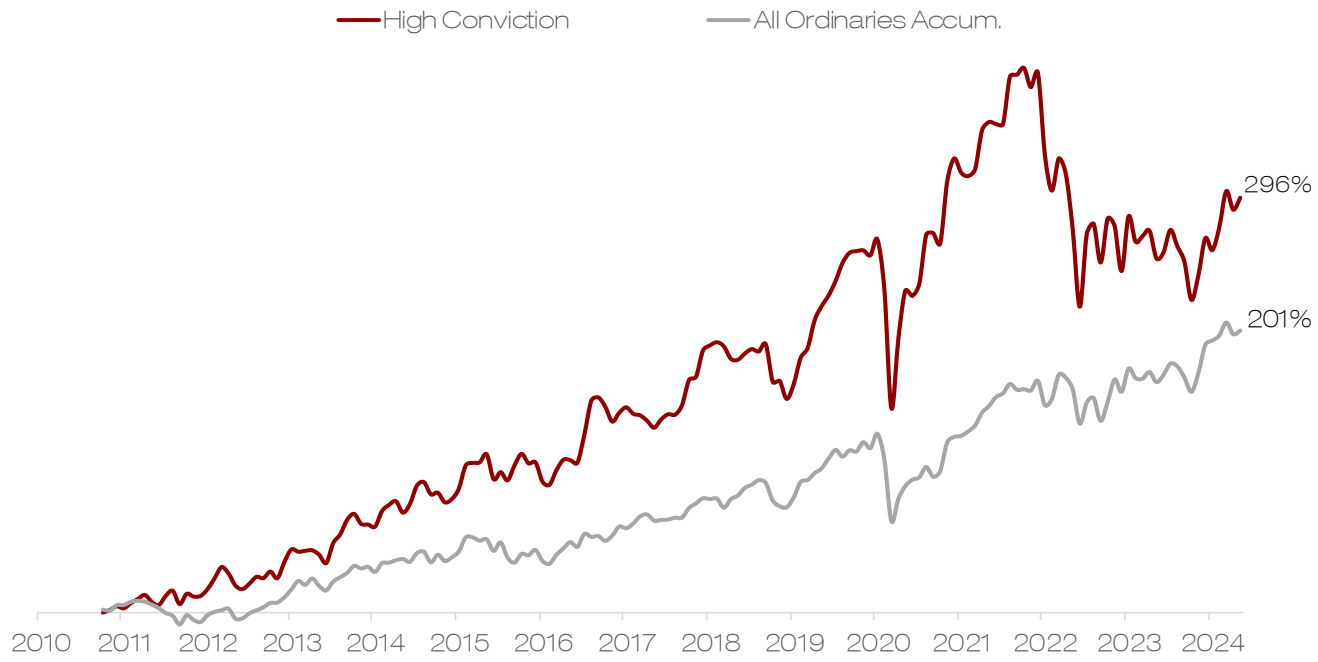
Endeavor Asset Management

High Conviction

May 2024

Performance	Month	Quarter	One Yr	2 Yr pa.	3 Yr pa.	5 Yr pa.	10 Yr pa.	12 Yr pa.	Inception
High Conviction	2.2%	5.6%	12.3%	3.0%	-4.2%	4.4%	8.7%	10.5%	296%
All Ordinaries Accum.	0.9%	1.2%	13.9%	7.8%	6.8%	8.2%	8.1%	10.0%	201%
Outperformance	1.3%	4.4%	-1.6%	-4.8%	-10.9%	-3.8%	0.7%	0.5%	95%



Portfolio Factsheet

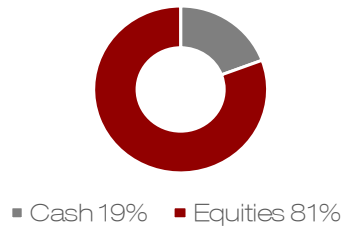
Top Contibutors

Mitre Mining
Neuren Pharmaceut.
WA1 Resources Ltd
Jupiter Mines
Life360 Inc.

Top Holdings

Smart Parking Limited
Webjet Limited
Mineral Resources.
Neuren Pharmaceut.
Polynovo Limited

Cash Weighting



Bottom Contibutors

Universal Biosensors
Karoon Energy Ltd
Zip Co Ltd
Block
Aussie Broadband Limited

Portfolio Characteristics

High Risk
Unconstrained in ASX200
Unconstrained in Ex200
20-35 ASX Listed Equities
Unconstrained Cash
All Ords Accum. Benchmark

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Portfolio Commentary

In May, the High Conviction Portfolio returned 2.2% (after fees) compared to the All Ordinaries Accumulation Index 0.9%.

