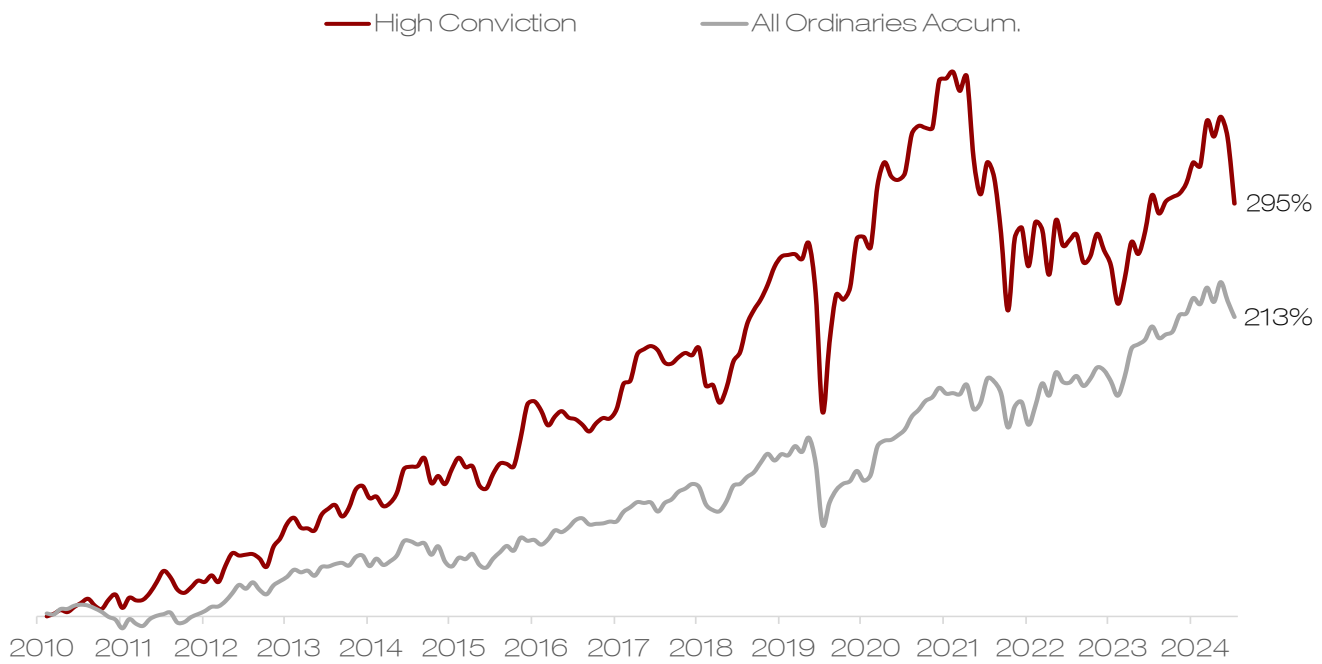
Endeavor Asset Management

High Conviction

March 2025

Performance	Month	Quarter	One Yr	3 Yr pa.	5 Yr pa.	10 Yr pa.	14 Yr pa.	Inception
High Conviction	-10.7%	-10.8%	-1.5%	-2.4%	9.9%	6.7%	9.6%	295%
All Ordinaries Accum.	-3.5%	-3.3%	2.2%	5.2%	13.6%	7.4%	8.9%	213%
Outperformance	-7.2%	-7.5%	-3.7%	-7.5%	-3.7%	-0.7%	0.7%	81%



Portfolio Factsheet

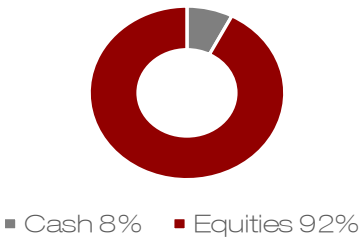
Top Contibutors

Andean Silver Ltd
Solvar Ltd
Australian Finance Group Ltd

Top Holdings

Smart Parking Ltd
Block
Light & Wonder Inc
Monash IVF
Credit Clear

Cash Weighting



Bottom Contibutors

Zip Co Ltd
Light & Wonder Inc
Smart Parking Ltd
Clarity Pharmaceuticals Ltd
Credit Clear

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 -10.7% after fees in March 2025 compared to the ASX All Ordinaries Accumulation Index's (the benchmark) return of -3.5%. Since inception, the portfolio has returned 295% after fees compared to the benchmark 213%.

