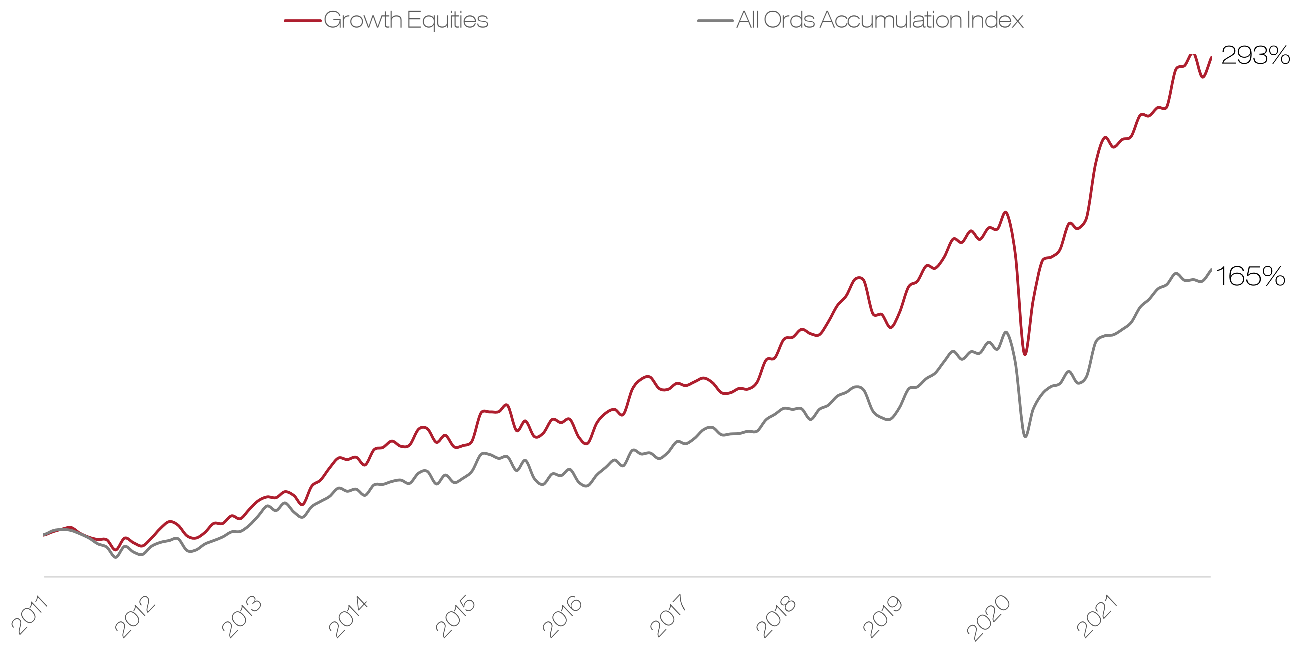
Endeavor Asset Management

Growth Equities

December 2021

Performance*	Month	Quarter	One Yr	2 Yr p.a.	3 Yr p.a.	5 Yr p.a.	10 Yr p.a.	11 Yr p.a.	Inception
Growth Equities	3.1%	1.2%	14.0%	16.5%	19.5%	14.9%	14.8%	13.4%	293%
All Ordinaries Accum.	2.7%	2.5%	17.8%	10.5%	14.8%	10.4%	11.0%	10.0%	165%
Outperformance	0.4%	-1.3%	-3.8%	6.0%	4.7%	4.5%	3.8%	3.4%	128%



Top Contributors

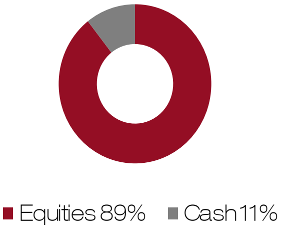
IGO Limited
Nanosonics Limited
Panoramic Resources

Top Holdings

ASX 200

Altium Limited
BHP Group
CSL Limited
IGO Limited
Macquarie Group Ltd

Cash Weighting



Bottom Contributors

Afterpay Limited
City Chic Collective
CSL Limited

Ex 200

Bigtincan Holdings
Imdex Limited
Lifestyle Communities
Lovisa Holdings
Money3 Corporation

Portfolio Characteristics

Moderate/High Risk
75% ASX200 Limit
25% Ex200 Limit
20-35 ASX Listed Equities
Unconstrained Cash
All Ords Accum. Benchmark

*Note: Performance of the strategy group is representative of individual client portfolios, although performance can differ due to inherent differences between clients' portfolios such as initial entry timing, legacy holdings or requested stock exclusions. Performance measured is after fees, taxes and franking credits. Monthly performance figures include an accrual for fees charged quarterly. Top holdings and contributors are listed in alphabetical order.

Portfolio Commentary

In December, the Growth portfolio returned +3.1% (net of fees) compared to the All Ordinaries Accumulation Index (the benchmark) +2.7%. **For the last two years, which encompasses the March 2020 decline, the portfolio has returned 16.5% p.a. (net of fees) compared to the benchmark 10.5% p.a.** For the last three years the portfolio has returned 19.5% p.a. (net of fees) compared to the benchmark 14.8% p.a.

