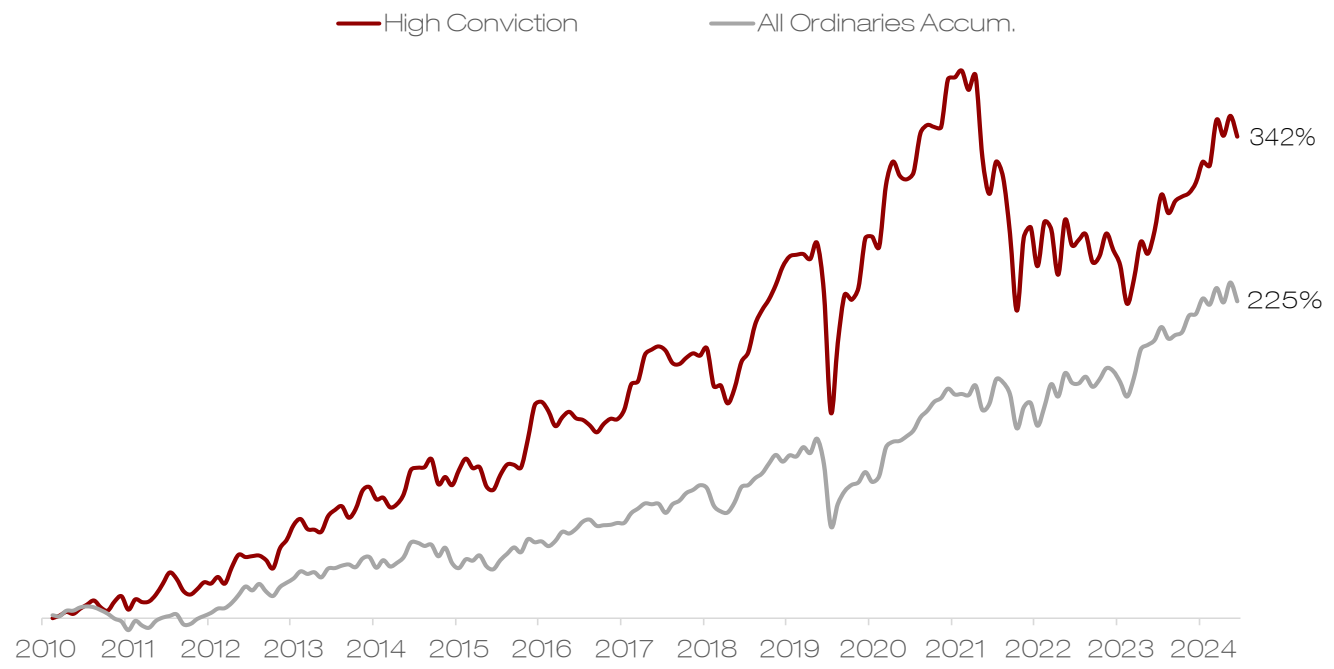
Endeavor Asset Management

High Conviction

February 2025

Performance	Month	Quarter	One Yr	3 Yr pa.	5 Yr pa.	10 Yr pa.	14 Yr pa.	Inception
High Conviction	-3.3%	-2.6%	17.8%	3.3%	6.0%	8.0%	10.7%	342%
All Ordinaries Accum.	-4.0%	-2.8%	9.3%	8.8%	9.2%	7.8%	8.9%	225%
Outperformance	0.7%	0.2%	8.6%	-5.6%	-3.2%	0.2%	1.8%	117%



Portfolio Factsheet

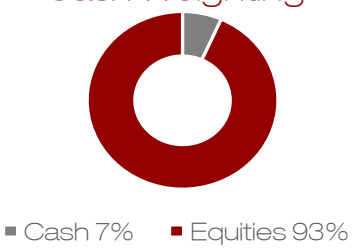
Top Contibutors

Bravura Solutions
Light & Wonder Inc
EML Payments Ltd
Austal Ltd
Zip Co Ltd

Top Holdings

Smart Parking Ltd
Light & Wonder Inc
Block
Life360 Inc
Webjet Ltd

Cash Weighting



Bottom Contibutors

Block
Siteminder Ltd
Credit Clear
Airtasker Limited
Life360 Inc

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. Past performance is not an indicator of future performance.

