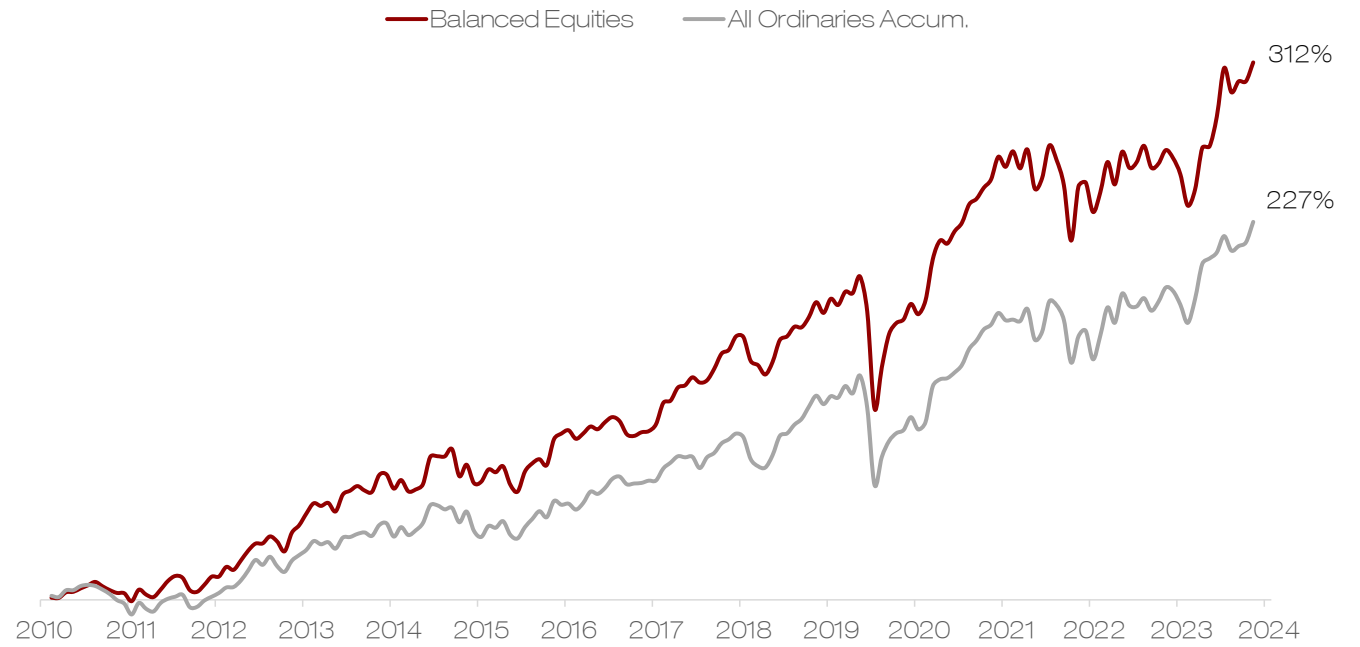
Endeavor Asset Management

Balanced Equities

September 2024

Performance*	Month	Quarter	One Yr	2 Yr pa.	3 Yr pa.	5 Yr pa.	10 Yr pa.	12 Yr pa.	Inception
Balanced Equities	1.9%	4.4%	20.6%	13.4%	6.0%	8.7%	9.7%	11.4%	312%
All Ordinaries Accum.	3.5%	7.9%	22.1%	17.5%	8.1%	8.7%	9.2%	10.0%	227%
Outperformance	-1.6%	-3.5%	-1.6%	-4.1%	-2.1%	0.1%	0.5%	1.4%	85%



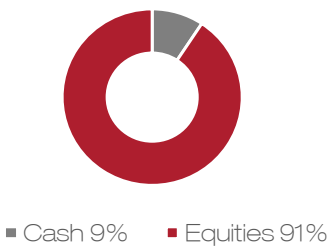
Top Contibutors

BHP Group Limited
Fortescue Metals Group Ltd
Whitehaven Coal
Polynovo Limited
Macquarie Group Ltd

