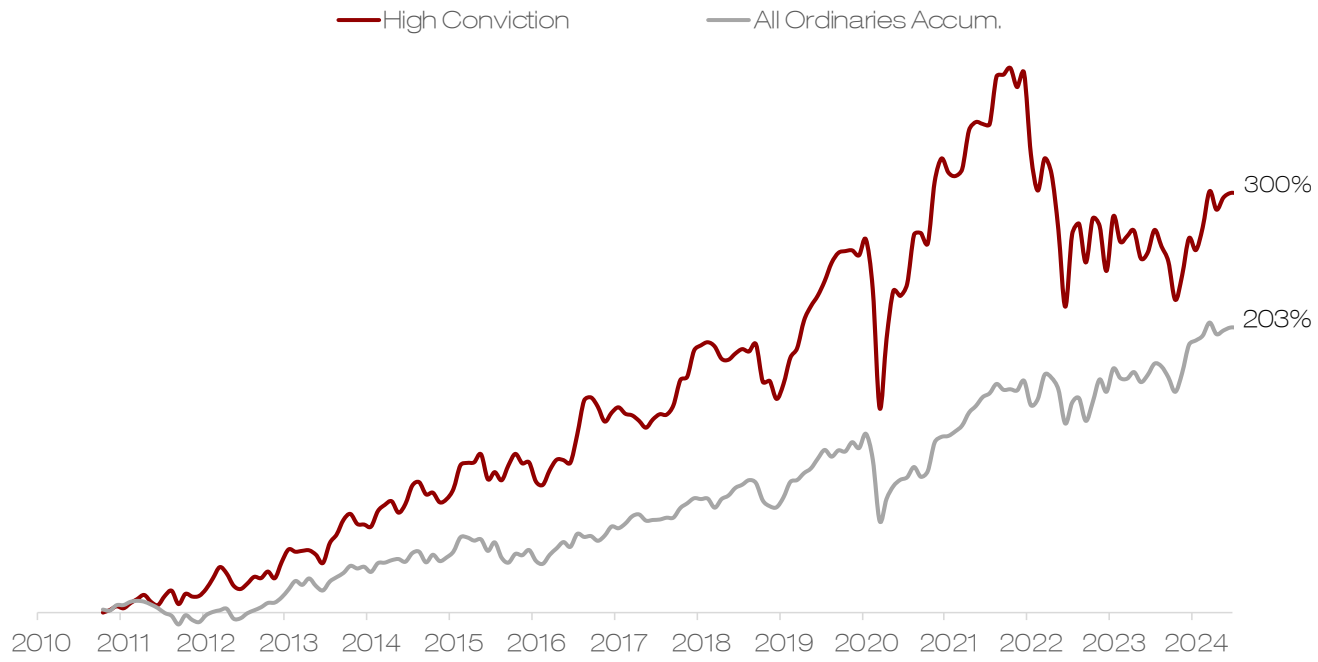
Endeavor Asset Management

High Conviction

June 2024

Performance	Month	Quarter	One Yr	2 Yr pa.	3 Yr pa.	5 Yr pa.	10 Yr pa.	12 Yr pa.	Inception
High Conviction	0.8%	-0.3%	11.9%	12.0%	-3.8%	4.1%	8.4%	10.8%	300%
All Ordinaries Accum.	0.7%	-1.2%	12.5%	13.6%	6.1%	7.6%	8.3%	10.1%	203%
Outperformance	0.1%	0.8%	-0.6%	-1.6%	-9.9%	-3.5%	0.1%	0.7%	97%



Portfolio Factsheet

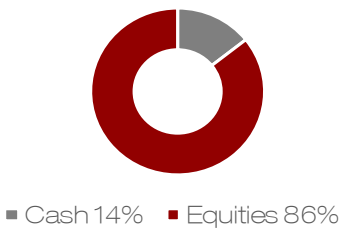
Top Contibutors

Zip Co Ltd
Solvar Limited
Mitre Mining
Polynovo Limited
Life360 Inc.

Top Holdings

Neuren Pharmaceut.
Smart Parking Limited
Zip Co Ltd
Webjet Limited
Polynovo Limited

Cash Weighting



Bottom Contibutors

Mineral Resources.
Metals Acquisition Limited
Monash IVF
Jupiter Mines
South32 Limited

Portfolio Characteristics

High Risk
Unconstrained in ASX200
Unconstrained in Ex200
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.

Portfolio Commentary

The High Conviction Portfolio returned 0.8% in June compared to the All Ordinaries Accumulation Index (the benchmark) which increased 0.7%. The close of FY24 saw the High Conviction Portfolio increase 11.9%, while All Ords lifted 12.5%. Since inception, the High Conviction Portfolio has outperformed the benchmark by 97% (300% vs. 203%).

