Endeavor Asset Management

March 2019 Summary

Performance	Month	Quarter	One Yr	2 Yr p.a.	3 Yr p.a.	5 Yr p.a.	8 Yr p.a.	Inception
Growth Equities	1.5%	12.5%	16.0%	15.5%	16.9%	12.5%	13.6%	204.6%
Balanced Equities	1.0%	9.9%	13.6%	12.4%	15.2%	11.0%	13.2%	192.8%
High Conviction	2.6%	14.8%	1.1%	11.2%	15.5%	12.7%	15.3%	246.9%
All Ordinaries Accum	0.7%	11.1%	11.3%	7.4%	11.3%	7.5%	7.6%	94.4%

Portfolio Top Holdings

Growth Equities
Alphabetical

ASX 200
Afterpay Touch
Commonwealth Bank
National Aust.
Westpac
WiseTech Global

Ex 200
AMA Group
Decmil Group
Lifestyle Communities
Medical Developments
Money3 Corporation

Balanced Equities
Alphabetical

ASX 200
Commonwealth Bank
National Aust.
Telstra Corporation
Transurban Group
Westpac

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Quarterly Review

During the March quarter Australian equities along with the rest of the world recovered sharply from the Dec'18 quarter sell off and we were pleased that all of our portfolios performed well over this period.

The High Conviction portfolio delivered +14.8%, Growth +12.5% and Balanced +9.9% for the quarter, compared to the All Ordinaries Accumulation Index +11.1%. For the month of March, High Conviction portfolio returned +2.6%, Growth +1.5%, and Balanced +1% compared to the All Ordinaries Accumulation Index +0.7%.

We think the impressive rebound in markets was mainly due to two factors: half year results beating expectations, and slowing global growth leading to lower interest rate assumptions. It is during these periods, after a long run of stronger global growth, that economies start to slow and the Central Banks' perceived requirement to increase interest rates reduces.

While this environment is often more supportive for equity valuations, particularly for high growth companies, we continue to concentrate on investing in businesses that can grow without being at the mercy of the overall economy.

Contributors to the performance in March, which are discussed in more detail below, were Medical Developments (held across all portfolios), Afterpay (held in Growth and High Conviction), and AMA Group (held across all portfolios). Detractors included Panoramic Resources (held in Growth and High Conviction) and Kidman Resources, held in the High Conviction portfolio.

'Buy Now, Pay Later' finance provider Afterpay was a notable contributor across the three portfolios, after the share price rallied 13% in March and 69% in the quarter. The appreciation was following better than anticipated growth in sales transactions for both Australia and the US as well as net transaction losses at the lower end of the previously guided range. Afterpay is gaining strong traction in the US as we expected, and this is key to our investment thesis.

Medical Developments, held across all portfolios, increased 21% in March. Medical Developments is in the early stages of rolling out its fast acting non-opioid based acute pain relief in Europe, which has been highly successful in Australia where it is widely used in ambulances. A medium term expansion opportunity is in the large US market as well as China. Potential exists to expand the use to minor surgical procedures, breakthrough pain and home use for minor trauma.

AMA Group, the featured portfolio holding in December and held across all portfolios, was up 16% in March. AMA has been a core holding for several years and we still see significant scope for growth in AMA given its scale advantage and lower cost of operation. AMA is the primary beneficiary of the change in practice of insurance companies who prefer to operate with fewer well managed larger vehicle panel beaters as opposed to many smaller and less transparent operators. The opportunity to consolidate panel repair operators in Australia remains significant given AMA has only a 5% market share in a highly fragmented industry.

The only resource companies held in the High Conviction portfolio, nickel producer Panoramic and lithium developer Kidman Resources, were notable detractors to performance in March. Kidman is an Australian based lithium developer with its main asset a 50% interest in the Mt Holland lithium joint venture, with global lithium major SQM. The asset is a high quality project, offering scale, long life and low costs. These attributes have allowed Kidman to attract a leading lithium producer into the joint venture as well as impressive off-take partners (Tesla, Mitsui & LG). Mt Holland is a tier one project with a tier one partner. The 128Mt resource makes it one of the largest hard rock lithium deposits in the world with excellent economics. We look forward to the DFS expected in 1H'19, shortly followed by the Final Investment Decision.

