



# Discovery Founders' Fund Information Memorandum

The Fund is offered in New Zealand only to persons who are “wholesale investors” within the meaning of clause 3 of Schedule 1 of the Financial Markets Conduct Act 2013 (“FMCA”), “eligible investors” within the meaning of clause 3(3) of Schedule 1 of the FMCA and other investors who otherwise do not require disclosure of the offer under Part 3 of the FMCA.

Applications or any requests for information from persons in New Zealand who do not meet the above criteria will not be accepted.

If you are a New Zealand investor, and apply for units in the Fund, you warrant that you meet the above eligibility criteria.

**The offer under this Information Memorandum is open from 2 September 2022. However, any money received from applications will not be invested in accordance with the investment strategy set out in this Information Memorandum until the Fund’s actual launch date, which is expected to be on or around 28 September 2022. Money received from investors prior to the launch date will be held in trust by the custodian in an application account until units are issued in respect of the application monies on the launch date of the Fund.**

## Disclaimers

Neither Discovery nor any of its Directors guarantee the performance or success of the Fund, income or capital return, or the taxation consequences of investing in the Fund.

Discovery is not authorised to provide financial advice in relation to the offer of units in the Fund.

The taxation consequences of investing in the Fund for non-New Zealand tax resident investors may be different to those described in this document. Non-New Zealand tax resident investors should obtain their own tax advice before investing in the Fund.



# INDEX

<b>Letter from Mark and Chris</b> .....	<b>04</b>
<b>Key features of the Fund</b> .....	<b>06</b>
<b>The Investment Opportunity</b> .....	<b>07</b>
<b>Who is Discovery?</b> .....	<b>12</b>
<b>Risks</b> .....	<b>13</b>
<b>Fees and Expenses</b> .....	<b>16</b>
<b>Investing in the Fund</b> .....	<b>18</b>
<b>Distributions</b> .....	<b>21</b>
<b>Accessing your monies</b> .....	<b>22</b>
<b>Reporting</b> .....	<b>23</b>
<b>Additional Information</b> .....	<b>25</b>
<b>Contacts</b> .....	<b>26</b>



## *Letter from Mark and Chris*

### **Dear Investor**

- We are pleased to invite you to invest alongside us in the Discovery Founders' Fund (the **Fund**).
- We founded Discovery with the aim of delivering superior investment returns. One fund, one focus. That is this vehicle.
- We believe our Experience, Strategy, Structure and Alignment make the Fund a compelling investment opportunity.

### **Experience**

- Discovery is the culmination of Mark and Chris' combined over 20 years of investing experience at leading funds management firm, Pie Funds Management Limited (**Pie Funds**). Mark and Chris met ten years ago as analysts at Pie Funds, rising rapidly to portfolio managers of the Australasian funds and eventually Mark to Chief Investment Officer and Chris to Head of Australasian Equities, whilst delivering strong returns for investors.
- The Discovery Founders' Fund is the culmination of Mark and Chris' skills honed at Pie Funds, delivered in a strategy and structure designed to maximise the prospects of sustained long-term performance.

### **Strategy**

- Our strategy is to invest in a concentrated portfolio of high calibre, predictable businesses with superior growth prospects and attractive risk-adjusted return profiles listed in Australia and New Zealand.
- Our strategy is based on four pillars:
  - Finding high calibre companies;
  - Valuation;
  - Portfolio Construction / Optimisation; and
  - Risk Management.

### *Finding High Calibre Companies*

- **Exclusion List:** What you don't invest in is just as important as what you do. We begin with an Exclusion List which aims to eliminate companies which lack financial strength. We then turn our attention to the upside.
- **Returns:** We seek to invest in companies that can consistently earn high returns on capital. Experience has taught us that these types of companies share four characteristics: Potential, Predictability, People and Profitability.



### *Valuation*

- We seek an internal rate of return on our investments of at least 15% p.a. This means an investment must have the potential to double within three to five years of the initial investment.