Market Overview

Equities faced downward pressure in March, driven by escalating tariff concerns, rising recession fears, and shifting U.S. monetary expectations.

The ASX All Ordinaries Accumulation Index fell 3.5%, in line with global trends. The MSCI World Index declined 5.0%, the Nasdaq dropped 4.4%, and European markets were down 3.5%. Japan posted a modest gain of 0.2%, and emerging markets were relatively resilient at 0.3%.

The Reserve Bank of Australia is now expected to ease policy further. Not only in response to contained inflation and softening labour conditions - but also to cushion the domestic economy from potential fallout tied to global trade tensions. Market expectations have shifted materially, with multiple rate cuts priced in for 2025.

Key Movements: ZIP, LNW, SPZ, CU6, CCR

Smart Parking (SPZ) completed the acquisition of Peak Parking, a high-margin U.S. operator generating A$14.7m in revenue and A$5.3m EBITDA, expected to be 25% accretive to FY25 EPS. Funded through a $45m capital raise and scrip, the deal expands SPZ's footprint across six U.S. states and 134 locations. Despite the strategic merit, SPZ shares softened post-announcement, driven by broader macro volatility rather than fundamentals. At 77cps, the stock trades on <11x FY26 EV/EBITDA, down from 14.6x pre-deal, offering 35% multiple accretion and material DCF upside. With strong growth, high margins, and planned tech rollouts, Peak provides a compelling platform for SPZ's U.S. expansion. We participated in the capital raise.

Zip Co (ZIP) detracted from performance in March as ongoing market volatility and rising economic uncertainty weighed on sentiment. Despite these headwinds, the company is now trading on less than 8x FY25e Cash EBTDA which is well below historical averages and peers. Fundamentals appear largely intact, with Zip continuing to generate positive cash flow and maintaining a stronger balance sheet. While the operating environment remains challenging, we viewed the recent weakness as an opportunity to modestly increase our position at what we consider a discounted valuation.

Shares in silver-gold explorer **Andean Silver** (ASL) rose 30% over the month, buoyed by a 9% lift in both gold and silver prices amid heightened global uncertainty. The rally was further supported by the announcement of a significant exploration development, with a geophysics survey uncovering a compelling new 2km-long target at the company's Cerro Bayo project.

Light & Wonder (LNW) fell 20.7% in March, driven by a combination of broader market risk aversion and the emergence of legal proceedings initiated by Aristocrat Leisure (ALL). While we expect the legal dispute to introduce some short-term volatility, we do not believe it undermines the company's long-term investment case. Our focus now shifts to the upcoming investor day in May, where we anticipate the release of updated financial guidance and a refreshed three-year strategic plan, which should provide greater clarity around the business outlook.

Significant Exits: PGC, YAL

Thermal coal miner **Yancoal** (YAL) generated substantial free cash flow on the back of a strong commodity price. The Company rewarded shareholders with a fully franked dividend of 52 cents, delivering a yield of 8.1% on our average cost base, or 11.6% grossed up. Unfortunately, while we waited for the shares to trade ex-dividend, a decline in thermal coal prices weighed on sentiment, leading to a pullback in the stock. We subsequently exited the position at a small loss.

We exited our position in healthcare distributor **Paragon Care** (PGC) in March, locking in a modest gain. Our initial investment, made in June of last year, was underpinned by the potential for market share expansion following its merger with CH2 Holdings, a company generating $2.1 billion in turnover. However, the Company's post 1H result commentary indicated that competitive pressures in the market were more intense than anticipated. In light of this, we revised our forecasts and exited based on valuation.

Outlook

Short term volatility persists, driven by global tariff uncertainty and shifting U.S. policy direction. The current selloff differs meaningfully from previous downturns such as the GFC, COVID, or 2022, which were driven by structural or economic shocks. This is a policy induced correction. And policies can shift quickly. We believe logic will ultimately prevail, leading to negotiated trade agreements and a rebound in some oversold equities.

Adding further support, Australian cash rate expectations have shifted rapidly. Significant rate cuts have now been priced in for 2025, with the latest forecasts suggesting a year end rate near 2.75%. While these expectations will move with sentiment, the RBA retains meaningful policy flexibility given Australia's low public debt and elevated starting rate.

Despite the uncertain backdrop, we remain cautiously optimistic. We are confident that investments made during periods of extreme valuation disconnects will ultimately reward patient investors. This volatility, while uncomfortable, is also creating opportunities.