Since inception over thirteen years ago, the High Portfolio has returned 95% more than the benchmark (High 296% vs All Ords 201%).

Stock Commentary

In May, we participated in a placement opportunity in precious metals developer **Mitre Mining** (MMC) at $0.45 per share. Mitre's Cerro Bayo project in Chile boasts a high-grade, 50-million-ounce silver equivalent (Ag Eq) resource. Beyond the high-grade and open-ended resource, Mitre can leverage A$150 million of existing infrastructure and a skilled local workforce to expedite a restart of mining operations.

The Mitre Mining team has a proven track record of value creation, having contributed to companies like Bellevue Gold, Mincor, and Northern Star. **Encouragingly, Mitre Mining was a top performer in May, with the share price closing 56% higher than our entry point**. With a market capitalisation of approximately $80 million at the end of the month, or half the infrastructure cost, we believe the shares have significant upside potential as catalysts unlock value in the months ahead.

PolyNovo (PNV) surged 10% in May, fuelled by ongoing demand for its medical device solutions. The company achieved a record A$10.1 million in group revenue for April, with projections for commercial revenue to reach A$53 million in the latter half of 2024. Following this announcement, we participated in a visit to PolyNovo's Port Melbourne manufacturing facility which reinforced our investment thesis.

We switched some of our position from **Aussie Broadband** (ABB) into **Superloop**, and we now hold both. SLC is a telecommunications infrastructure provider that has seen significant growth in recent periods, with FY25 sledged to be the first year of profitability. We expect the company to continue to expand its network and win customers from large incumbent competitors, as well as new wholesale customer deals. Recent NBN data suggests these challenger brands are winning market share, which we expect to continue over the medium term.

We bought back into **Imdex** (IMD), a leading provider of drilling technology and services. In the past, we have successfully traded IMD during periods of exuberance and pessimism. The company's innovative solutions and strong market presence in the mining sector offer significant growth potential. An uptick in junior resources capital raisings is supportive of our thesis and we expect Imdex's sales to follow.

Rare disease developer **Neuren** (NEU) continued to impress with another strong set of clinical trial results for its pipeline drug, NNZ-2591. The phase 2 results for Pitt Hopkins syndrome saw statistically significant improvement in all four efficacy measures, marking a key de-risking event for the drug's pathway to sales. With NNZ-2591 now proven effective for two rare disease indications, it opens a multi-billion-dollar market opportunity.

The Endeavor team also took the opportunity to meet with Neuren management at the Company's annual general meeting, which coincidentally fell on the day following the Pitt Hopkins trial results. The story is far from over for Neuren, with a catalyst-rich period ahead that should see further share price gains. Neuren shares rose 13% in May.

With the gold price touching all-time highs intra month, we identified an attractive valuation opportunity in gold miner **Bellevue Gold** (BGL). After securing a quick 18% gain, we exited BGL and reinvested the proceeds into **Westgold Resources** (WGX). Westgold is led by a highly regarded management team and possesses significant upside potential once the merger with neighbouring miner 'Karora' is finalised. The synergies generated by this merger are expected to improve group profitability, while inclusion in indexes should lead to a higher valuation for the company. Our discounted cash flow (DCF) analysis suggests a potential upside of 30% compared to our entry price.

Karoon Energy's (KAR) share price fell 9% following the downgrade of its production guidance. Additionally, the company has been facing activism from shareholders, who are pushing for changes in the company's strategic direction and governance practices. Despite these challenges, Karoon remains a key player in the energy sector with significant growth potential from its recent acquisitions and ongoing projects. The activism is seen as a positive catalyst for potential improvements in the company's operations and governance, which could unlock further value for shareholders.

WA1 Resources (WA1) shares surged 23% in May. Since our initial investment in January, the company has conducted a highly successful drilling campaign, which has driven its market capitalisation from approximately $600 million to over $1 billion. **We exited WA1 during the month at an average price of $20 per share, capturing a 100% return on our initial entry price four months ago.**

Outlook

As we look ahead, we remain confident in the resilience and potential of our portfolio. The ongoing advancements in technology, particularly in artificial intelligence, are expected to drive significant growth and innovation across various sectors. It's also creating opportunities for commodities fuelling the increase in energy demand. Our portfolio is strategically positioned to capitalise on these trends, with a strong emphasis on high quality businesses led by the best management teams.

The macroeconomic environment, while still presenting uncertainties, shows signs of stabilising. The economy is softening, which is shown by lower GDP growth per capita and weaker consumer trends. This will reduce any expectations of a rate hike, and increase the probability of a rate cut. Although we don't expect either in the near term.