### *Portfolio Construction / Optimisation*

- Superior returns require superior portfolio construction and optimisation. We will seek to hold a handful of positions which have earned their position through performance. Positions will be sized relative to business value within a framework which aims to ensure diversification at the portfolio level. The portfolio will be continuously optimised to achieve the highest risk adjusted return.

### *Risk Management*

- Portfolio concentration is paired with a rigorous approach to risk management. The portfolio is managed within clear risk parameters with a disciplined framework to minimise drawdowns and protect capital.

### **Structure:**

- **One Fund, one focus:** Discovery has been structured to have one Australasian fund without conflict from a focus on other similar funds.
- **Capacity:** size is the enemy of performance. Accordingly, we intend to soft close the Fund at \$300m to ensure that performance can be maintained. We believe this singular focus, capacity management, a proven process and strong alignment equip us to outperform.

### **Alignment:**

- We believe that alignment is key to ensuring success in any endeavour, which is why a significant proportion of our personal liquid financial assets are invested in the Fund. We do not invest in listed equities outside the Fund (except via KiwiSaver) and we invest in the Fund on the same terms as other investors.

### **Risk:**

- Investors should be aware that the returns of a concentrated portfolio of high calibre companies may be volatile in the short term. However, investors should remember that the Fund represents ownership of the underlying businesses and short-term volatility in share prices can often be divorced from changes in the fundamental value of the companies we own. While the journey may be bumpy, we believe that the Fund offers the best strategy to deliver superior investment returns over the long term. Nevertheless, an investment in the Discovery Founders' Fund should be considered high risk and we urge prospective investors to carefully read this Information Memorandum, particularly the risk section and seek professional advice.

### **Conclusion:**

The Discovery Founders' Fund will be the culmination of our life's work. We believe our experience, deep networks, singular focus, proven process and strong alignment equip us to outperform. We're completely committed and we're offering you the opportunity to partner on the journey. We look forward to welcoming you as an investor in the Fund.



## Key features of the Fund

<b>Fund Name</b>	Discovery Founders' Fund
<b>Fund type/structure</b>	Wholesale managed investment scheme/trust
<b>Manager</b>	Discovery Funds Management Limited
<b>Investment Philosophy</b>	Market returns are driven by a small number of high calibre businesses. The market misprices sustainable earnings growth due to a focus on short term factors and mean reversion. This mispricing creates investment opportunity.
<b>Investment Strategy</b>	The Fund seeks to invest in a concentrated portfolio of high calibre companies listed in Australia and New Zealand. Experience has taught us that these companies share the same characteristics: Potential, Predictability, People and Profitability.
<b>Return Objective</b>	The objective of the Fund is to deliver strong absolute returns and outperform the S&P/ASX Small Ordinaries Accumulation Index (NZD) over rolling 3-year periods. Returns and capital are not guaranteed.
<b>Benchmark</b>	S&P/ASX Small Ordinaries Accumulation Index (NZD)
<b>Investment Timeframe</b>	5 -7 years
<b>Minimum Initial Investment</b>	\$250,000 (unless otherwise agreed), with additional applications subject to a minimum of \$50,000. Applications will be processed on each business day.
<b>Who Can Invest?</b>	To invest in the Fund you need to be a "wholesale investor" as defined by the Financial Markets Conduct Act 2013, or otherwise not require disclosure of the offer under Part 3 of the FMCA. Subject to this, the Fund is available to all types of investors, including individuals, funds and family trusts/companies, as well as professional investors and family offices.
<b>Fees</b>	<p>Management Fee: 1.2% p.a. (excluding GST) of the monthly net asset value of the Fund.</p> <p>Performance fee: 20% (excluding GST) of performance above the S&amp;P/ASX Small Ordinaries Accumulation Index (NZD) (after deduction of management fees and Fund expenses), and positive performance has been achieved.</p> <p>Please see the Fees and Expenses section for more information.</p>
<b>Unit Pricing Frequency</b>	Daily
<b>Withdrawals</b>	Minimum withdrawal request is \$25,000. Withdrawals will generally be processed within 10 business days of receipt.
<b>Trustee</b>	Public Trust
<b>Administrator</b>	Adminis Limited
<b>Custodian</b>	The Custodian holds the assets of the managed investment scheme on behalf of investors who own units in that scheme. While the manager is responsible for selecting and managing the Fund's investments, the Custodian holds the assets separately from, and independently of, Discovery.
<b>Distribution Frequency</b>	The Fund does not intend to make regular distributions.
<b>PIE Entity</b>	The Fund is intended to be a Portfolio Investment Entity (PIE) for tax purposes. Under this structure income is taxed at the investor's 'prescribed investor rate' (PIR), currently capped at 28%. Unless the investor has a PIR of 0%, we pay tax on an investor's behalf to the IRD.



