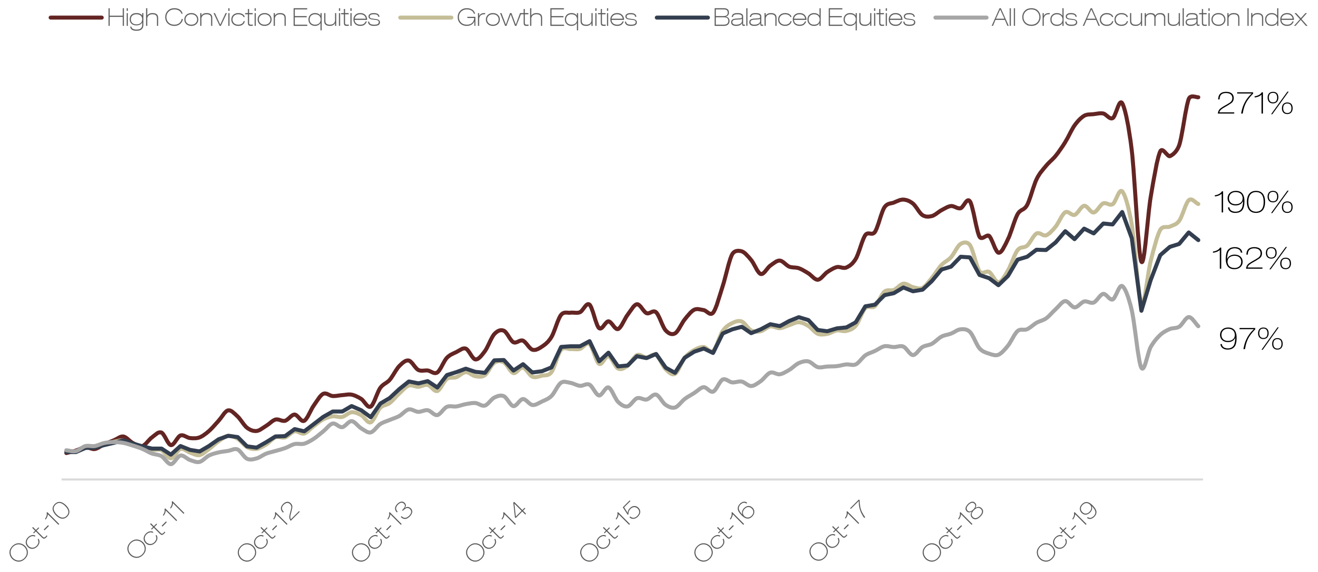
Endeavor Asset Management

September 2020 Summary

Performance*	Month	Quarter	One Yr	2 Yr p.a.	3 Yr p.a.	5 Yr p.a.	9 Yr p.a.	Inception
Growth Equities	-1.0%	6.3%	0.5%	5.9%	13.7%	11.7%	13.0%	190%
High Conviction	0.3%	13.8%	4.0%	12.8%	14.4%	12.6%	14.9%	271%
Balanced Equities	-2.2%	1.9%	-3.3%	2.6%	9.5%	9.5%	11.4%	162%
All Ords Total Return	-3.4%	1.1%	-8.8%	1.1%	5.5%	7.7%	8.9%	97%



Portfolio Top Holdings

Growth Equities
Alphabetical

ASX 200
ANZ Bank
CSL Limited
Fortescue Metals
Macquarie Group
National Australia Bank

Ex 200
Kogan.Com Ltd
Imdex Limited
Lifestyle Communities
Lovisa Holdings
Money3 Corporation

Balanced Equities
Alphabetical

ASX 200
ANZ Bank
CSL Limited
Macquarie Group
National Australia Bank
Telstra

Ex 200
Imdex Limited
Cedar Woods
Kogan.Com Ltd
Lifestyle Communities
Money3 Corporation

High Conviction
Alphabetical

ASX
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Portfolio Review

Our portfolio returns (net of fees) for the September quarter were +13.8% for High, +6.3% for Growth and +1.9% for Balanced, compared to the All Ordinaries Accumulation Benchmark Index return of +1.1%.