Portfolio Commentary

Performance Summary

The High Conviction Equities Portfolio returned -3.3% after fees in February 2025 compared to the ASX All Ordinaries Accumulation Index's) return of -4.0%. Over the past 12 months, the High Portfolio has returned +17.8% compared to Index's +9.3%. The portfolio has returned +342% after fees since inception compared to the Index's return of +225%.

Market Overview

Tariff uncertainty and a sharp reversal in U.S. growth expectations following weaker economic data triggered a broad sell off in February. Japanese equities dropped 6.1%, the Magnificent 7 declined 7.1%, the Nasdaq fell 3.9%, and the Russell 2000 was down 5.6%. China was the standout performer, rising 11.5%, a positive leading indicator for Australia.

Locally, defensive sectors such as Utilities and Consumer Staples held up well, while Technology, Healthcare, Property, and Financials faced significant pressure. The RBA cut rates by 25bp to 4.1%, citing stable inflation and solid job growth. Property prices softened, but they are expected to find support from further rate cuts.

Top Contributors: BVS, LNW, EML, ZIP

Bravura Solutions (BVS) was up 17.6% in February following a strong 1H25 result and an upgraded FY25 guidance. BVS has exceeded earnings expectations by more than 10% at its past 4 results, demonstrating a consistent approach to under promising and over delivering. With BVS focusing back on new contracts, we expect consensus revenue growth for the next 2-3 years to upgrade from low-mid single digits to mid-high single digits. Pleasingly, the result was also accompanied with a reinstatement of a dividend which we expect to continue going forward (in addition to the special dividend we will receive in April).

Light & Wonder (LNW) delivered a strong February result, reporting NPATA of $127 million, 5% above consensus, with improved operations and 853 premium leased machines added to its fleet. The share price surged 22.6%, driven by the strong earnings and an improving outlook. LNW also announced plans to explore a dual ASX listing or primary ASX listing, which could help narrow its 7x P/E valuation gap to Aristocrat (ALL). We continue to view LNW as a core holding in the Endeavor Growth Equities Portfolio, aligning with our quality investment philosophy.

EML Payments (EML) increased 17.6% off the back of a cleaner 1H25 result, reaffirmed FY25 guidance and improving outlook. The market was encouraged by further detail on the proposed strategy to achieve its FY28 goals, focus on existing and new product verticals. We believe the stock remains very cheap and expect it to re-rate further as earnings quality improves and EML begins to execute on its building contract pipeline of $65 million by mid-2025.

Bottom Contributors: XYZ, SDR, CCR, ART, 360

Block Inc. (XYZ) shares fell post 2024 earnings as investor concerns overshadowed reasonable results. Gross profit rose 18% and EBITDA increased 69% to $3.03 billion, highlighting strong efficiency. However, investors had expected better Square momentum and clearer credit risk visibility, leading to a sell off.

Block anticipates accelerated growth in 2H25, focusing on expanding Square into a full commerce platform. Key initiatives, such as Afterpay's integration with Cash App Card, aim to boost spending. While confident in execution, investor caution remains around credit risks and sustained growth. At 12x underlying P/E and 30% expected EPS growth, Block's valuation is not expensive. Given its strategy and improving profitability, we increased our position, seeing an attractive risk reward despite near term concerns.

SiteMinder (SDR) fell in February after first half revenue missed expectations due to discounting to attract larger hotel clients. The market is now watching for success from new product launches. SDR reaffirmed its $5–10 million Smart Products forecast for 2H25 and remains focused on 30% growth by year end. With a strong competitive position, we see long term upside and increased our position on the weakness.

