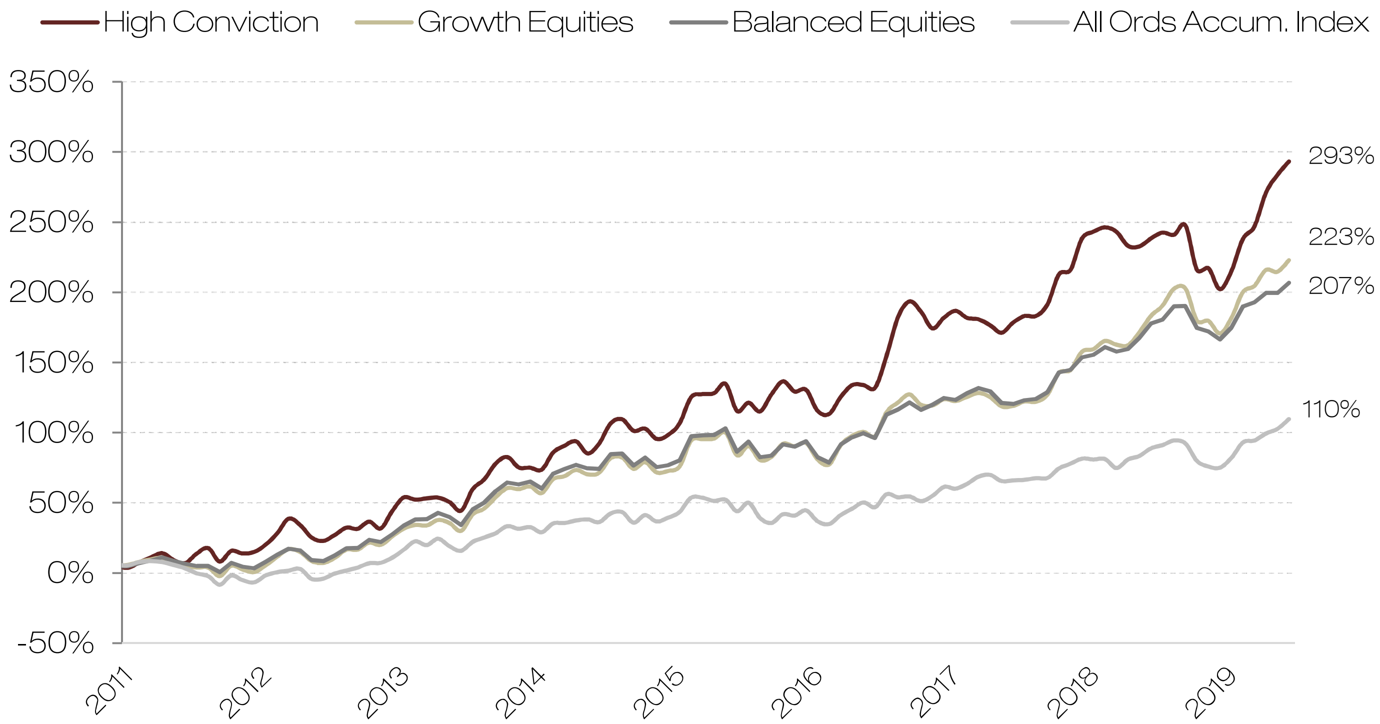
Endeavor Asset Management

June 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	2.6%	6.0%	14.0%	21.4%	17.8%	13.5%	15.1%	222.9%
Balanced Equities	2.4%	4.8%	10.4%	18.0%	16.1%	12.0%	14.1%	206.8%
High Conviction	2.5%	13.4%	16.2%	18.9%	19.2%	15.4%	17.7%	293.3%
All Ordinaries Accum	3.4%	7.8%	11.1%	12.4%	12.6%	9.0%	9.3%	109.7%



Portfolio Top Holdings

Growth Equities
Alphabetical

ASX 200
- Commonwealth Bank
- Evolution Mining
- National Aust. Bank
- Rio Tinto
- Westpac Banking