The final month of the year finished in positive territory for equity markets. The unknown consequences of new Covid-19 variants created volatility during the month, as did ongoing concerns about rising interest rates and a more hawkish fed due to persistent inflationary pressures. We expect this to continue to create volatility, and opportunity, in the market. In general, corporate earnings outlooks remained relatively unchanged with few notable earnings guidance downgrades on the ASX so far heading into half year reporting.

The strong outlook for corporate earnings, some hope about supply chain pressures easing and the potential for continued earnings growth in 2022 kept investors positive towards the end of the month.

In Australia, small resources stocks outperformed industrials by over 15% which was led by energy and battery mineral companies. Iron Ore seemed to find a floor after halving earlier in the year and base metals were strong.

Leading indicators for inflation remain high and it remains a key theme heading into the new year. In December, three of the four major central banks indicated they are more concerned about inflation than the economic disruption created by Omicron.

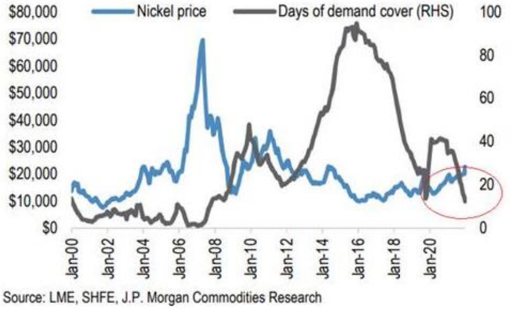
We think the first quarter of 2022 may be challenging for the global economy. Continued restrictions are impacting supply chains and putting pressure on a tight labour market, which is leading into increased inflation expectations.

Considering this we continue to focus on companies that have pricing power, and are trading on compelling valuations, even under a higher interest rate environment.

Contributors

Our battery metals investments, **Independence Group** (Lithium and Nickel) and **Panoramic Resources** (Nickel) both performed well in December due to buoyant commodity prices along with corporate activity in the sector. Even after the recent rally, both companies remain compelling investments. Independence is cheap (spot EBITDA is 40% above FY22 consensus) and Panoramic has corporate appeal due to a 12 year mine life and exploration upside. Nickel inventories (in days of demand) is now the lowest since 2007, the year in which nickel prices reached all time highs.

LHS: LME cash nickel price (real US$/t); RHS: exchange inventories in days of demand



Source: LME, SHFE, J.P. Morgan Commodities Research

Long term and core portfolio holding **Money3**, the secured automotive loan financier, rose 14.5% in December and was one of the biggest contributors. Following record lending in November, the business is now exceeding their projected run rate to support a gross loan book of $1bn. Money3's competitive advantage has been proven over the years and there remains substantial group funding headroom with further capacity for expansion as required. Money3's Chairman also purchased shares on market during the month.

Early in the month, **Worley** held an investor day outlining their company strategy and outlook as we continue to progress down the road of the energy transition. Worley is now past the low point in its earnings cycle and is aiming for 75% of it's earnings to come from sustainability projects over the next 5 years (currently ~30%). Management are positioning the company to benefit significantly from this long term structural thematic. Valuation is also undemanding with a mid-teens PE. We view WOR as a core long in the portfolio.

Detractors

CSL Limited declined 5% in December which was the biggest detractor to the portfolio. On 14 Dec the company announced it would raise A$6.3b to finance the acquisition of Vifor Pharma for A$17.5b. Vifor is engaged in therapeutic areas across Nephrology, Dialysis and Iron Deficiency. The implied offer price was 14.8x 2022 EBITDA. It was expected the acquisition would be low-to-mid teens NPATA per share accretive by the end of the first full year. Including US$75m of expected synergies. The rationale for the deal is to expand CSL's blood products franchise and provide exposure to a growing renal disease market (>US$25b by 2026). Vifor's portfolio also compliments CSL's development pipeline.