Credit Clear (CCR) has released its 1H25 results, aligning with preliminary figures from January. While in line with expectations, the lack of a guidance upgrade led to a share price decline. CCR is well-positioned for EBITDA margin expansion as new client onboarding nears completion, reducing associated costs. The business is set to benefit from economies of scale, with double-digit revenue growth expected while nearly 40% of operating expenses remain fixed. Increased digital collections should further improve efficiency. CCR is on track for its first profit this year, driven by ~17% revenue growth, and appears undervalued at 14x FY26 P/E

Significant Entries HSN, ZIP, NEU CU6. Exits: PNV, ASB, CHN

We recently reallocated 2% of the portfolio in Clarity Pharmaceuticals (CU6) and 2% Neuren Pharmaceuticals (NEU) after they experienced significant share price declines to attractive levels. **Clarity** is a leader in late stage prostate cancer diagnostics, using imaging solutions to improve detection and treatment. Radiopharmaceuticals are gaining traction for their ability to deliver targeted radiation while minimizing damage to healthy tissue, positioning Clarity well for long term growth. **Neuren** focuses on rare neurological diseases and has already secured regulatory approval for its first revenue generating drug. With a strong pipeline targeting conditions with high unmet needs, Neuren offers compelling long term potential, supported by the prospect of further approvals, partnerships, and expanded indications.

We exited our position in shipbuilder **Austal** (ASB) following another strong month for its shares. The company's first-half FY25 results underscored its robust cash position and accelerating earnings momentum, which appeared to be the catalyst for broader investor recognition. After the results, the stock reached an EBIT multiple that we considered fair given its near-term opportunities. As a result, we took the opportunity to lock in gains, exiting our position at $4.09 per share, a substantial return from our initial purchase price of $2.83 per share.

Outlook

In the US, government policies have resulted in increased volatility, causing investors to move to the sidelines for the time being. While we believe these policies will ultimately lead to a more productive economy, the short term impact of reduced government spending and tariffs has reduced growth expectations. If the market continues to decline, this could set up well for a rally into the second half of the year as rate cuts take effect and lower bond yields support equity valuations.

Amid this environment, we are prioritising resilience by holding a relatively high cash weighting and selectively adding to high quality growth stocks at attractive valuations. We have reduced positions in businesses vulnerable to economic slowdowns and those delivering disappointing results, consolidating into the highest quality names.

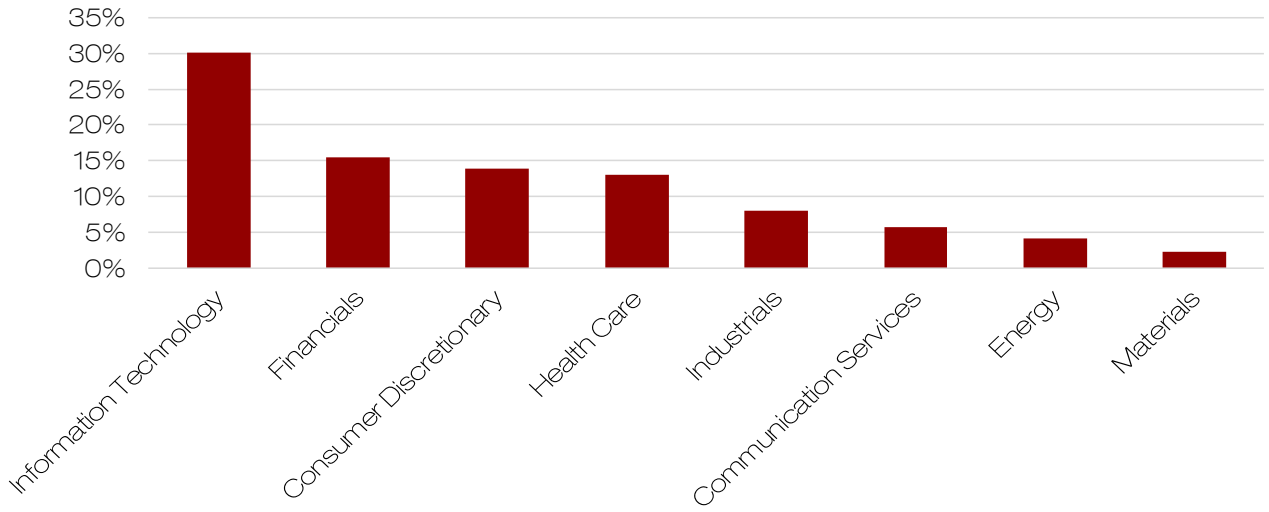
Market volatility has already helped lower bond yields, aligning with Trump's push for rate cuts to ease refinancing of US government debt due over the next six months. Equities are unwinding post election exuberance, but economic fundamentals remain stable with solid job growth and controlled inflation.