During the quarter we saw the US Federal Reserve shift to average inflation targeting which will allow inflation to run above target for longer than under the previous approach. In Australia, the RBA flagged lowering interest rates "a little more without going negative" along with yield curve control beyond the current program which has pinned the three-year government bond yield at 0.25%. One key implication of the policy changes is that rates are likely to remain lower for even longer which should help support equity valuations and the economic recovery.

In the month of September it was evident that some of the better performances were from stocks that had been impacted by Covid and were beginning to attract investors' attention as they looked forward to an end to Covid restrictions and economies reopening. The potential rotation away from crowded trades with stretched valuations is a theme that we highlighted in previous newsletters and we adjusted the portfolios accordingly.

We remain focused on finding best in class businesses that can grow earnings above market expectations but importantly, our 'growth style' investments have reasonable valuations and significant upside over the next three to five years. The sector exposure for each portfolio can be found on the last page of this newsletter.

INVESTMENTS

Notable contributors for the quarter were Kogan, Money3 (held in all portfolios), Redbubble (held in High Conviction), Fortescue Metals (held in Growth) and Carsales (held in Balanced). The notable detractor for the quarter was Medical Developments (held in all portfolios).

Online retailer **Kogan** ($2b market capitalisation) was a key contributor for the September quarter, +37%, as it continued to benefit from the pull forward of structural trends and the shift to online shopping. Kogan remains a core holding across all portfolios.

Another Covid beneficiary holding, online retailer **Redbubble** ($1b market capitalisation) rallied 100% in the September quarter.

Redbubble's artist community powered online retail platform is benefiting from the structural shift in consumer spend to online, along with the company's ability to add new products quickly to benefit from shifts in consumer trends.

Online automotive retailer **Carsales** ($5b market capitalisation) increased 16% in the September quarter, on the back of FY20 earnings that hit the top end of guidance, a credible performance in a challenging time during Covid. Additional tailwinds of government stimulus (such as early superannuation withdrawals) and reluctance to use public transport have increased demand for used vehicles and reduced average time to sell. These factors, combined with Carsales ability to control its costs, have shown the business' ability to drive solid performance despite challenging conditions.

Automotive vehicle financier **Money3** ($400m market capitalisation) was a positive contributor to the portfolios in the September quarter following a FY20 earnings beat underpinned by a quality loan book. Money3 is one of a handful of holdings in the portfolio that remains well below its share price pre Covid that we think is set to benefit from a return to normality when it eventuates.

Acute non-opioid pain relief medical device provider **Medical Developments** ($350m market capitalisation) was a notable detractor for the September quarter, -24%, as Covid delayed expected approvals in China and US and Medical Developments took control of distribution rights from Mundipharma in Europe. Our discussions with various stakeholders suggest that Medical Developments will benefit from controlling the distribution rights in Europe, and the delay in timing of approvals in China and US outside the company's control does not alter out investment case.

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Portfolio Review

In late September we de-risked our weighting in stem cell biotech **Mesoblast** ($3b market capitalisation), exiting in Growth and halving our weighting in High Conviction. We were concerned that the risk/reward had diminished following a 50% rally in share price ahead of the ahead of a key milestone, the FDA approval for stem cell treatment for Graft versus Host Disease. After the quarter end, it was announced that the FDA requires "at least one additional trial" which surprised the market and the share price declined 35% on the news. We have since exited the remaining holding.

We increased our bank weightings for both the Growth and Balanced portfolios during the quarter after the Morrison government pledged to roll back responsible lending regulations and reduce red tape in the sector. We think this will lead to an increase in the availability of credit, accelerating mortgage credit growth along with faster approval times for mortgages. Less regulation will increase the competitiveness of the big four banks, and we believe after a five-year period of negative shareholder returns the valuations now look attractive.

Iron ore producer **Fortescue** ($50b market capitalisation) was +17% in the September quarter supported by higher iron ore price. We invested in Fortescue based on valuation and the positive outlook for the iron ore price continues to support our investment case.