Panoramic is going through commissioning stage to restart production at its 100% owned nickel mine in Western Australia. Due to some commissioning issues, production was delayed and Panoramic raised $20m (<10% dilution) during March to cover the extra unforeseen costs. As a consequence, Panoramic was down 14% in March. Panoramic's nickel type is suitable for use in electric vehicle batteries and with future demand expected to be strong we are bullish nickel price which is the key thematic supporting our investment case in Panoramic.

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A noteworthy exit during the quarter was Lovisa, which we sold slightly under $10 per share in March after the stock rallied +40% during the quarter. Lovisa was a long term holding for Endeavor, initially entering the portfolio when the global store rollout was in its infancy and the price has increased 4x from the initial price entry. Lovisa is a quality business with excellent operational metrics but we thought the valuation at that time was stretched and made a decision to lock in profits for clients.

We continue to look for companies that can deliver strong growth regardless of the economic cycle. If these businesses pass our key investment criteria, they are consistent with Endeavor's investment strategy of investing with a 3-5 year view. Our investments need to have a strong competitive advantage with demonstrable evidence of growing market share in a large addressable market (supporting strong organic earnings growth) and high barriers to entry, aligned management, sound financials and strong return on invested capital. With these attributes in mind, many of the companies we invest in are growing outside of Australia in larger markets such as the US. Which leads us to our recent trip to the US which we detail below.

US Trip

We recently travelled to the US to meet with management teams, head of sales, competitors, and visited operations and related store visits of ASX companies we currently hold in the portfolios and/or are prospective ASX companies that we are potentially looking to invest in due to their growth opportunities in this market. As we have previously discussed, we are always on the lookout for companies that have growth opportunities outside of the Australian market because if they get it right the addressable markets for growth are so much larger.

Here are a few highlights. In San Diego we caught up with the Altium management which is held in Growth and High Conviction portfolios. We gained further insights into Altium's strategy of revolutionising the electronic printed circuit board (PCB) design and assembly process, which is currently disconnected between the users, to make it far easier for mainstream PCB designers to design and receive a manufactured PCB. This strategy involves linking up Altium's PCB designer software with electronic components distribution and PCB assembly. This is not an easy exercise, but one that Altium is confident in successfully achieving and provides a significant opportunity for Altium to gain further exposure to the explosion of smart connected devices that requires PCB's.

In San Francisco we met with the founder and CEO of Afterpay, Nick. Afterpay, the leading online buy now pay later platform, is held in the Growth and High Conviction portfolios. We gained insights into the progress of Afterpay's expansion into the US. Afterpay has assembled a well credentialed management and leadership team in the US, with high calibre recruits from the likes of Uber and Paypal. Afterpay is scaling much faster than was seen in Australia at a similar stage. We initially bought into Afterpay based on the likelihood of the network effect playing out in terms of both the retailer and the consumer driving demand. After visiting the US we gained further confidence that the network effect is playing out strongly in the US which is supportive of our investment thesis.

Robert, Nick Molnar (CEO and Founder) and Richard at Afterpay's San Francisco Office

Another company we have been following for some time is Osprey Medical. In San Francisco we met with their Head of Sales. We hold a small position of Osprey in the High Conviction portfolio and it has been a detractor to the portfolio over the past 12 months. As a reminder, Osprey Medical (OSP) is a US based company focused on the development and commercialisation of its proprietary DyeVert System. The DyeVert system minimises the volume of dye used which reduces the risk of kidney failure during cardiac stenting procedures. It is estimated there are approx. 1.5m procedures (amongst high risk patients) conducted in the US each year that may benefit from the use of this technology. Osprey has its own dedicated sales team where its current focus is signing up hospitals in the US to use DyeVert. The recent inclusion of DyeVert on three large Group Purchasing Group's buying lists represent a significant validation of the safety and value represented by the DyeVert system. DyeVert is the best standard of care and has the hallmarks of being a successful global medical device rollout. so it was useful to some further insights into the reasons for the lower than anticipated sales growth. At the conclusion of our meeting, while still believing in the market opportunity for their product we also felt more comfortable that sales growth should improve under a more focussed and targeted sales strategy.

