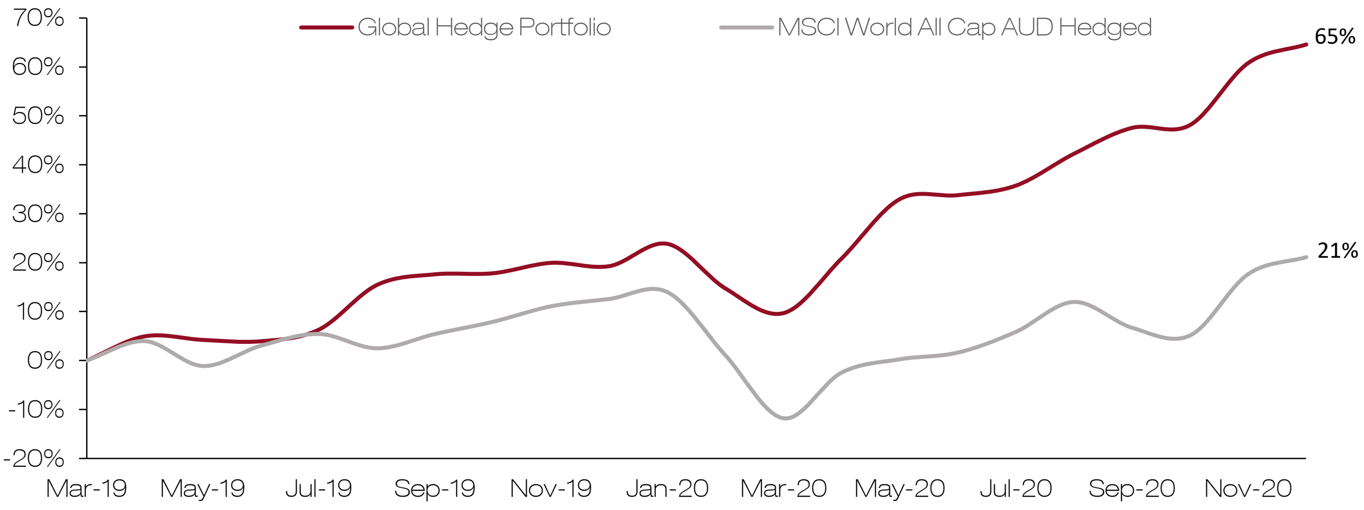
Endeavor Global Hedge Portfolio
December 2020

Endeavor ASSET MANAGEMENT

Net Performance	Month	Quarter	Year	Inception (Apr 19)
Global Hedge Portfolio	2.4%	11.5%	38.0%	64.6%
MSCI World Total Return (AUD)	2.9%	13.5%	7.6%	21.1%
Outperformance	-0.6%	-2.0%	30.4%	43.5%

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%	2.4%	38.0%
2019	-	-	-	5.0%	-0.7%	-0.3%	2.3%	8.6%	1.9%	0.2%	2.1%	-1.0%	20.3%



Metrics	Hedge	MSCI
Sortino Ratio	4.4x	0.4x
Sharpe Ratio	1.9x	0.3x
Standard Deviation	5%	8%
Gain/Pain Ratio	4.9x	4.4x
Best Month	10%	12%
Worst Month	-7%	-13%
Upside Capture	86%	-
Downside Capture	0%	-
Beta	0.5x	-

Top Holdings
Twitter Inc
NRW Holdings
Cedar Woods Prop.
Imdex Limited

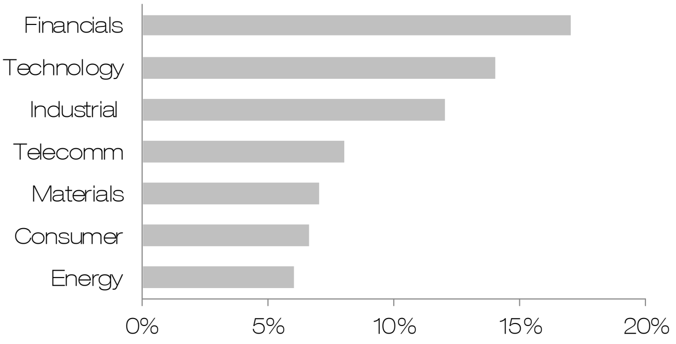
Avg. Exposure	
Net	71%
Gross	98%
Cash	17%

Top Contributors
Imdex Limited
Polynovo Limited
NRW Holdings
Twitter Inc

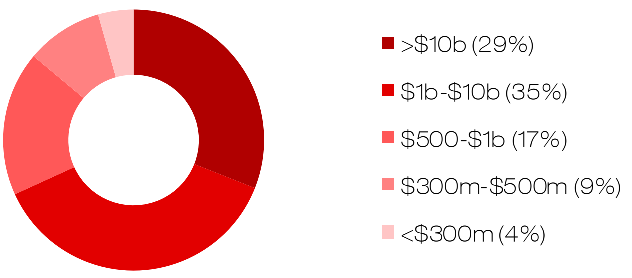
Top Detractors
Alibaba Group
Electro Optic
Austal Limited

Portfolio Characteristics	
Universe	Global
Holdings	15-25
Avg. Mkt Cap	$147b
Avg. Daily Traded	$1389m
Max Net Exposure	100%
Mgmt. Fee	1.35%
Perf. Fee	15%
Hurdle Rate	7%
Portfolio Manager	Hayden Beamish

Portfolio Sector Exposure



Portfolio by Market Cap



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..

