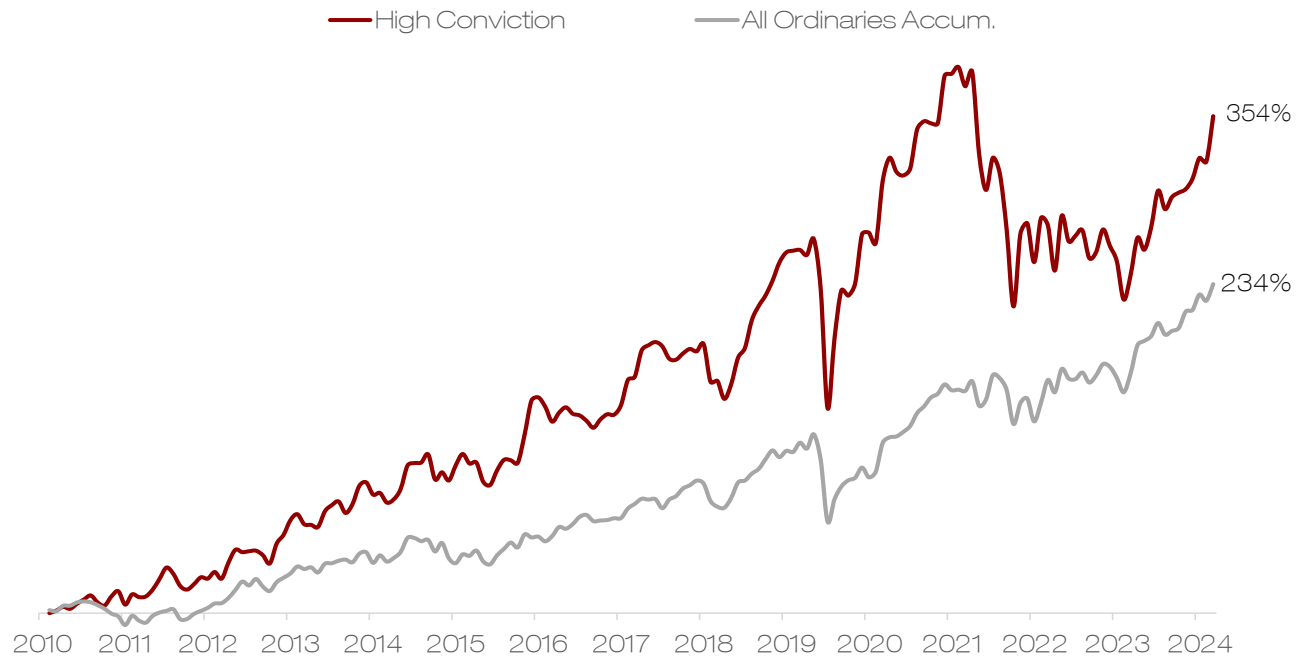
Endeavor Asset Management

High Conviction

November 2024

Performance	Month	Quarter	One Yr	3 Yr pa.	5 Yr pa.	10 Yr pa.	14 Yr pa.	Inception
High Conviction	7.7%	10.9%	33.2%	-1.5%	4.8%	9.8%	11.3%	354%
All Ordinaries Accum.	3.7%	5.8%	23.5%	9.0%	8.6%	9.4%	8.9%	234%
Outperformance	4.0%	5.1%	9.7%	-10.5%	-3.8%	0.4%	2.3%	120%



Portfolio Factsheet

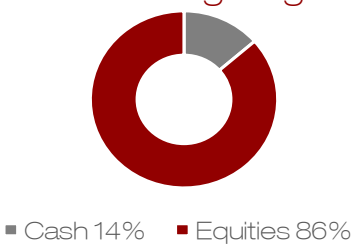
Top Contibutors

Smart Parking Limited
EML Payments Ltd
Webjet Limited
Block
Xero Ltd

Top Holdings

Smart Parking Limited
Block
Life360 Inc.
Webjet Limited
EML Payments Ltd

Cash Weighting



Bottom Contibutors

Andean Silver Limited
Chalice Mining Ltd
Chrysos Corporation Ltd
Yancoal Australia Limited
Austal 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

Performance Summary

The High Conviction Portfolio returned 7.7% compared to the All Ordinaries Accumulation Index's 3.7% increase. The portfolio has delivered 11.3% per annum for 14 years compared to the All Ordinaries 8.9%.