We have carefully selected companies with strong fundamentals, robust balance sheets, and the ability to adapt to changing market conditions. This positioning ensures that our portfolio is well equipped to navigate the changing economic environment. We remain optimistic.

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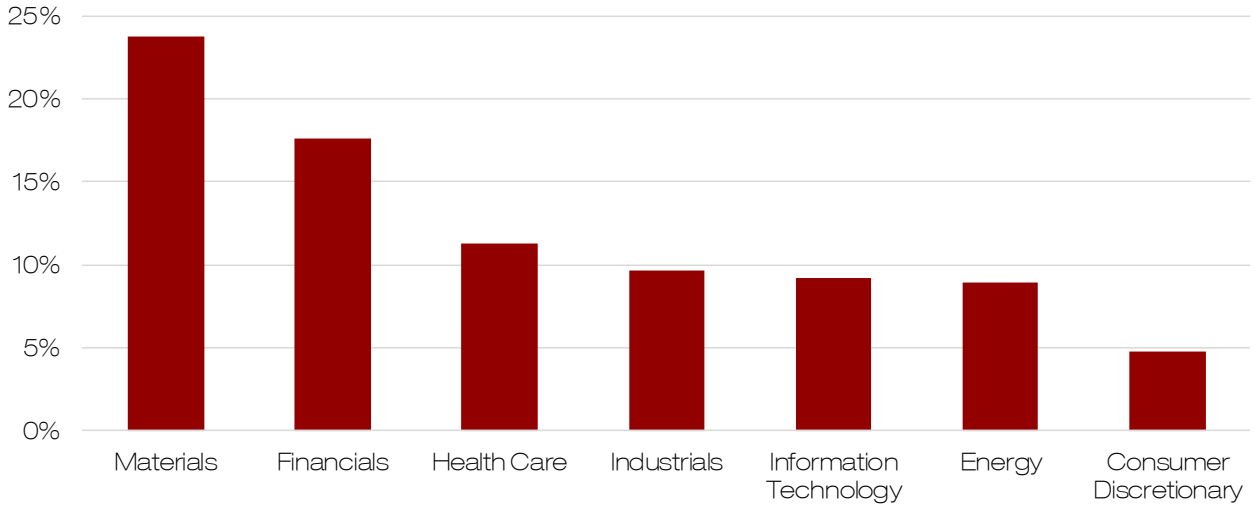
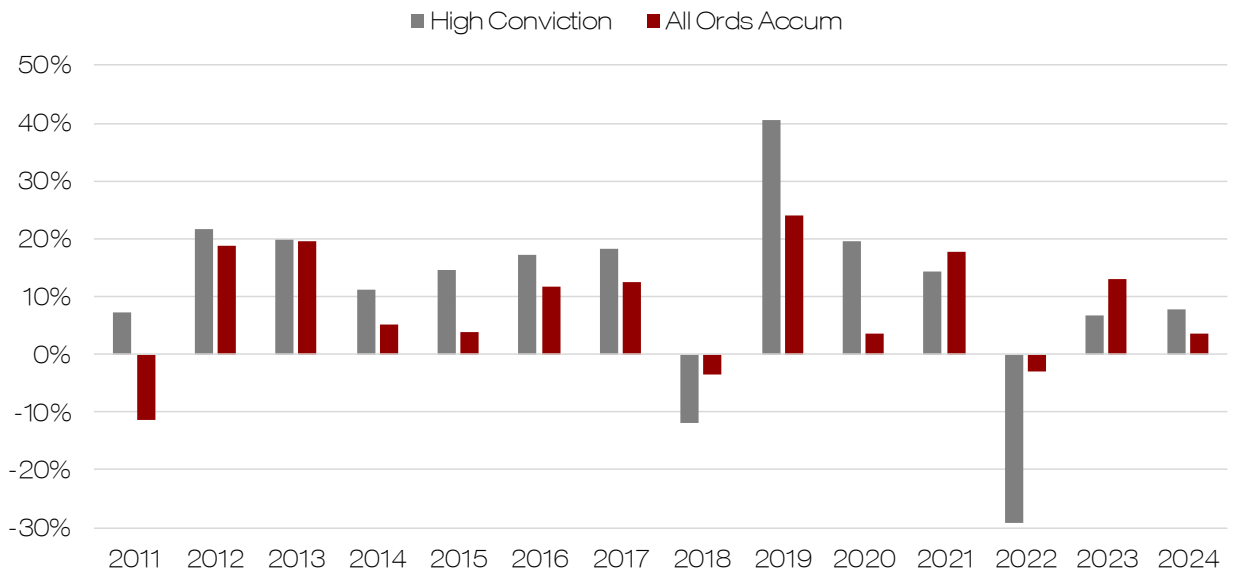
Portfolio Factsheet

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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