## *The Investment Opportunity*

### **Fund Objective**

Discovery is a high conviction fund manager. Our objective is to deliver superior investment returns and outperform the S&P/ASX Small Ordinaries Accumulation Index (NZD) over rolling three year periods by investing in a concentrated portfolio of high calibre companies listed in Australia and New Zealand.

### **Investment Philosophy**

Market returns are driven by a small number of high calibre companies. Discovery's investment philosophy is based on five key elements:

- Price leads fundamentals: technical, numbers and narrative should be supportive.
- Earnings drive stock prices: earnings per share growth drives stock prices over the long term.
- Sustainable earnings growth is worth more than cyclical earnings growth.
- Mispricing creates opportunity: the market misprices sustainable earnings growth due to a focus on short term factors and mean reversion. This mispricing creates investment opportunity.
- Exceptional investments are rare: truly exceptional investment opportunities are rare. Therefore, when we find such an opportunity, we concentrate. We believe a concentrated portfolio of high calibre companies provides us with the greatest probability of generating superior investment returns over the long term.

- Risk Management is critical: losses work geometrically against you and interrupt compounding. A rigorous risk management process is critical to protect capital.

### **Investment approach**

Discovery's investment approach is based on four pillars:

- Finding high calibre companies;
- Valuation;
- Portfolio Construction / Optimisation; and
- Risk Management.

### **Finding High Calibre Companies**

We combine top down industry analysis with bottom up fundamental research to identify businesses with the ability to meaningfully compound earnings over time.

#### *Top down*

Particular sectors tend to exhibit higher returns on capital. We will focus our efforts on identifying companies within those sectors. At the same time, there may be opportunities within sectors that have had a dearth of capital invested such that it is easier to generate higher returns on capital due to limited competition.

#### *Bottom up*

We conduct rigorous fundamental analysis of companies, industries they operate in and their stakeholders as part of our due diligence process.



## Exclusion List

We aim to eliminate companies which lack financial strength. Financial strength means a robust balance sheet (generally debt free, as debt undermines durability whilst removing optionality), a resilient business model and self-funding growth. We focus on the cash generation of the business above accounting earnings as cash is the lifeblood of a business.

## Returns

Markets are driven by a handful of exceptional companies. Experience has taught us that these winners share the same characteristics: Potential, Predictability, People and Profitability.

### *Potential*

Potential means the market leader in a growing market. We seek companies with an identifiable and growing moat or competitive advantage which allows the company to consistently earn a high return on invested capital. This may involve a unique product, brand or differentiated service or a combination of these factors. Compounding generally requires our companies to be able to reinvest their capital at high rates of return. Accordingly, we look for companies with an ability to reinvest a substantial portion of their retained earnings for future growth at sustainably high rates.

### *Predictability*

We focus on predictable and sustainable growth. This means companies with high levels of recurring or repeating revenue and stable or improving unit economics. This will often be evidenced by stable or growing profit margins over time. We tend to avoid

businesses that have widely fluctuating profit margins in cyclical industries where business performance is determined by external factors.