Ex 200
- Decmil Group
- Imdex Limited
- Lifestyle Communities
- Medical Developments
- Money3 Corporation

Balanced Equities
Alphabetical

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

Ex 200
- Decmil Group
- Imdex Limited
- Lifestyle Communities
- Medical Developments
- Money3 Corporation

High Conviction
Alphabetical

- Imdex Limited
- Kidman Resources
- Lifestyle Communities
- Medical Developments
- Polynovo Limited

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Portfolio Review

June marked the end of the financial year and we are pleased to report the High Conviction portfolio returned +16.2%, the Growth portfolio returned +14% and the Balanced portfolio returned +10.4%, in comparison with the All Ordinaries Accumulation Index which was +11.1% for the financial year.

Australian equities continued to rally in the June quarter, supported by lower interest rates that support the domestic economy and equity valuations. The High Conviction portfolio delivered +13.4%, the Growth portfolio +6.0% and the Balanced portfolio +4.8%, compared to the All Ordinaries Accumulation Index which was +7.8% for the June quarter. The portfolios were conservatively positioned during the quarter carrying relatively high cash weightings.

For the month of June, all three portfolios returned approximately 2.5%, compared to the All Ordinaries Accumulation Index which was +3.4%.

We continue to be wary of the economic environment and prefer to concentrate on investing in businesses that can grow without being beholden to the overall economy.

Contributors to the June performance, (which are discussed in more detail below) were Polynovo, Wisetech and Altium (held in Growth and High Conviction), Evolution (held in Growth and Balanced), and Imdex, Lifestyle Communities, and AMA (held across all portfolios).

Detractors included Kogan (held in Growth and High Conviction), Webjet (held in Growth and Balanced), and Bravura (held in Growth). Notable exits were Panoramic Resources (held in Growth and High Conviction) and Lindsay Australia (held across all portfolios).

Minerals exploration technology provider Imdex ($470m market capitalisation) was up 28% in June. We added to our holding of this stock during the quarter on share price weakness. We took this decision as we saw an opportunity with the market selling the stock down on concerns about slowing global exploration growth. Our view is that this overlooks Imdex's ability to grow stronger than the general exploration activity due to deployment of new technology at higher rental rates. Further, Imdex is in the process of commercialising new technology in 2020 which we think will further drive strong earnings growth beyond current market expectations.

Polynovo ($1b market capitalisation) increased 28% in June and 105% in the June quarter. Polynovo's NovoSorb treatment for healing deep wounds and burns is gaining traction in the USA as the new standard of care for acute wounds such as burns and trauma. We first invested in High Conviction in November at $0.60/sh and again in February at $0.73/sh. Our trip to the USA in April gave us the opportunity to speak to surgeons and the incumbent competitor which reinforced our view that Polynovo has a superior competitive advantage to the twenty year old legacy treatment. Following that trip we invested for the Growth portfolio at $0.92/sh. PNV closed the month at $1.54/sh.

Logistics software provider Wisetech ($9b market capitalisation) rose 14% in June and 20% for the quarter. Wisetech is part of the 'WAAAX' group which is the envy (or frustration) of those who can't comprehend the valuation multiples. Wisetech has a quite unique characteristic, being one of the few companies on the ASX which seemingly has built a strong competitive advantage which will be hard to replicate in the global logistics market. We see Wisetech as a great long term investment.

Gold producer Evolution ($7b market capitalisation) increased 12% in June and 19% for the quarter, supported by a stronger gold price which is now above A$2000/oz.

Panel beater AMA Group ($740m market capitalisation) increased by 12% in June and 31% for the quarter. 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 large scale vehicle panel beaters as opposed to numerous smaller and less transparent operators. The opportunity to consolidate panel repair operators in Australia remains significant given AMA has only 9% market share in a highly fragmented industry.