Market Commentary

Australian equities rose by 0.7% in June, lifting the total return for FY24 to 12.5%. Most of the gains in FY24 were driven by P/E expansion (+10.8ppt), as investors gained more confidence in the growth outlook while also looking forward to rate cuts (which have now been delayed). Financials (+5.1%) were the best sector in June, with Insurance, Banks, and Financial Services all posting returns over 5%. Resources (-6.5%) was the worst sector in June, as concerns about China's growth led to declines across most Industrial Metals.

In recent months, we have strategically reduced holdings in investments that met our valuation targets and reallocated capital to various opportunities, including within the materials and resources sectors. Our cash weighting decreased from 14.3% to 13.7%, allowing us to be agile and take advantage of market opportunities.

Stock Commentary

ZIP Co (ZIP) saw a significant increase of 28% in its share price this month. The stock saw buying momentum following speculation on potential index inclusion into the ASX 200. As passive investment products (such as ETFs) grow in popularity, indices play an ever-increasing role in trading liquidity near rebalancing periods. Ultimately, the entry into the ASX 200 is fundamentally supported by the positive turnaround in business activities which we aim to pre-empt. The upcoming quarterly and full-year earnings results serve as two near term catalysts we look forward to.

Car loan provider **Solvar** (SVR) experienced a 20% rise in June, as the company ramped up its share buy-back suggesting management saw value in the current share price giving investors confidence in trading conditions. Solvar continued to trade at a significant discount to its book value and currently offers a 11% fully-franked dividend yield (FY25e).

Telecommunications company **Superloop** (SLC) had a strong month with its share price rallying 14% leading up to the end of the financial year. SLC's major new partner (and shareholder), Origin Energy, updated the market, showing they had signed 150,000 broadband customer accounts. When assessed against the latest known figure in December, it implied that Origin was growing faster than consensus expected. Following this, SLC provided a trading update of their own in July, upgrading FY24 EBITDA guidance to be at or above $53 million, and reaffirming capex guidance. We continue to see Superloop as the best-positioned challenger telco, with the company's plug-and-play wholesale offering enabling pricing power in its residential broadband services.

Global wound care company **PolyNovo** (PNV) saw its share price increase by 9% in June following a strong run into the end of the financial year. Despite there being no new announcements during the month, we believed the 7% sell off (and eventual 10%+ share price recovery) was overdone, and positive broker research supported the investment case.

Mitre Mining Corporation (MMC), now renamed **Andean Silver Group,** gained 12% this month. The Company released encouraging assays at the high-grade silver-gold project (Cerro Bayo). Over the coming months, management have pencilled in two resource updates that we expect will show substantial and rapid resource growth.

Metals Acquisition (MAC) and **Mineral Resources** (MIN) were weaker in June, impacted by lower commodity prices. Iron ore declined 8% seeing lower estimates for MIN's Pilbara operations, and copper declined 5% that saw MAC's near term estimates revised lower. Both companies have ambitions to grow production organically which will see their earnings benefit.

Entries & Exits

We initiated a position in healthcare distributor **Paragon Care** (PGC). Paragon Care has traditionally been a business providing medical equipment to hospitals, generating $308m in sales in FY23. The company recently merged with CH2 Holdings, which has been the fastest growing of the four national pharmaceutical wholesalers. The $2.1b revenue (FY23) from CH2 undoubtedly transforms the pro forma PGC business, and the merged entity is well-positioned to continue gaining market share. The operating model is disruptive, leveraging an efficient cost base that can drive pricing power and earnings growth. Paragon trades at a 10x FY25e EV/EBITDA, representing a 17% discount to listed peers and closed the month +7% higher versus our entry.

We participated in an initial public offering (IPO) for the emerging rare earths company **Resouro Strategic Metals** (RAU). The company's Tiros project in Brazil hosts a large-scale, high-grade rare earths and titanium mineral opportunity. Chris Eager, CEO, is well-versed in developing mining projects, having co-founded Monterrico Metals, which was eventually sold for US$200m. The IPO raised $8m, valuing the company at a $44m enterprise value fully diluted. We look forward to further near-term de-risking of the project, which includes the maiden resource and metallurgical test work

South32 (S32) declined by 8%, driven by operational challenges and lower commodity prices. We decided to exit our position in S32 to reallocate capital to more promising opportunities, such as those mentioned above.

Outlook

We are optimistic about future returns. We have high cash weightings to capitalise on opportunities that often present in August reporting season.