Top Holdings ASX 200

BHP Group Limited
Macquarie Group Ltd
CSL Limited
Fortescue Metals Group Ltd
Premier Investments

Cash Weighting



Bottom Contibutors

Premier Investments
IGO Limited
CSL Limited
ALS Limited
EML Payments Ltd

Ex 200

Smart Parking Limited
Austal Limited
EML Payments Ltd
Superloop
Solvar Limited

Portfolio Characteristics

Low/Moderate Risk
85% ASX200 Limit
15% Ex200 Limit
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. Top holdings and contributors are listed in alphabetical order.

Portfolio Commentary

Performance Summary

The Balanced Equities Portfolio ("Portfolio") returned +1.9% in September compared to the All Ordinaries Accumulation Index's ("Benchmark") +3.5% gain.

For the last twelve years, the portfolio has returned +11.4% p.a. after fees, compared to the All Ordinaries Accumulation Index's +10.0% p.a. The portfolio has returned 312% (10.6% p.a.) since inception, compared to the Benchmark's +227% (+8.8% p.a.).

The Balanced Equities Portfolio's September performance was largely driven by its exposure to commodities following news from China regarding their economic stimulus plans, as well as contribution from Macquarie Group (MQG).

Market Overview

Global equities reached new highs in September, driven by rate cuts from central banks and coordinated policy support from China, which boosted Chinese equities by an impressive 21%. The ASX gained 3.0%, benefiting from China's late-month stimulus, especially in materials (+13%) and real estate (+6.6%).

Meanwhile, healthcare and consumer staples lagged as investors rotated towards more cyclical sectors. The RBA left rates unchanged at 4.35%, signalling a cautious stance while avoiding further rate hikes. The outlook for monetary policy suggests

Key Portfolio Movements

Top Contributors: BHP, FMG, WHC, PNV and MQG.

The commodities basket as a whole saw share price increases off the back of changing sentiment surrounding the Chinese economy and associated stimulus expectations. This also led to an increase of +8% in the iron ore price which resulted in the share prices of **Fortescue Metals** (FMG) and **BHP** (BHP) increasing by 13.2% and 12.7%, respectively. In coal, **Whitehaven Coal**'s (WHC) share price increased by +8% (excl 13cps fully franked dividend paid). Chinese stimulus measures helped lift metallurgical coals prices by 3% in September, which are directly linked to expectations of WHCs future profits. Using spot prices, WHC is one of the cheapest materials stocks on the ASX, generating significant cashflow over the life of the company's reserves. As of the end of the month, spot CY26e EBITDA is 36% higher versus consensus estimates (source: Barrenjoey).

Wound care business **Polynovo** (PNV) saw its share price increase by 11% in September following the update that all 120 patients have been enrolled into the complex randomised controlled trial that compares PNV's NovoSorb BTM product to the current standard of card for third degree, full thickness burns.

Bottom Contributors: PMV, IGO, CSL, ALQ and EML.

A deferral in the anticipated demerger proposal by **Premier Investments** (PMV) impacted its share price by negative 12.7% in September. Importantly, the demerger proposal was deferred due to Myer's (MYR) proposal to combine Myer with PMV's Apparel Brands business. At the same time, PMV also reported another strong Peter Alexander result but a softer Smiggle result (as well as middle management departure). Despite this, we're confident that PMV is run by arguably the best retailers in the country (of which Solomon Lew is the largest shareholder) and that our investment thesis remains intact.

ALS's (ALQ) September trading update saw softer performance in its mineral division led by Australian and LATAM (North American actually saw an increase in testing volumes). As a result, the share price declined by 8% in September after increasing by as much as 8% intramonth in August (we believe management were 'cooling' expectations). We're encouraged by ALQ's continued ability to maintain margins through periods of soft commodity environments, whilst diversifying their revenue into its more stable Life Sciences and Environmental divisions.

Entries and Exits

Significant Entries: VEA, ASB and WJL (via WEB demerger).

