

# Endeavor Global Hedge Portfolio

## November 2020

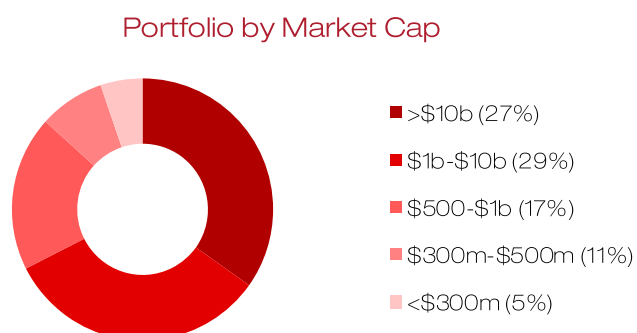
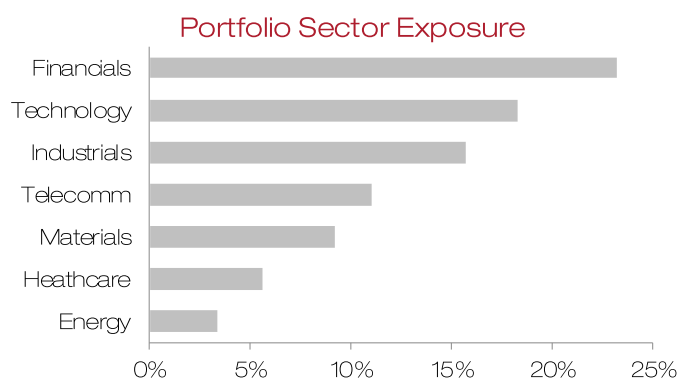
**Endeavor**  
ASSET  
MANAGEMENT

Net Performance	Month	Quarter	Year	Inception (Apr 19)
Global Hedge Portfolio	8.5%	13.0%	34.0%	60.8%
MSCI World Total Return (AUD)	11.9%	5.1%	5.9%	17.6%
Outperformance	-3.4%	8.0%	28.1%	43.1%

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%	8.5%	-1.0%	34.8%
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 was initiated on 8 April 2019. The performance of the strategy is representative of individual client portfolios and is measured after fees and brokerage.

## November

November 2020 will be looked back on as a turning point for the Covid-19 crisis. Three effective vaccines supported the 'risk on' mood of the market following the US election. The MSCI Global All Cap AUD Hedged ('MSCI') increased 11.9% and the Endeavor Global Hedge portfolio increased 8.5%.

**For the past 12 months, the Hedge portfolio has delivered 34% after fees compared to the MSCI which has increased 6%.** Since inception in April 2019 the portfolio is up 61% compared to the MSCI up 18%. The outperformance is due to stock selection along with effective hedging to reduce the downside volatility in the portfolio.

## Investments

During the month we made three new additions to the portfolio. The first was global oilfield services business **Slumberger (SLB-NYS)**, which is listed on the NYSE with a \$46b enterprise value. The share price has declined from a high of \$120 in 2014 to \$23 today. We invested at \$20 during the month. The company trades on 12x EV/EBITDA which is on the lower end of its historical EV/EBITDA range (11x-19x). SLB has significant leverage to the oil price recovery, for example if oil demand trends back to the 2019 level by 2023 the EBITDA could be \$6.6b which is 40% above consensus estimates. The business is also well positioned with new energy ventures including green hydrogen and geothermal power generation projects. We will hold the position while the oil price recovery persists.

We also added **Apple (AAPL-NYS)** to the portfolio in November at \$116. Apple has a \$2.1t enterprise value and trades on 23x EV/EBITDA with 13% forecast EBITDA growth. While iPhone sales growth is expected to moderate, iPhone 12 wait times suggest demand is buoyant. We also believe Apple can successfully transition to a services company rather than just a premium smartphone vendor. In addition, we think Mac sales will surprise on the upside due to the new M1 chip which is a genuine industry breakthrough. Mac is a smaller division for Apple, but the new integrated chip delivers a significant increase in battery life and performance which will help drive developer adoption and market share gains.

The third addition was retirement income specialist **Challenger (CGF-AU)** which we added to the portfolio at \$5.40. The share price was \$10 before Covid impacted the business but we now believe the worst is behind it. The business specialises in annuities and has a funds management division, leveraging the earnings to Australia's growing superannuation sector. Following a Covid vaccine, the balance sheet risk will be significantly reduced which will allow the company to deploy its capital in more attractive assets over the coming year. Challenger also benefits from rising inflation expectations (through a steeper bond yield curve) which we expect to continue.

## Contributors

Pleasingly, 23 out of our 25 investments contributed positively to the portfolio in November. Two of the largest contributors were NRW Holdings and Polynovo which are discussed below.

Global medical device company, **Polynovo** increased 23% in November following an 18% increase in October. 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 21% in November and is now up 47% since we invested in July this year. NRW trades on 8x FCF 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 spending 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.