Retirement living builder/owner/operator Lifestyle Communities ($700m market capitalisation) share price increased by 8% in June and 20% for the quarter. Lifestyle is a long term Endeavor holding and we added to our investment during price weakness over the last 6 months. There was an opportunity when negative property sentiment was impacting the share price, even though demand had not softened in Lifestyle's catchment areas or for the Lifestyle product. The property price weakness benefits Lifestyle as they are able to acquire land for future developments at a discounted price.

A notable exit across all portfolios was trucking logistics company Lindsay Australia ($100m market capitalisation). We invested in Lindsay for exposure to the fresh food thematic but the business has struggled with low return on capital as a consequence of industry wide pressure on rates. Another exit was Panoramic Resources ($160m market capitalisation) which was held in Growth and High Conviction. We had invested in Panoramic for exposure to a strong Nickel price supported by the electrical vehicle thematic which is still the case. However, with Panoramic now in production whilst the nickel price is yet to materially improve we think the short term (cashflow) risk has increased and we decided to exit.

Online retailer Kogan ($460m market capitalisation) dropped 15% in June, although it increased 34% for the quarter. Kogan seemed to be impacted by a report during the month suggesting lower traffic through its website which may be leading to lower demand for its products. Kogan have rejected these claims and we believe Kogan is well placed for strong earnings growth, albeit we have tempered our view and subsequently lightened our holding.

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Portfolio Review

Online travel agent Webjet ($1.8b market capitalisation) traded down 8% in June, which may be based on concerns of a slowing travel market. This is quite similar to what we saw leading into the December half year result, where a positive result was delivered. We think there is a good chance Webjet will once again demonstrate good results to the market in August when they report their results. We are invested in Webjet because it has a clear competitive advantage, and a significant opportunity to grow market share in the global B2B hotel accommodation market, which is now the key earnings driver for the business. The B2C online travel booking division, which the market seems to be concerned about, is not the main game.

Financial products software support provider Bravura ($1.1b market capitalisation) was down 14% in June following its attempt to takeover a related software company, GBST. Whilst we rate Bravura as a high quality company (high quality strong organic earnings growth) with its flagship Sonata software driving strong growth, it does cause concern that they have sought to fill a gap in their offering by buying a competitor in its space. We have taken a more cautious approach and reduced our weighting in the Growth portfolio.

Online solutions provider, ARQ Group is worth mentioning since it was a great exit for the portfolios. ARQ was held across all portfolios, albeit at low weightings at the time, and was exited back in early March following the half year result. At the time, we formed the view that it was not only overvalued on consensus earnings but consensus earnings were also too high. We exited the position around $2 per share and today it is trading around $0.65 per share following a series of consensus downgrades which were compounded by an earnings downgrade from the company. Avoiding poor performers is just as important as finding the winners and it's a reminder that the extra time we invest in our analytic process is always worth it.

Site visits & company meetings

As part of our investment process we like to visit the assets of our investments and regularly meet management.

Activity in April included the last leg of our US trip and visits to Brisbane as well as a busy few days at the annual Macquarie Conference in Sydney which showcased around 50 large and mid sized Australian listed companies.

Activity in May included travelling to Shanghai and Hong Kong along with investor conferences in Melbourne. The China trip gave us insights into export opportunities for Australian businesses, especially in fresh food. A supportive thematic is one of our five investment criteria requirements and it's important we assess every investment in relation to the global market. The rise of the middle class in China is a long term trend which provides opportunities for Australian industry. A recent example can be seen in the infant formula market which has resonated with the Chinese consumer.

In June we attended three broker organised conferences in Melbourne for small to mid sized companies. We saw some interesting new companies for the first time and we have since made a start investing in one company for the High Conviction portfolio. We will tell you more about this exciting company that isn't well known once we are fully invested.

How we are planning to invest

We remain attracted to companies that have sustainable growth opportunities run by great management. 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. Ideally 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 and Europe.

We are holding relatively high levels of cash across the portfolio's and despite this negatively impacting performance in the June quarter, we don't feel the urgency to invest further until the right investment opportunity presents itself. The renewed optimism in equity markets, partly fuelled by lower interest rates which have supported equity valuations, can end as quickly as it started and we prefer to remain cautious.