Market Overview

The economic environment continues to provide a supportive backdrop for equities. Despite the resurgence of inflation and higher interest rates compared to recent periods, both deficit spending and private sector investment remain key growth drivers, particularly in technology and quality growth sectors.

A rare combination of a strong labour market, sustained economic growth, central bank rate cuts, and fiscal stimulus through government spending further underpins earnings potential. However, potential headwinds, such as proposed import tariffs and their broader implications, necessitate vigilant monitoring to effectively navigate emerging risks.

Top Contributors: SPZ, EML, WEB, SQ2, XRO

Smart Parking (SPZ)

Our highest conviction position, Smart Parking, was the top contributor to the portfolio in November, with shares rising 29% over the month. We attended the company's AGM, which was well received by the market. Strong financial performance for the financial year to date was highlighted, along with a substantial upgrade to guidance.

- Revenue and EBITDA Growth: Up 24% and 30%, respectively, in 1Q25 versus 1Q24.
- Margin Expansion: Operational leverage was evident, with EBITDA margins improving by 126 basis points year over year.
- Organic Growth Targets: The company announced a new organic site target of 3,000 sites by December 2028, aiming to grow its number of car parks organically by approximately 19% per annum over the next four years.

We began purchasing Smart Parking shares in March at an average price of $0.44, increasing our position in May and June. Since then, impressive financial performance has driven significant appreciation in the share price, closing at $0.90, a 104% increase from our cost price. The uplift in margins and upgraded guidance led to a substantial rise in our internal valuation. We continue to hold Smart Parking, with shares trading at a consensus FY26e P/E of 22x, supported by projected EPS growth of 36% per annum over the next three years.

Block (SQ2)

Shares in digital payments provider Block appreciated by 24% in November. As a refresher, Block operates two key business segments:

- Cash App: A mobile app that allows individuals to send, receive, and manage money.
- Square: Provides tools to small businesses, including point of sale and payment processing services.

At the start of the month, Block reported its 3Q results, which showed revenue and 4Q guidance below expectations due to the push out of certain cost benefits into 2025. The company noted that Seller Gross Payment Volume was expected to grow more modestly in Q4 compared to market expectations but projected "meaningfully higher" GPV growth in CY25.

Block is leveraged to financial deregulation trends, adding an additional layer of growth opportunity alongside its core business activities. In just a decade, Block has achieved remarkable growth:

- Processing Volume: Over $200 billion in annualized card volume.
- Active Sellers: Supporting around 4 million active sellers
- Cash App Users: Built one of the leading consumer fintech platforms in the U.S., with more than 50 million active users.

We view Block as a compelling investment opportunity, given its vast untapped market, distinctive growth potential, and unique culture. Block currently trades at an undemanding 19x FY25e earnings, with earnings forecasted to grow at 22% annually over the next three years.

Bottom Contributors: ASL, CHN, C79, YAL, ASB

Chalice Mining (CHN)

Shares in Chalice declined in November, reflecting weakness in the broader resources sector and palladium price. We met with CEO Alex Dorsch to gain insights into the company's progress. There are three main catalysts which could unlock value in 2025. 1) Metallurgical test work results early CY25, 2) Prefeasibility Study due mid 2025 and 3) Mitsubishi Partnership potential advancement post PFS.

Chrysos (C79)

C79 traded lower in November despite positive developments. The company's PhotonAssay technology offers a faster, safer, and more accurate method for analysing gold content in ore samples compared to traditional methods. A 4% decline in gold prices likely contributed to the share price weakness, given Chrysos's gold producing client base.

Significant Entries: LNW, BVS. Exits: GOZ, NEU, HSN.

Light & Wonder (LNW)

We have added LNW to our portfolio. As a global leader in cross platform games and entertainment, the company specializes in innovative game content, technology, and systems for gaming, lottery, and social gaming markets.

- Strong Performance: The company continues to deliver solid financial results, with impressive machine sales across all regions.
- Strategic Moves: Divesting non-core assets and focusing on digital growth have strengthened its balance sheet.
- Growth Outlook: Management is confident in achieving its FY25 financial targets, requiring a 14% growth in Adjusted EBITDA. Gaming operations are expected to drive this growth, with market share gains in North America and potential sales leadership in Australia through new content releases.

We believe Light & Wonder offers compelling value and aligns with our investment strategy focused on quality growth opportunities. Its robust product pipeline and strategic positioning in key markets position it well for future expansion.