Our portfolio is diversified across high-growth sectors, including technology, industrials, healthcare, and materials. 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 benefit from the evolving economic environment.

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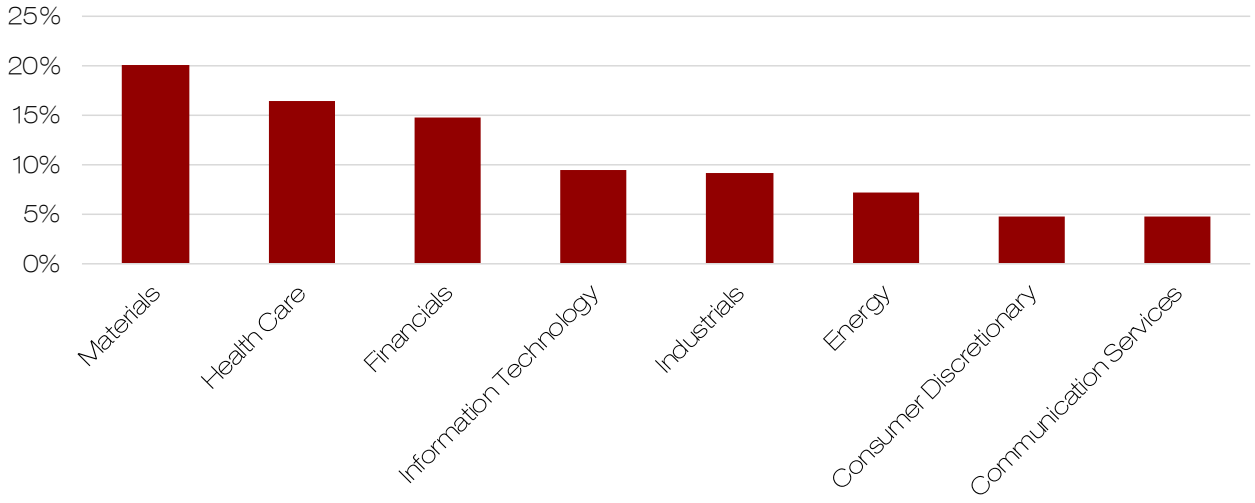
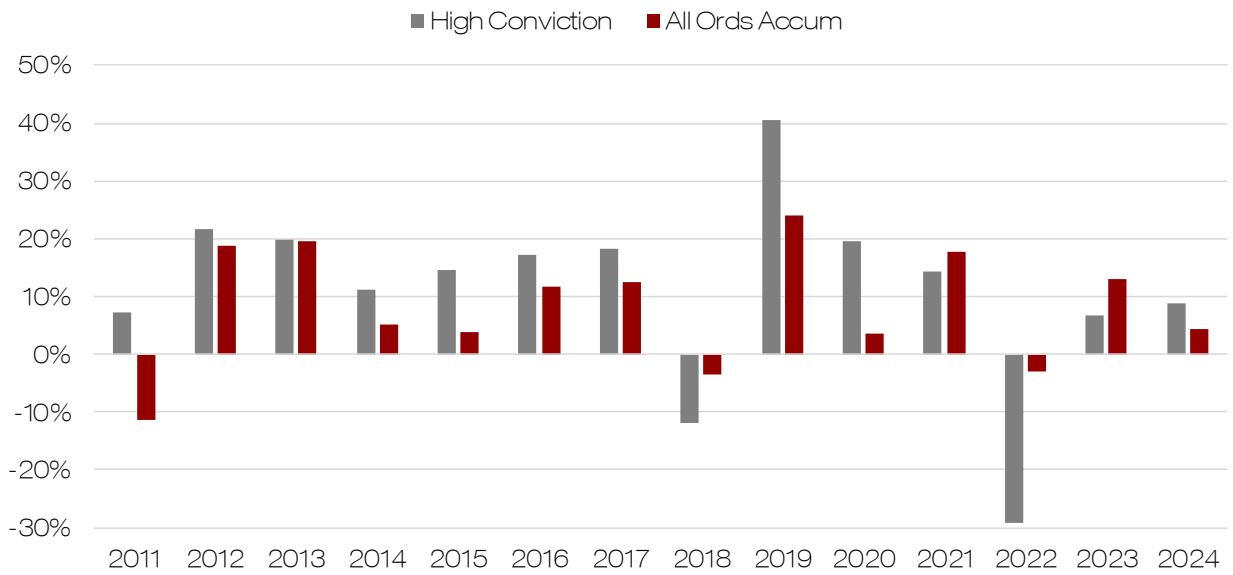
Portfolio Factsheet

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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