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Quarterly Review

To conclude our quick stop over in the San Francisco area we headed down to the biotech hub of America and met with a US company called AcelRX that has a recently FDA approved opioid based pain relief for acute pain. This was an important meeting for us as we thought there was a risk this new drug could be a new potential competitor to Medical Developments, held across the portfolios, which also has a fast acting pain relief for acute pain. The meeting gave us confidence in that, despite the drugs clear advantages over traditional methods in treating acute pain, Medical Developments still has a clear competitive advantage in treating acute pain faster with the added bonus of being non-opioid based.

While still on the west coast in the Los Angeles area we visited and met with some of the US sales team of retail stores Lovisa and Breville Group. Lovisa, a fast fashion jewellery retailer is now committed to rolling out stores in the US and our visits to some of their pilot stores gave us some useful insights. In particular we were impressed at the quality locations that they were able to secure in 'A' grade shopping centres. Breville Group, which has already established its position as a category leader in kitchen appliances in the US market should continue to benefit from what we saw as a growth in the demand from US consumers for 'home style' Barista coffee machines and other kitchen appliances such as Juice fountains. Interestly the company is investing heavily in personnel to merchandise and demonstrate the "ease of product use" to build brand awareness. Despite exiting both of these businesses in recent times on valuation grounds we still like both business a lot and will continue to evaluate them closely.

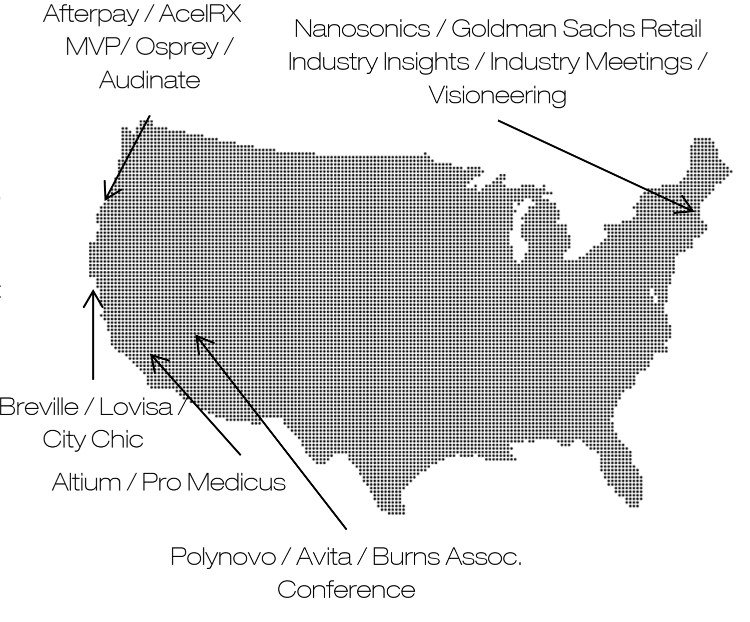
On our visit to a major New York hospital on the east coast of the US we were able to get some very useful staff feedback for Nanosonics Trophon cleaning technology that disinfects ultrasound probes (Nanosonics is held in the Growth portfolio). Customer feedback substantiated Trophon's competitive advantage of it being a much more efficient sterilisation and cleaning process for medical probes. Furthermore, we gained insights into other markets it could potentially be used in.