Cedarwoods Properties ($500m market capitalisation) increased 8.3% for the month and 9.7% for the quarter which contributed to the Growth and Balanced portfolios. Cedarwoods benefited from a buoyant Perth property market supported by government stimulus, low vacancy rates, a strong economy and net interstate migration. We believe the strong sales growth will continue in Perth, albeit not at the levels experienced last quarter, and we remain optimistic about the Victorian property market which accounts for 20% of the land bank. Cedarwoods pays a 4% fully franked yield and trades below the market value of the assets.

The market continues to present investment opportunities in companies that are both benefiting and being impacted by Covid.

A holding in the portfolios that we think will benefit from an end to the Covid lockdowns is fast fashion jewellery retailer **Lovisa Holdings** ($800m market capitalisation). We increased our weighting in Lovisa during the September quarter. Whilst, Lovisa has been impacted by Covid lockdowns it has been able to preserve its balance sheet. We think the medium to long term growth prospects for Lovisa's global retail rollout plans are still intact with any short-term challenges, reflected in the share price.

DECEMBER QUARTER OUTLOOK

As always, the macro picture is only ever clear in hindsight. Currently, governments are committed to supporting their economies and people through the Covid crisis and ensuring that growth will bounce back once the virus is behind us.

While the eventual cost is still unknown, we are anticipating the central bank stimulus may result in inflation and considering the implications this has on our investments.

We still do not know when there will be a vaccine and how effective it will be, but we are encouraged by the number of vaccinations being worked on globally and the positive early trial successes. Another factor which gets less media attention but is almost as important is the therapeutic solutions for Covid, of which there are currently 663 candidates in FDA approval phases 1 to 3 (Source: McKinsey & Company).

Focusing on Australia, in early October Treasurer Josh Frydenberg delivered a consumer and business friendly budget that has considerable implications for Australia.

We expect consumer discretionary stocks to be boosted by $12.5b worth of tax cuts backdated to July 2020. Businesses with revenue up to $5b will benefit from the ability to fully depreciate assets which is a clear positive for businesses with <$5b turnover along with retailers that may benefit from increased business spending. The government has also lifted the asset write off cap from $30,000 to $150,000 which is a positive for numerous companies including portfolio holding Carsales.com.

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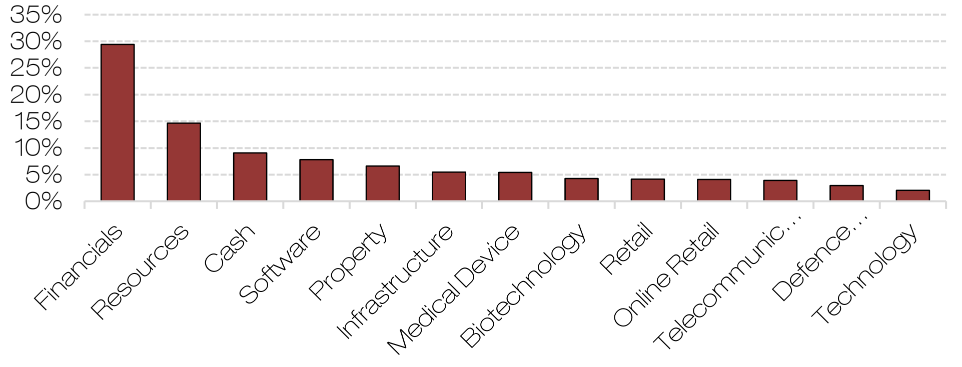
Portfolio Review

Infrastructure continues to receive support with an additional $10bn planned over the next four years. This is a positive for Transurban which is in the Growth and Balanced portfolios. The government also extended the home loan deposit scheme, which has positive implications for holdings Lifestyle Communities and Cedarwoods Properties.