### *People*

In our experience, culture is the determining factor of long-term business success. Products, people and innovation come and go but culture is long-lasting and difficult to replicate. Companies are a collection of people working toward a common purpose and a strong culture can set a company apart from its competitors. In assessing culture, we start at the top. Management perform three crucial roles: they nurture culture, execute strategy and allocate capital. In every aspect, we want management who operate with a long-term mindset. This alignment of company goals and our investment horizon occurs most frequently in companies led by founders or with a dominant controlling shareholder. You should expect management teams with strong alignment via shareholding and a track record of success and long-tenure to dominate the portfolio.

### *Profitability*

We seek companies with sustainably high returns on capital and strong cash flows. We may also invest in companies which aren't currently profitable provided there is a clear path to cashflow breakeven in the short term and an ability to earn high returns on capital at scale. However, the allocation to such companies will be limited.

## Valuation

A great investment involves buying a great company at an attractive valuation at the right time.





### Valuation

When assessing whether the price is right, we use a variety of valuation techniques including, reverse discounted cashflow analysis, comparable valuation and/or sum of the parts to understand the unit economics of each investment and how they will drive the share price. We are seeking an internal rate of return on our investments of at least 15% p.a. which means they must have the potential to double within three to five years of the initial investment.

### Timing

Our capital is precious and the benefit of a limited capacity fund is that we can be nimble. Having selected a company for investment, we aim to time our entry to achieve the highest return possible. Accordingly, we combine a technical overlay with a catalyst map to ensure that we enter each position when we perceive the opportunity is greatest to maximise our short-term return, through an increase in valuation, whilst minimising our exposure to the vicissitudes of the market.

## Portfolio Construction and Optimisation

We believe that superior returns require superior portfolio construction and optimisation.

### Construction

- *Position Sizing:* We seek to hold a handful of positions which have earned their position through performance. Accordingly, position sizes will generally range between 2%-5% of NAV at initiation. No position is permitted to be above 10% of NAV at cost. Positions will be sized relative to business value within

a framework which aims to ensure adequate liquidity and diversification at the portfolio level.

- *Liquidity:* It's important to remain dynamic and retain optionality over our positions which means liquidity is paramount. Each position is subject to a framework which aims to ensure there is sufficient liquidity to exit a position within a reasonable time period.
- *Portfolio Diversification:* Consistent with our strong focus on capital protection, we overlay individual position limits with sector specific limits and portfolio correlation analysis to ensure diversification at a portfolio level and prevent any one factor dominating the portfolio.

### Optimisation

- Adding a position to the portfolio is just the beginning. As volatility causes positions to move above and below our assessment of business value, we will fine tune their weighting to achieve the greatest risk adjusted return at a portfolio level.

## Risk Management

We take risk management seriously. We believe investing in quality companies which meet our rigorous investment criteria is the best way of managing risk. However, not all investments go to plan. When they don't, we act decisively. The portfolio is managed within clear risk parameters with a disciplined drawdown framework at both the stock and portfolio level to protect capital.

### Drawdown Framework

#### Stock Specific

Rigorously eliminating underperforming positions is crucial to generating superior investment returns. Discovery employs both an early warning system and a drawdown



process to protect capital.

**Early Warning:** superior returns require superior position monitoring. We monitor a range of key warning indicators (reduced analyst earnings revisions, rising short interest, unplanned management turnover) and will typically reduce our position if our expectations on any one warning indicator is triggered. We also operate a two strike rule. If two warning indicators are triggered within a specific period, we will generally exit the position.

**Drawdown Process:** we monitor each position in relation to key technical indicators. If a key technical indicator is breached and not recovered within a predetermined period, we will generally reduce our exposure and subject the position to a formal internal review.

#### *Portfolio Specific*

We operate a portfolio specific drawdown framework based on economic and technical indicators. If these indicators breach key levels, we will generally reduce our gross market exposure to protect capital.