Whilst we are comfortable with valuations of our existing holdings, there are a lot of cases of significantly stretched valuations in the market. Particularly for those companies with low organic earnings growth that are growing through increasing debt for acquisitions, seeking out the multiple arbitrage between private and the listed market. Their days may well be numbered as we are seeing more and more cases of mismanagement of balance sheets through unsustainable debt levels fuelled by low interest rates. Corrections are inevitable and we are well placed if it were to eventuate with the portfolios holding high cash weightings. We see market corrections as great opportunities to build holdings in companies we like. Furthermore, at times companies are sold down on macro fears which can often occur in times leading up to reporting when there is a lack of access to management and information. We remain patient and wait for these types of buying opportunities.

Featured Portfolio Holding (ALU)

Altium has been held in all portfolios at some point during the last three years and is currently held in the Growth Equities and High Conviction portfolio. Altium has been a good performer, up 450% since our initial entry in April 2016 when the company had revenue of only US$110m and a 30% EBITDA margin.

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Portfolio Review

Altium has matured to the point of targeting an aspirational revenue goal of US$500m by 2025 and have expressed confidence they will achieve it. We still see significant growth in Altium as the platform evolves and they attempt to transform the electronic design process and progress towards the elusive 'network effect'.

What does Altium Do?

Altium's core business is to provide design software used by engineers of printed circuit boards (PCBs) which are found in almost all consumer and industrial products with electronic components. As such, Altium's user base is wide ranging across multiple industries including automotive, aerospace and electronics in companies such as Microsoft, Apple, Tesla, Boeing, Amazon, Siemens, NASA etc.

The Altium 365 software will officially launch in November 2019 and it will integrate parts information, design data and supply chain intelligence in order to unite the design process for engineers. Altium also has an online search engine called Octopart which is akin to the Google and Wikipedia of online parts search.

In layman's terms, Altium Designer for engineers is equivalent to Microsoft Excel for financial analysts. It's indispensable and extremely beneficial to their work flow.

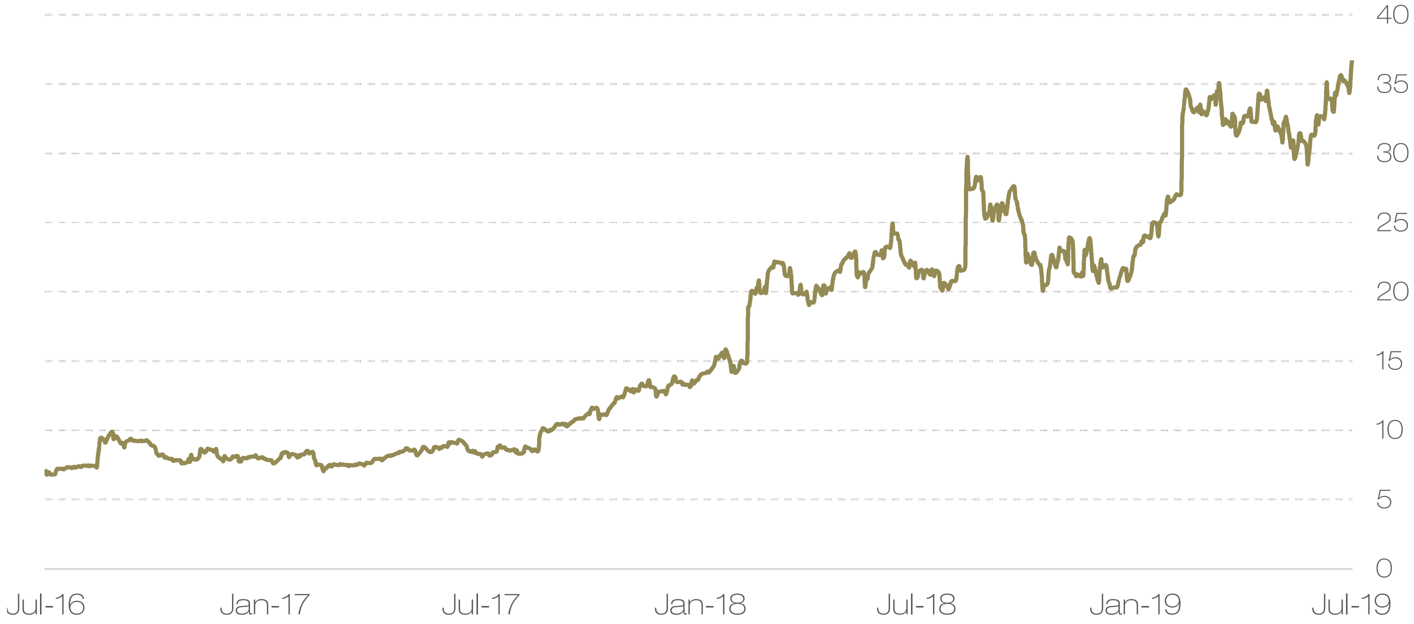
Why is it in the portfolio?