2020

For the 2020 calendar year the Global Hedge portfolio returned 38.6% after fees compared to the MSCI World All Cap AUD Hedged ("MSCI") which returned 7.6%. Since inception the portfolio has increased 65% after fees compared to the MSCI which has increased 21%.

During what has been an extraordinary period in equity markets since inception, the portfolio has returned 3x the MSCI with a significantly lower risk profile. The attractive risk/reward profile of the portfolio is evident in the risk statistics (Sortino Ratio 4.4x, Sharpe Ratio 1.9x, Gain to Pain Ratio 5x).

In this portfolio, we focus on identifying high quality, mispriced companies that can compound capital at high rates over the long term. A benefit of the mandate is that we can also use hedging to protect against capital loss and reduce risk.

The hedging strategy significantly reduced the downside during minor declines in 2019, and during the major sell-off in March 2020. From the peak on 20 Feb to the 23 March low, the Global Hedge Portfolio drawdown was less than half of the MSCI.

Minimising drawdowns is a crucial aspect of long term, through the cycle performance since future returns can compound off a higher base. Following the March pullback, the Hedge Portfolio recovered to all time highs within 53 days. For comparison it took the MSCI 273 days to fully recover and the ASX All Ordinaries still has not reached the pre-covid peak.

Contributors

The top five international contributors to performance for the 2020 calendar year were Twitter, Broadcom, Microsoft, Alibaba, and Apple. The only negative global detractor was the XLI (SP500 Industrials Sector ETF) which recorded a minor loss.

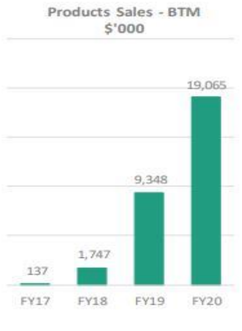
From the ASX portion of the portfolio, the top five contributors were Macquarie Group, Redbubble, City Chic, NRW Holdings and Xero. The bottom five contributors were Sandfire Resources, Flexigroup, Preamium, Decmil and Kathmandu Holdings.

Investments

We recently invested in Russian eCommerce platform Ozon Holdings ($9.4b market capitalisation) which is listed on the Nasdaq. Ozon is the second largest but fastest growing e-commerce platform in Russia. It is also the leader in assortment, brand awareness, fulfillment, and last mile capability. The industry dynamics are compelling, Russia only has 6% eCommerce penetration (less than half the global average) and the market is forecast to grow at 24% CAGR over the next 5 years. Ozon only has 4% market share and it's growing 3x faster than the market. The company is well poised to capture a third of the industry growth and reach 22% market penetration by 2025. Relative to global peers, Ozon is cheap – it trades on 9.8x gross profit with 53% sales growth forecast from 2020 to 2022.

Twitter returned 69% for the calendar and was a top five contributor to the portfolio. Our investment in Twitter was predicated on the inherent value in an under-monetised platform with a sticky user base. We think the growth will sustain beyond the pandemic as users increasingly find utility in the service. We look forward to new features and services being rolled out, live events returning and a recovery in large brand advertising which will support the earnings.

Polynovo ($2.3b market capitalisation) was a top contributor for the month and quarter. The share price increased 97% in 2020 following a 231% increase in 2019. The US business hit an inflection point during the quarter after Polynovo secured at least one major Group Purchasing Organisation (GPO) contract which may see Polynovo exceed 100 US hospital contracts in FY21. This will provide the critical mass to drive deeper engagement with larger GPOs that have thousands of affiliate hospitals. In December, PNV decided to take the breast reconstruction business entirely in house and manufacture the product from its Port Melbourne facility. Management regard breast reconstruction as the largest opportunity, with global annual revenues of A$3b compared to A$2b for hernias and A$1b for burns/wounds. We are pleased to see the low division become a high margin opportunity. We recently trimmed our holding based on valuation, but we remain optimistic about Polynovo's future - especially the Hernia product launch in 2023.