We bought Viva Energy (VEA) in September after thorough research and management discussions. VEA operates three divisions: 1) Convenience & Mobility, 2) Commercial & Industrial, and 3) Energy & Infrastructure. Our focus is on the first two. VEA owns and runs the Reddy Express (formerly Coles Express) network in Australia, generating revenue from fuel margins and convenience sales. Their acquisition of On The Run (OTR) brings a proven model to maximise in-store returns. Reddy Express stores average $1.6M in revenue with $200K operating margin, while OTR stores earn $2.5M–$3.5M with $300K–$700K margins. We expect 80% of Reddy Express stores to convert to the OTR model over the next five years, effectively doubling margins. Management is slightly behind schedule but remains prudent, and we anticipate a 20%+ return on capital. While we wait, VEA offers a 5%+ fully franked dividend yield

Significant Exits: WJL, WGX, WBC, NAB.

We exited the last of our 'Big 4' bank's positions at prices above $32.50 per share in **Westpac Banking Corporation** (WBC) and above $37.40 per share in **National Australia Bank** (NAB).

We exited our remaining position in Australian gold miner **Westgold Resources** (WGX) at $2.82/sh following internal analysis which suggested market expectations for guidance were too lofty. Following our exit, WGX announced guidance that missed on headline gold production and capex. Since our WGX entry in May, we have realised a total gain of 31% on the position. Shares closed the month $2.67/sh, 10% lower than our average exit price.

Additionally, we exited **Webjet Group** (WJL) post-demerger after reaching our valuation target, and while the travel sector shows promise, we preferred to redeploy capital elsewhere.

Outlook

As we head into November and the next 6-12 months, we are optimistic about the outlook for the portfolio. The ongoing global central bank rate cutting and easing cycle, combined with relatively strong economic growth and a robust jobs market, presents an encouraging environment for equities.

Australia's prospects are promising, especially with China's stimulus boosting demand, which benefits key sectors of the Australian economy. We expect continued support for commodities, especially in the context of increased infrastructure spending and fiscal stimulus from China.

Our primary focus remains on quality assets and companies that have structural growth drivers. We also see potential in select consumer and technology sectors that can benefit from improving sentiment and targeted fiscal policy. The materials sector, bolstered by strong fundamentals and global demand, should continue to see positive momentum. The High Conviction Portfolio holds an 18% cash level as of the end of September 2024, providing liquidity to capitalise on any market corrections or volatility.

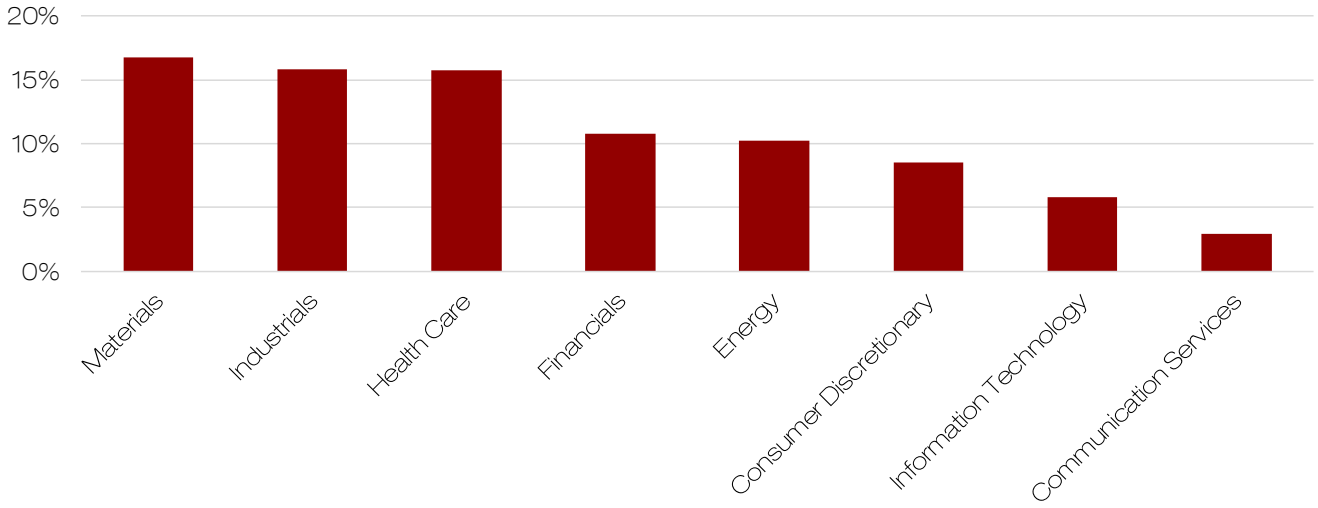
We expect to deploy this cash into new opportunities selectively as we see attractive entry points, particularly in underappreciated small and mid cap stocks where valuation discrepancies remain significant. Our focus on disciplined risk management, combined with a readiness to act decisively, positions us well to take advantage of volatility when attractive valuations emerge.