Finally, we attended the American Burns Association annual conference in Las Vegas to speak to competitors and surgeons associated with Polynovo's NovoSorb treatment for healing deep wounds and burns. Polynovo is held in the High Conviction portfolio. Polynovo's NovoSorb BTM (Biodegradeable temporizing matrix) foam organises a large wound into a series of interconnected small wounds that the body can regeneratively heal. This revolutionary treatment is beginning to become the standard of care amongst well renowned surgeons in the US.

We got very positive feedback from a surgeon that uses BTM and also spoke to competitors and we garnered that BTM has a superior competitive advantage to the legacy treatment which has been around for decades.

Some other interesting meetings of note in the US were with Audinate and Promedicus where we were able to gain a greater understanding of their businesses which we have flagged to do further research on now.

In Summary, our trip to the US not only gave us more direct exposure to the people running some of our investments and operations abroad but also allowed us to get a better read on some emerging trends, consumer sentiment and business confidence.



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Featured Portfolio Holding – Medical Developments (MVP.ASX)

Medical Developments has been a holding across all portfolios for the past 2-3 years. Initially this holding was a good performer, rallying nearly 100% from initial price entry as approval for rollout into Europe was granted and the expectation that FDA approval in the US was drawing nearer. Slower than anticipated roll out into Europe and a hurdle in gaining FDA approval in the US saw the stock give up all of its gains since initial price entry. Below we give our investment thesis on Medical Developments and why we think the near term future is looking bright again.

What does Medical Developments do?

Medical Developments manufactures and sells Penthrox, a non-narcotic fast acting painkiller also known as 'the green whistle'. Penthrox provides quick relief of moderate to severe pain and is used by ambulances and hospitals. MVP's intellectual property is the device known as the 'green whistle' that is central to administering the pain relief containing methoxyflurane, which is used as an anaesthetic, in a safe way. Penthrox has a clear competitive advantage as a quick short term pain relief being classified as S4 prescripted medicine meaning its use isn't restricted to nurses and is easy to administer. There is a significant opportunity for Penthrox to be used in emergency departments of hospitals worldwide. Penthrox is in a unique position being a non-narcotic, fast acting, portable and easy to use. In the US narcotics cannot be administered by paramedics, placing Penthrox as a solution for administering pain relief before arrival at the emergency department.

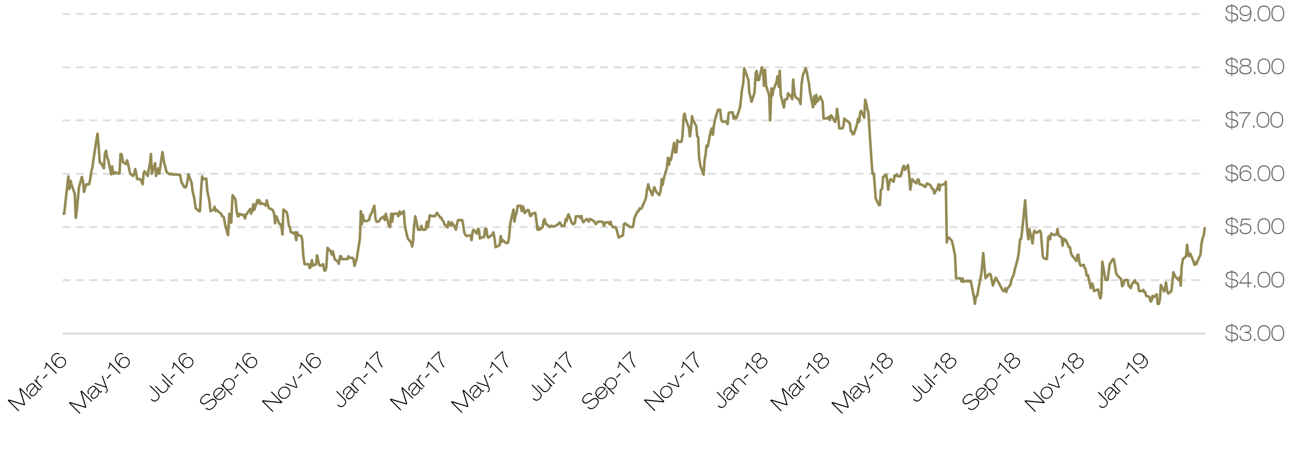
Penthrox is widely used in Australia and has been approved for use in the majority of European countries and is currently going through the FDA process for approval in the US.