Outlook

We remain committed to delivering strong, long-term returns for our investors by maintaining a high-conviction portfolio of quality companies. Our disciplined investment approach, combined with active portfolio management, positions us well to capitalize on opportunities and mitigate risks in the current market environment.

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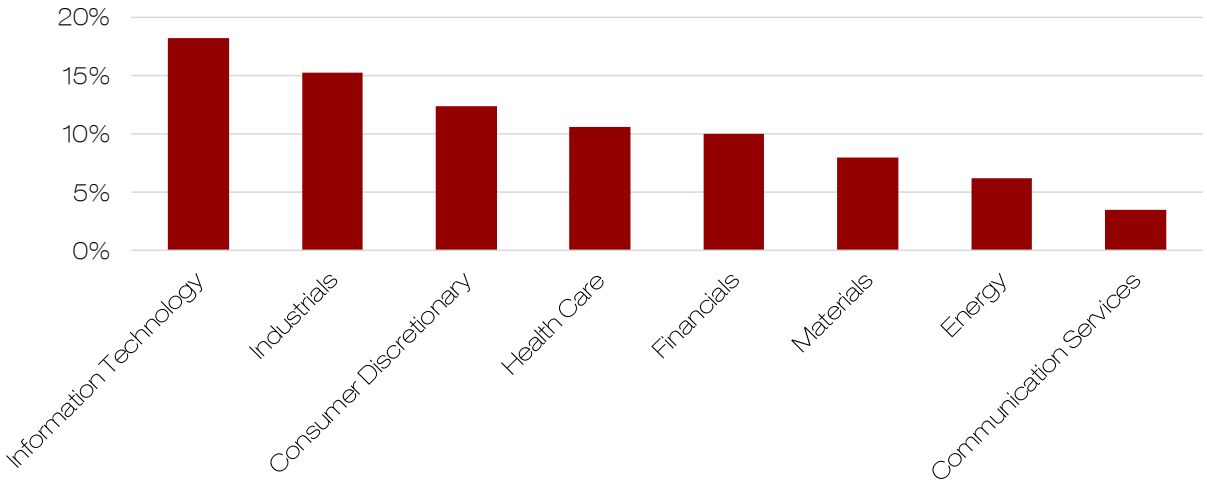
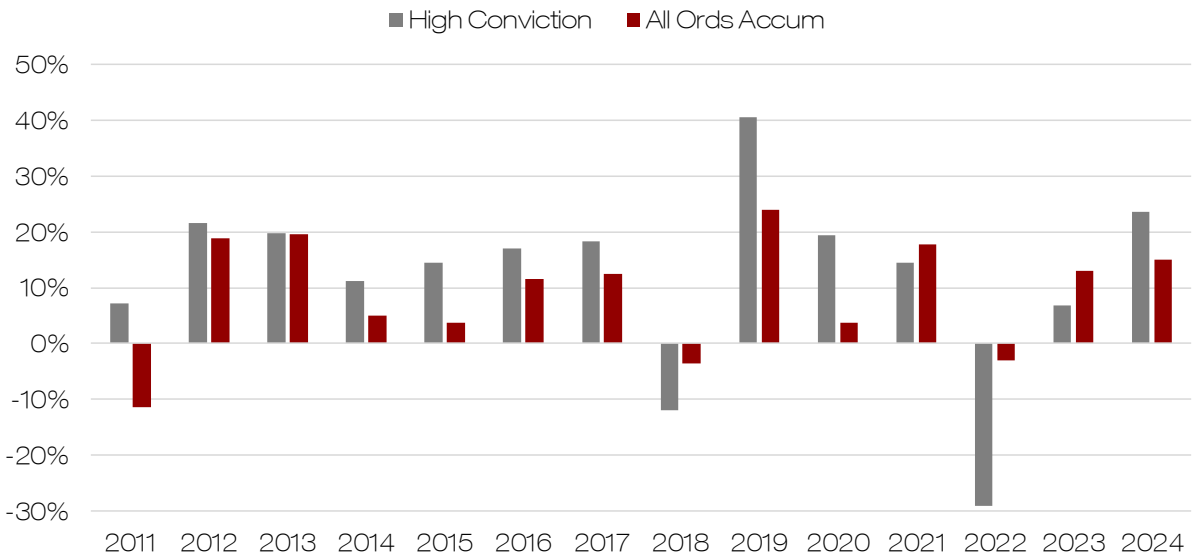
Portfolio Factsheet

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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