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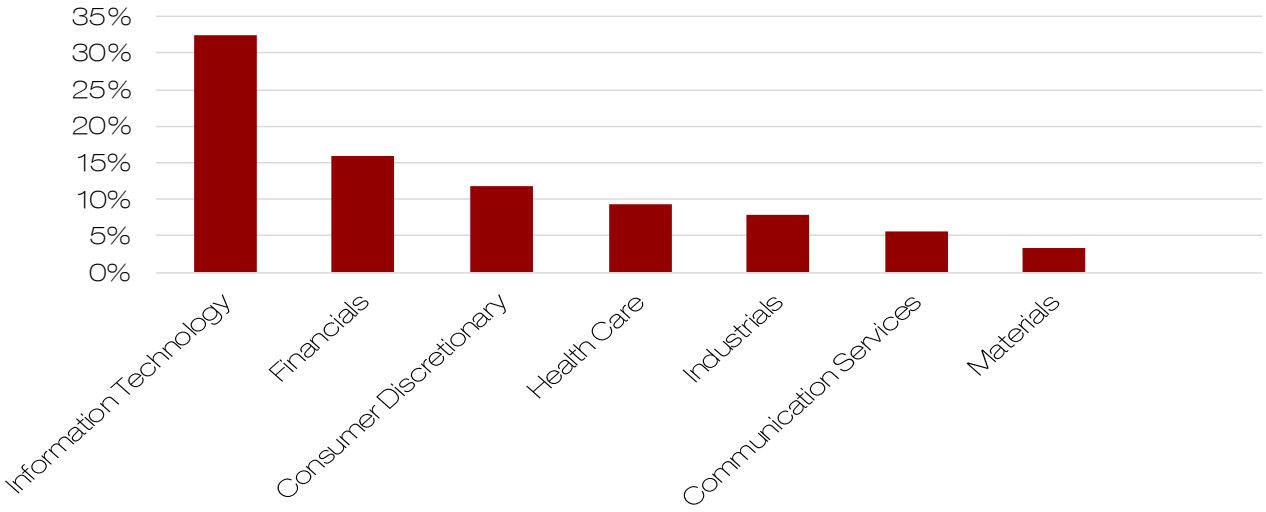
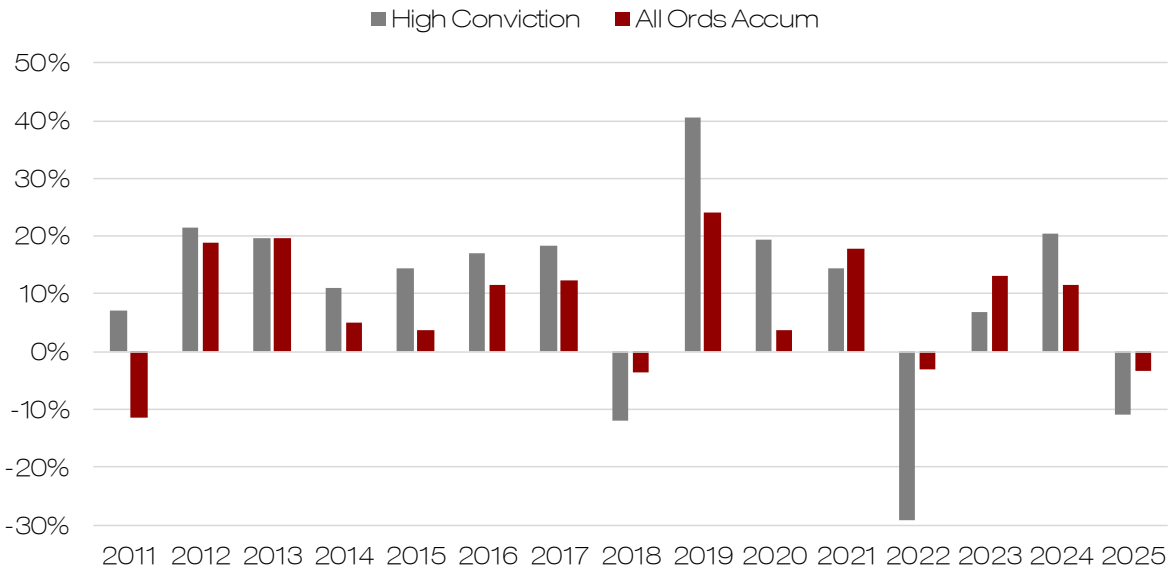
Portfolio Factsheet

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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