Overall, we remain cautiously optimistic as we approach year-end, balancing growth with defensive positioning, and focusing on resilient companies with robust balance sheets. By concentrating on sectors with structural advantages and maintaining flexibility through a strong cash position, we aim to generate consistent returns while managing downside risk. The ability to adapt and respond to both macroeconomic shifts and company-specific developments remains at the core of our strategy, ensuring that the portfolio is well-positioned for whatever the market environment may bring.

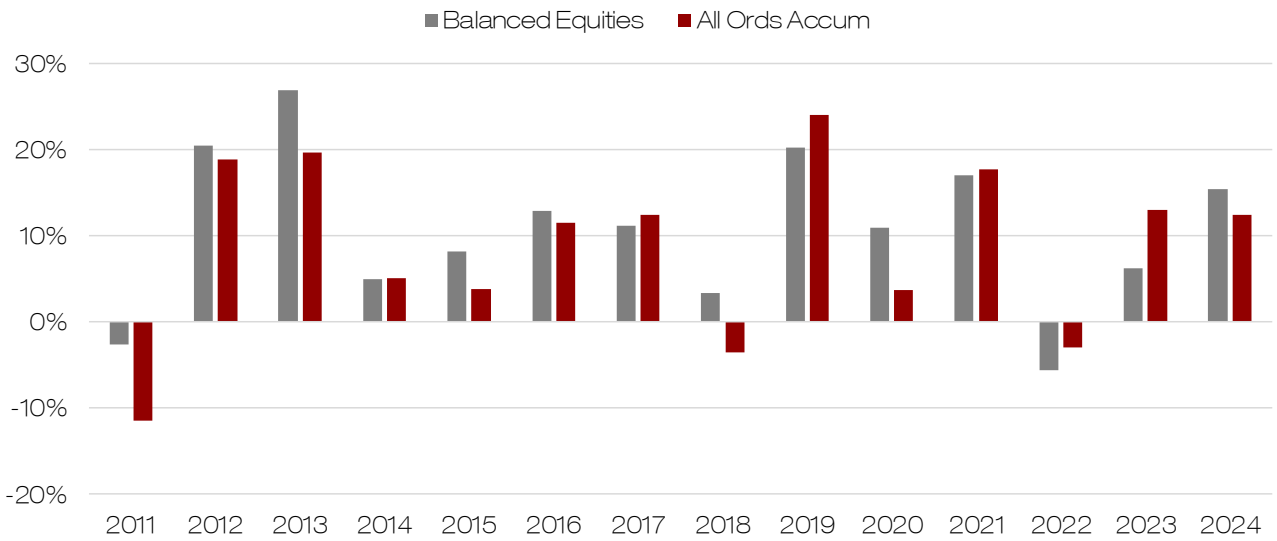
*Note: Performance of the strategy group is representative of individual client portfolios, although performance can differ due to inherent differences between clients' portfolios such as initial entry timing, legacy holdings or requested stock exclusions. Performance measured is after fees, taxes and franking credits. Monthly performance figures include

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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