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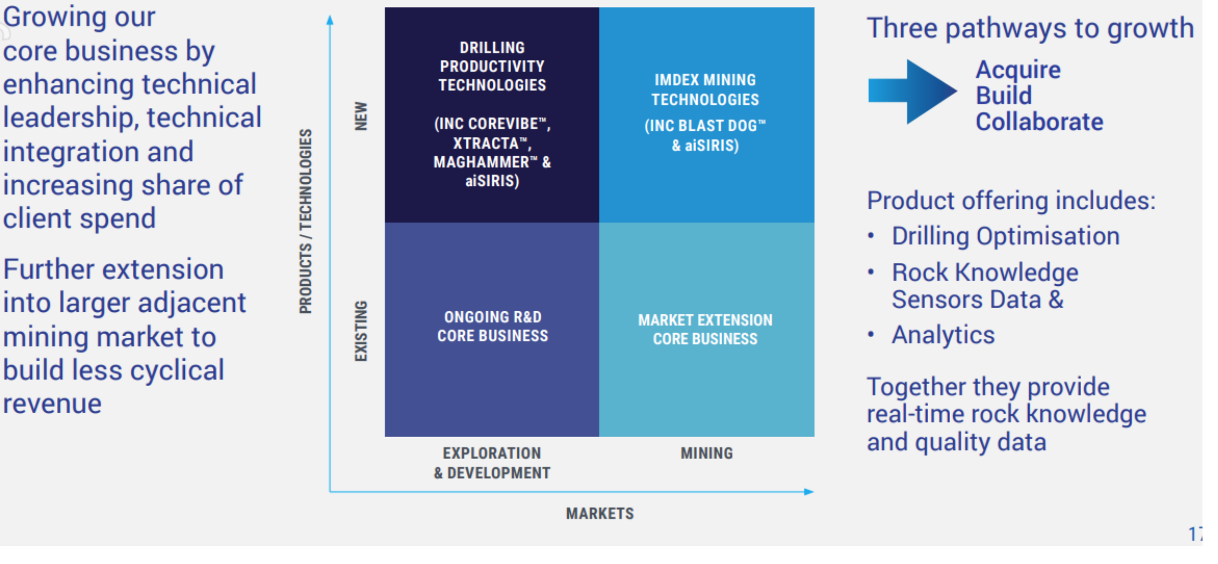
Apple Inc increased 11.5% in December. We mentioned in the November newsletter that while iPhone sales growth is expected to moderate, iPhone 12 wait times suggest demand is buoyant. We also believe Apple can successfully transition to a services company rather than just a premium smartphone vendor. In addition, we think Mac sales will surprise on the upside due to the new M1 chip which is a genuine industry breakthrough.

Challenger ($4.5b market capitalisation) contributed positively for the December quarter. We entered the stock in November 2020 at $5.30/sh when it was trading slightly above its NAV and following the September quarter update. In the release, we were pleased by the strong sales figures in the life business in addition to the robust funds management inflows. Challenger is a great brand with an excellent management team and a positive thematic tailwind (rising bond yields) which will support earnings. The share price closed the quarter at $6.40/sh, up 20% on our entry price.

City Chic Collective ($880m market capitalisation) was a top 5 contributor for the month and quarter. CCX is a plus sized women's apparel retailer, with a multi brand strategy that caters to an underserviced market. They have a successful track record in omni channel execution which we expect to accelerate. Our initial entry in CCX was untimely. We began purchasing CCX at $3.6/sh, two days before the market peaked in February. The share price declined 80% in the following three weeks and we increased our position 3-fold at $0.9/sh. Unfortunately, we sold at $2.3/sh before it rallied back to all-time highs in July. Recently, we re-entered in December around $3/sh when the share price presented a valuation opportunity. CCX closed the year at $4.05/sh - up 35% on our recent entry price after a tumultuous journey.

Imdex ($600m market capitalisation) was a top contributor in the month of December. Following COVID-19 lockdown related impacts to the demand for Imdex's technology, the real underlying demand for Imdex's exploration technology is now stronger than pre COVID-19 following a rally in base metal and gold prices which have led to a surge in capital raisings for exploration. We remain convicted in the benefits to come from Imdex's ability to increase the return on investment. This is generated by asset owners from drilling programs, by decreasing costs and improving drilling analysis. This strategy is summarised in the slide below.



As we look forward to 2021, the market is broadly looking through the near-term economic challenges thanks to the vaccine news and policy support measures. We believe we are re-entering a period of global, synchronised growth as economies rebound from the COVID-19 crisis. As always, investors will have to work hard to make sure their portfolios are generating the required returns. The fall in real rates has supported valuations, but with interest rates close to the floor, a similar repeated boost looks unlikely in the years ahead. We remain cautious about the effect of inflation and rising bond yields on equity valuations - something that we continue to monitor closely along with stress testing our valuation inputs. More than ever, our emphasis is on identifying good businesses that have the strongest underappreciated earnings prospects, which are run by great management.