Why is it in the portfolio?

We are attracted to MVP as having a product (Penthrox) that has proven itself in Australia (widely used in Australian ambulance market) with **a clear competitive advantage,** being the best solution to pain relief being administered without the need of a nurse. A **sustainable competitive advantage** is important to us and one that we monitor closely. Penthox's competitive advantage of being a fast acting pain relief for acute pain was substantiated following a recent meeting we had with a potential opioid based acute pain relief competitor in the US.

Penthrox has a **large addressable market** (worldwide in ambulances and hospitals). With a major issue of addiction to opioids when used as pain relief, an issue that has been making headlines in the US, Penthrox is shaping up to be a suitable alternative in certain cases and as such the **thematic is working in MVP's favour**. MVP has an **experienced Board and management team and are aligned to shareholders** with 30% ownership in MVP. Medical device rollouts such as this can be very rewarding for shareholders if done successfully.

The valuation upside is compelling. We see at least 100% upside to the current share price, based on our DCF valuation, as Penthrox gains momentum in Europe and is rolled out to other large regions including the US market. Results from two trials are expected shortly that are likely to appease the FDA's previous queries which do not seem onerous. This should put Medical Developments on a pathway for FDA approval in 2020. Regardless of the US outcome, Penthrox is likely to be rolled out to other large markets including China.



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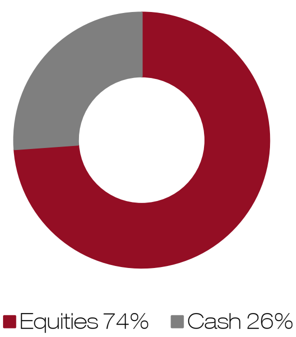
March Portfolios Factsheet

Performance Contributors

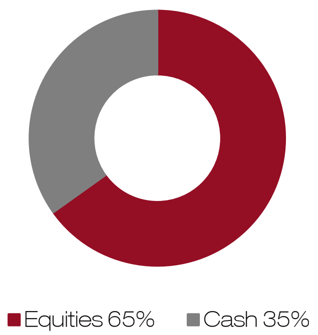
Portfolio:	Growth Equities	Balances Equities	High Conviction
Top Contributors (Alphabetical):	Afterpay Touch Medical Developments Rio Tinto	Rio Tinto Telstra Corporation Transurban Group	Afterpay Touch AMA Group Medical Developments
Bottom Contributors: (Alphabetical):	Commonwealth Bank Webjet Limited Westpac	Commonwealth Bank Webjet Limited Westpac	Kidman Resources Panoramic Resources Polynovo Limited

Cash Weightings

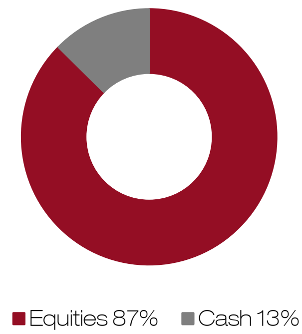
Growth Equities



Balanced Equities



High Conviction



Portfolio Characteristics

Portfolio:	Growth Equities	Balanced Equities	High Conviction
Risk Profile:	Moderate / High	Low / Moderate	High
ASX200 Weighting:	75% Limit	85% Limit	Unconstrained
Ex200 Weighting:	25% Limit	15% Limit	Unconstrained
Number of Holdings:	20 - 35 ASX listed equities	20 - 35 ASX listed equities	20 - 25 ASX listed equities
Cash Constraint:	Unconstrained	Unconstrained	Unconstrained
Benchmark:	All Ords Accum. Index	All Ords Accum. Index	All Ords Accum. Index

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 investment 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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