Australia is in a relatively stronger position, with stable growth, a resilient labour market, and monetary policy already easing. Also leading indicators for the Chinese economy have turned positive. While we expect sentiment in the US to improve over time, we remain cautious and focused on managing risk, ensuring our portfolio is positioned to adapt to a range of potential outcomes.

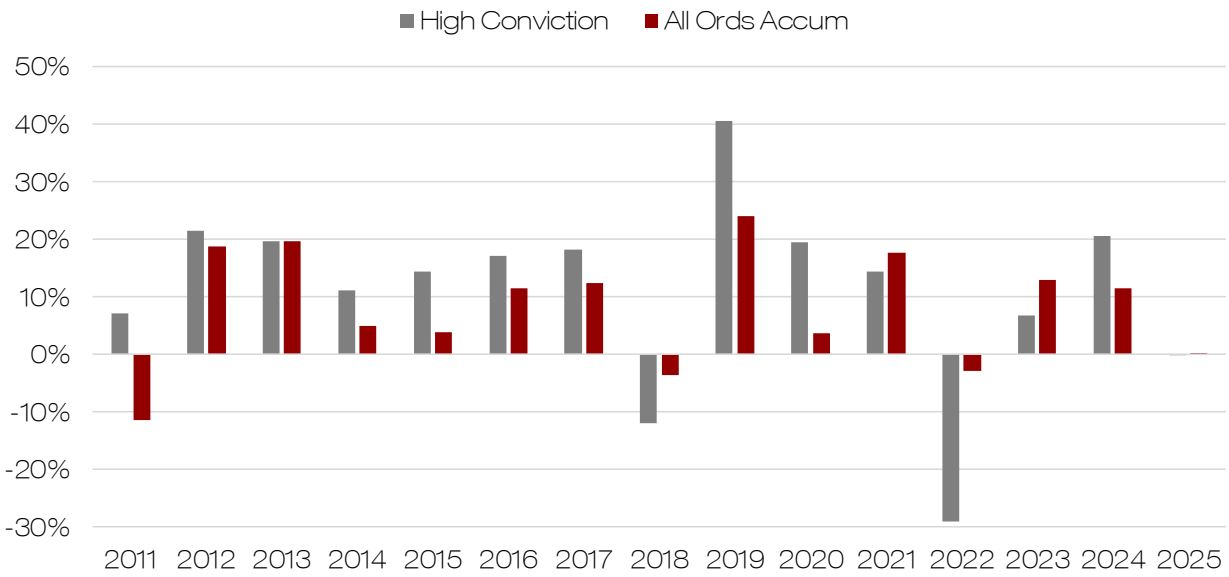
*Note: Performance of the strategy group is representative of individual client portfolios, although performance can differ due to inherent differences between clients' portfolios such as initial entry timing, legacy holdings or requested stock exclusions. Performance measured is after fees, taxes and franking credits. Monthly performance figures include an accrual for fees charged quarterly. Top holdings and contributors are listed in alphabetical order. Past performance is not an indicator of future performance.

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. Past performance is not an indicator of future performance.