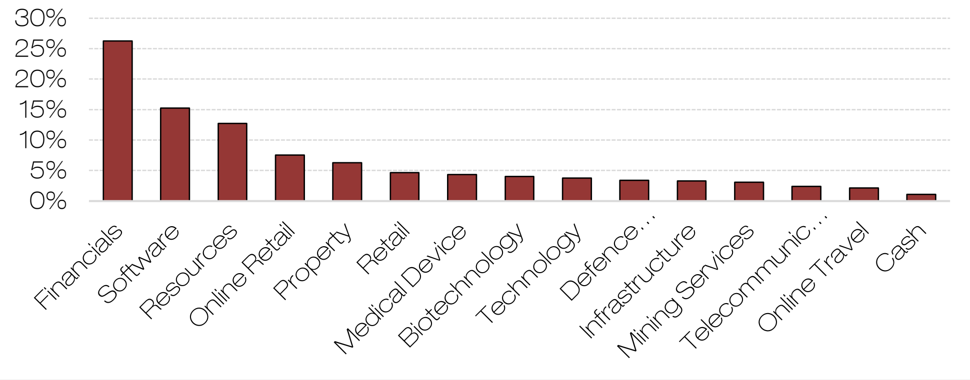
Whilst we keep an eye on the macro, we spend far more time on individual business quality for the basis of our investments. Our investment process relies on identifying high quality business models with aligned and capable management at an attractive valuation.

We feel our portfolios are well positioned regardless of the economic fallout from Covid, lockdown timing and a return to normality. We are cognisant of the recent rally in equity markets and as always, we have been reducing weightings in companies that have hit our valuation targets in order to free up capital for more compelling opportunities.

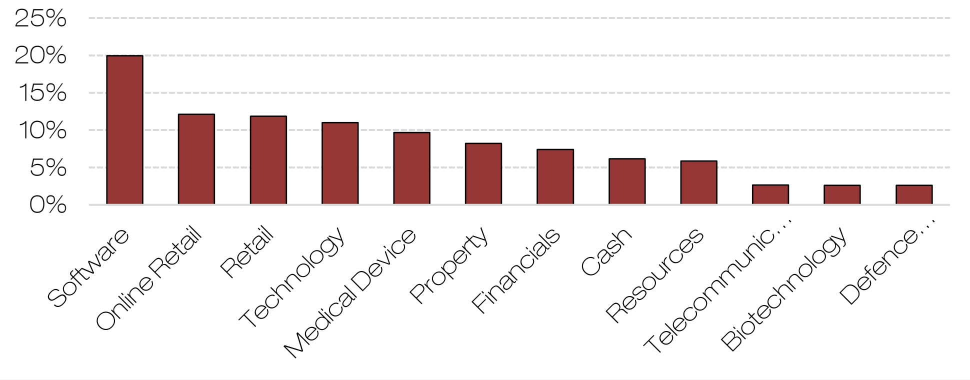
Balanced Industry Exposure



Growth Industry Exposure



High Conviction Industry Exposure



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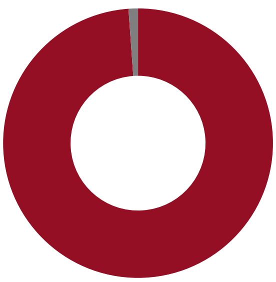
September Portfolios' Factsheet

Performance Contributors

Portfolio:	Growth Equities	Balanced Equities	High Conviction
Top Contributors (Alphabetical):	Imdex Limited Lovisa Holdings Panoramic Resources	Cedar Woods Imdex Limited Transurban Group	Bigtincan Hldgs Imdex Limited Lovisa Holdings
Bottom Contributors: (Alphabetical):	ANZ Bank Fortescue Metals Medical Developments	Cleanaway Waste Commonwealth Bank Macquarie Group	Catapult Grp Medical Developments Superloop Limited

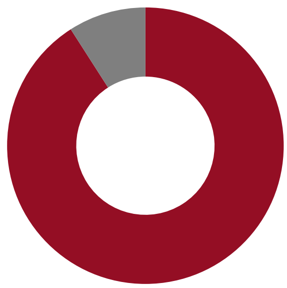
Cash Weightings

Growth Equities



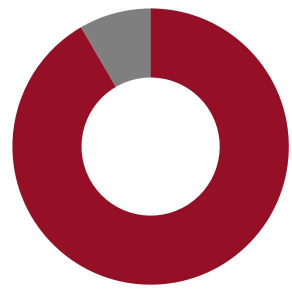
Equities 99% Cash 1%

Balanced Equities



Equities 91% Cash 9%

High Conviction



Equities 92% Cash 8%

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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