Altium is leveraged to a number of fast growing, global mega trends such as 1) the electrification of automobiles, 2) the internet of things and rapidly increasing number of connected devices and 3) the increasing demand for automated factories.

The main premise behind the investment is driven by ALU's continued growth in PCB software market share, the large total addressable market (TAM) which is estimated to reach US$1bn by CY20, the ability to increase the addressable market (e.g. Octopart increases the TAM to US$50b) and the impressive level of operating leverage evident in the business model.

Altium 365 is the first attempt to unite the design, parts and manufacturing processes which are currently digitally disconnected from each other and reliant on traditional systems and processes. The inefficiency in the industry is Altium's opportunity and the result will be reduced design cycle times with improved efficiency and risk mitigation.

Altium may appear expensive based on short term earnings multiples (EV/EBITDA 40x FY20) but our DCF valuation on the existing core business supports the current share price. The real upside lies in a successful execution of an uber like strategy (linking PCB designers to PCB manufacturers) that may increase Altium's addressable market and provide significant upside to the current share price.



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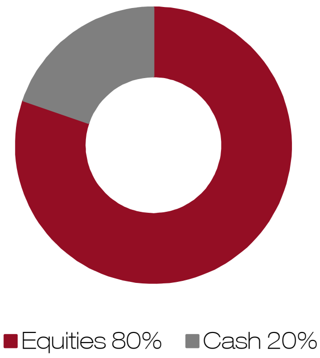
June Portfolios Factsheet

Performance Contributors

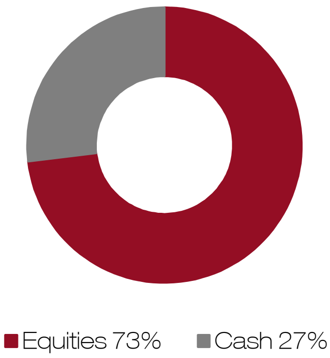
Portfolio:	Growth Equities	Balances Equities	High Conviction
Top Contributors (Alphabetical):	Evolution Mining Imdex Limited WiseTech Global	Evolution Mining Telstra Corporation Transurban Group	Imdex Limited Polynovo Limited WiseTech Global
Bottom Contributors: (Alphabetical):	Bravura Solutions Kogan.Com Ltd Webjet Limited	A2 Milk McMillan Shakespeare Webjet Limited	Food Revolution Kogan.com Panoramic Resources

Cash Weightings

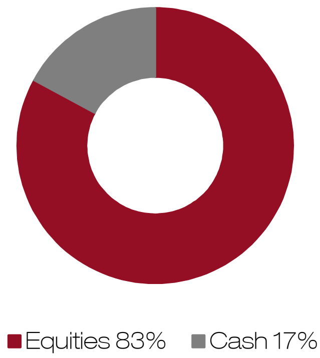
Growth Equities



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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