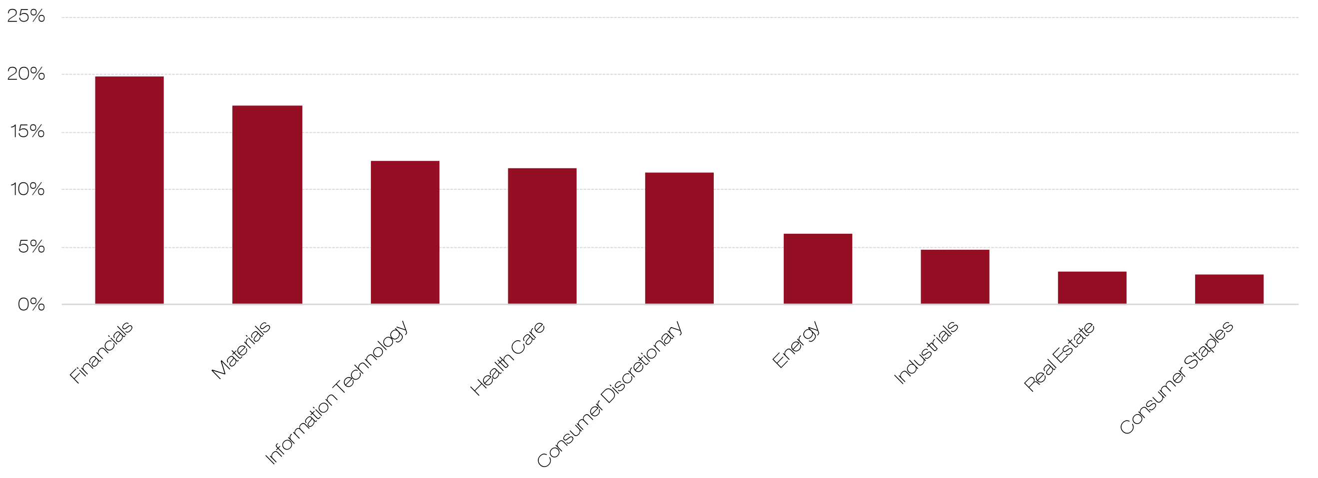
Afterpay was a key detractor in December and we exited at $98/sh based on valuation under a rising interest rate environment. Afterpay was a great contributor to the portfolio over the years but following its acquisition by the US based Block Inc. (formerly Square) through the issue of Block Inc. shares, the investment thesis for the new group are substantially different. Afterpay shares closed the month at $83.01/sh.

Global omni-channel retailer **City Chic Collective** was down 8.5% in December, following commentary from management that supply chain disruptions had prevented inventory being built ahead of the key Christmas trading period in the UK and Europe. Additionally, a US competitor downgraded their earnings guidance citing labour shortages in distribution centres and physical retail stores. For FY22, Europe and the UK are a small fraction of group sales and CCX management reiterated that they are comfortable with inventory in the key geographies of ANZ and the US. We remain confident in management's ability to navigate these short-term issues and don't see this impacting the medium to longer term opportunity ahead.

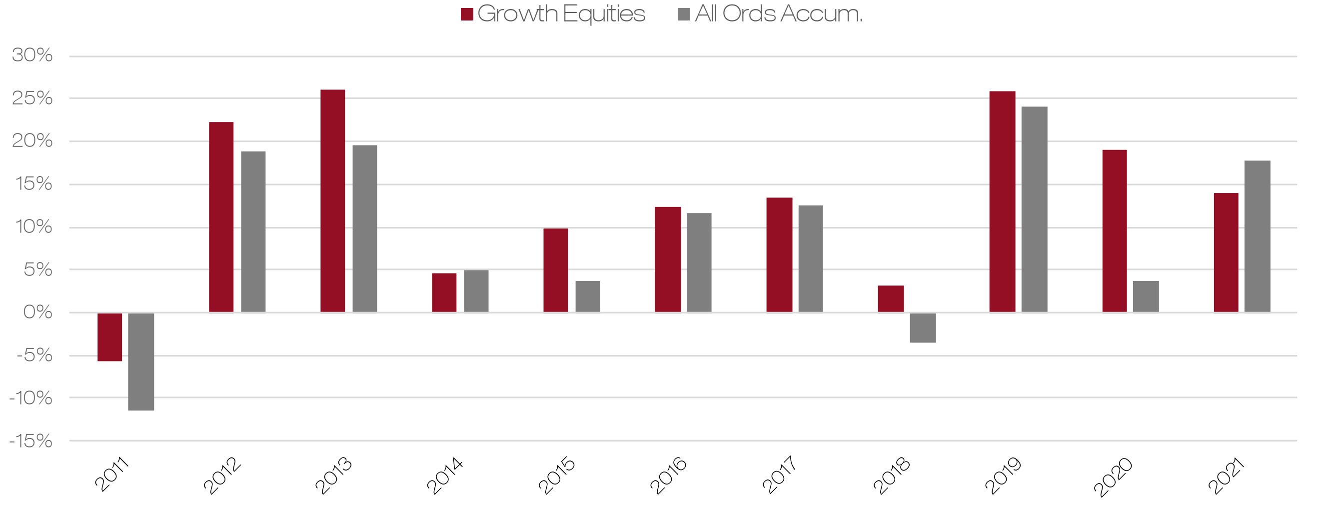
Webjet was another detractor in December following the news of the new Omicron variant and Federal reserve tapering. We also note recent news about new cases in Britain and USA starting to decline, consequently we believe the Northern Hemisphere travel season will be strong if this continues. Webjet sold off 20% from the high and is now trading 15x FY23 FCF (March year end) which is based on $350m sales vs $370m in FY19 pre covid impacts. We think Webjet represents reasonable value, and good exposure to future travel demand. We increased our position following the month end.

Portfolio Factsheet - December

Industry Exposures



Annual Return Chart



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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