

# Endeavor Global Hedge Portfolio

## October 2020

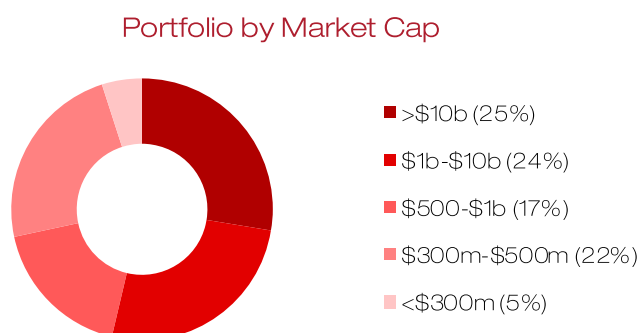
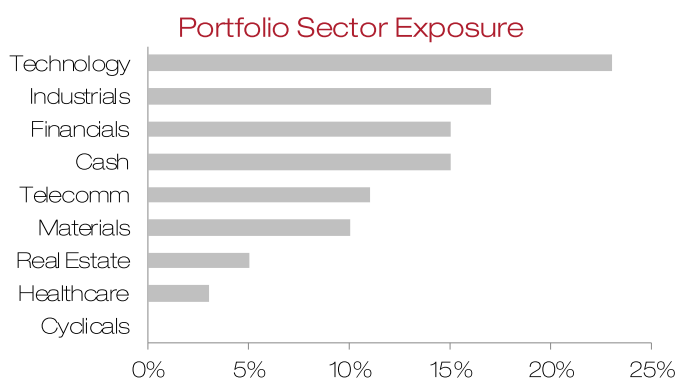
**Endeavor**  
ASSET  
MANAGEMENT

Net Performance	Month	Quarter	Year	Inception (Apr 19)
Global Hedge Portfolio	0.4%	9.1%	25.7%	48.1%
MSCI World Total Return (AUD)	-1.5%	-0.7%	-2.6%	5.1%
Outperformance	1.9%	9.8%	28.3%	43.0%

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CY
2020	3.8%	-7.4%	-4.4%	10.2%	10.0%	0.6%	1.5%	4.8%	3.7%	0.4%			29.1%
2019	-	-	-	5.0%	-0.7%	-0.3%	2.3%	8.6%	1.9%	0.2%	2.1%	-1.0%	20.3%



Metrics	Hedge	MSCI	Top Holdings	Top Contributors	Portfolio Characteristics
Sortino Ratio	2.9x	-0.2x	Alibaba Group	Xero Ltd	Universe
Sharpe Ratio	1.4x	-0.1x	Imdex Limited	Polynovo Ltd	Holdings
Standard Deviation	5%	7%	Cedarwoods	Lovisa Holdings	Avg. Mkt Cap
Gain/Pain Ratio	4.1x	2.9x	NRW Holdings	NRW Holdings	Avg. Daily Traded
Best Month	10%	11%			Max Net Exposure
Worst Month	-7%	-13%			Mgmt. Fee
Upside Capture	90%	-			Perf. Fee
Downside Capture	-1%	-			Hurdle Rate
Beta	0.5x	-			Portfolio Manager
					Hayden Beamish



## Investment Philosophy

Use hedging to protect against capital loss and to reduce risk

Hold only the best investment ideas in a high conviction, concentrated portfolio

Remain long biased with less volatility and lower downside the MSCI Global Equity Index

Use bottom up, fundamental research to identify mispriced securities over a 3-year time horizon

Focus on high quality businesses that can compound internally invested capital at high rates of return

Maximise investment returns through fundamental company research combined with active portfolio management

Note: Endeavor Hedge portfolio were initiated on 8 April 2019. The performance of the strategy is representative of individual client portfolios and is measured after fees and brokerage.

## October

October was a volatile month. The **Hedge portfolio returned 0.4% net of fees compared to the MSCI Global All Cap AUD Hedged ('MSCI') which declined 1.5%**. For the quarter, the Hedge portfolio returned 9.1% compared to the MSCI which declined 0.7% and for the **rolling year the portfolio has returned 25.7%** compared to the MSCI -2.6%.

**The portfolio has returned 28% annualised after fees since inception in April 19 with a significantly lower risk profile than the MSCI which has returned 3% annualised.** The favourable risk / reward is evident in the risk statistics which includes the Sortino Ratio of 2.9x, Upside Capture of 90%, Downside Capture of 0% and Beta of 0.5x (half the volatility of the MSCI). This month we include a table in the factsheet which compares the risk/reward metrics and can be found on the first page.

In Australia, equities bucked the trend of global equity markets, with a minor gain following a faster rebound in activity due to Victoria's early exit from lockdowns. We saw ANZ-Roy Morgan Consumer Confidence increase for the 8th consecutive week driven by increased personal financial circumstances relative to a year ago. The RBA supported the consumers enthusiasm with their forecast that GDP looks poised to expand in Q3, following two consecutive quarters of economic contraction. Potential monetary policy easing and the Victoria re-opening outweighed fears that fresh lockdowns overseas would derail the global economic recovery.

## Investments

Global medical device company, **Polynovo** increased 18% in October and contributed positively to the portfolio. Since the FY20 result was released in August, Polynovo has received a grant for its Hernia plant in Victoria, appointed a distributor for Finland, received FDA approval in Taiwan and entered the Greek market with Biogenesys as its distributor. We are confident that Polynovo is on track to deliver high double-digit revenue growth since the Novosorb BTM technology is being leveraged to drive product development and future sales in the chronic wound, hernia repair and breast implant markets. The outlook remains positive and it was pleasing to see the Chairman, David Williams also show his confidence and buy \$1m PNV shares on market last quarter.

Infrastructure and mining services provider **NRW Holdings** increased 7% in October and is now up 22% since we invested in July this year. NRW trades on a single digit PE with a great balance sheet and good track record of execution. The business is leveraged to national, state, and major resource companies construction and infrastructure spend which is significant and being fast tracked. We believe we are potentially six months into a multi-year resources cycle and the risk / reward for NRW remains compelling.

**Twitter** declined 7% in October after reporting revenue of \$936m, well above consensus of \$777m along with \$294m EBITDA which beat consensus expectations of \$168m. Monthly active users increased 29% on pcp but the increase on the prior quarter was marginal which disappointed investors. In our opinion, after experiencing strong growth in users after lockdowns commenced it was reasonable for new user growth to flatten and we focus on longer term net adds which are on track for 61% growth this calendar year. Twitter is a sticky platform with an under monetised user base that's trading on a reasonable valuation (30x EV/EBITDA) and we continue to hold the position.

In October we exited **Bravura Solutions** at \$3.60/sh after entering the position in September at \$3.40/sh. We originally believed that Bravura represented good value, considering it is a high-quality business, with long term customers supported by a great thematic and only traded on 16x FY21 EV/EBIT. We were hopeful that Bravura would win several contracts this financial year and potentially beat the markets' expectations, although shortly after investing we discovered this was unlikely and we exited the position for a small profit. Bravura closed the month 20% below our sale price.

## Outlook

In November we have seen a new US President elect and positive vaccine results from Pfizer. Bond yields and inflation expectations continue to increase as we look towards economies reopening and a period of synchronised global growth. We are excited about the prospects of our investments and remain biased towards high quality, global businesses that will have a tailwind over the next 1-3 years from global economies reopening.