#### *Hedging*

- **Currency:** We actively manage our currency exposure. To limit the impact of currency movements upon the fund, we may hedge between 0%-100% of our Australian currency exposure based on an average of the NZD/AUD relative to the spot rate at the time.
- **Market:** We may also engage in market hedging via derivatives to protect from a market correction. Short selling will generally take the form of buying put options or futures. The Fund will not typically engage in short selling of individual stocks. However, in the

event that it does, short selling of individual stocks is limited to 50% of Net Asset Value.

#### *Portfolio Limits*

- **Number of Positions:** The Fund aims to hold no more than 20 positions. However, we have discretion to hold up to 40 positions.
- **Sector Weight:** maximum sector weight of 50%.
- **Cash Weighting:** The Fund will generally sit between 5%-20% cash, but can range between 0%-100% during times of high inflows, market dislocation or where we consider the investment universe to be unattractive.

## **ESG**

We believe that good Environmental, Social and Corporate Governance (ESG) management is good business. ESG issues can have a strong impact on company value (brand and cost of capital). Accordingly, we believe that the way a company manages ESG is often a good indicator of management quality and risk frameworks, which are both strong determinants of a company's long-term success.

We believe in a principles-based approach, not a box ticking approach to ESG. That means we seek the presence of positive action, not just the absence of bad behaviour.

We ensure that there are no ESG issues in the initial assessment of a company which would preclude it from our investment universe. We exclude companies which have a direct involvement in what we consider "sin activities" (weapons capable of mass killing, tobacco, violation of animal rights, human rights violations, unremediated destruction to the environment).



## **Alignment**

Discovery is wholly owned by Mark Devcich and Christopher Bainbridge. There are no outside shareholders so the Fund will be managed for the interests of investors.

Mark and Chris have committed to invest a significant proportion of their liquid financial assets in the Fund on the same terms as other investors. They do not invest in listed equities outside of the Fund, except via KiwiSaver.

## **Limited Capacity Offering**

We believe that size is the enemy of performance. At a certain scale, size limits an investment manager's ability to deliver superior investment returns. At Discovery we're cognisant of the need to limit fund capacity to preserve performance. Accordingly, we intend to soft close the Fund at \$300m.

Soft closed means that the Fund will generally not accept any further investments by new investors.

We have the discretion to allow investment from time to time in the Fund (matching redemptions with new applications). In addition, limited capacity offerings may be made by us from time to time at our sole discretion. Investors can request an update from us at any time as to the current size of the Fund.



## *Who is Discovery?*

Discovery is a boutique fund manager specialising in high calibre companies listed in Australia and New Zealand. Discovery was established in 2022 by Mark Devcich and Chris Bainbridge.

### **Proven track record**

Discovery is the culmination of Mark and Chris' over 20 years of investing experience at leading funds management firm, Pie Funds.

### **Mark Devcich**

Mark Devcich is a Portfolio Manager of the Fund and a founder of Discovery. Mark has 12 years' experience in financial markets, most recently as the Chief Investment Officer of Pie Funds and Portfolio Manager of multiple products including the Emerging Companies Fund since inception.

Prior to joining Pie Funds in 2010, Mark worked at PricewaterhouseCoopers in both the Financial Assurance and M&A taxation divisions.

Mark has a Commerce and Law degree from the University of Auckland, is a CFA charterholder and a qualified chartered accountant.

### **Chris Bainbridge**

Chris Bainbridge is a Portfolio Manager of the Fund and a founder of Discovery. Chris has 10 years' experience in financial markets, most recently as the Head of Australasian Equities at Pie Funds and the Portfolio Manager of the Growth 2 Fund and Co-Portfolio Manager of the Emerging Companies Fund.

Prior to joining Pie Funds in 2012, Chris worked as a lawyer at Freshfields Bruckhaus Deringer LLP in the Banking and Finance team.

Chris has a Law and Arts degree from the University of Auckland and is a CFA charterholder.



## *Risks*

An investment in the Fund should be seen as high risk and a long-term investment. Investors should have an investment horizon of 5 to 7 years. All investments are subject to varying risks, and the value of your investment in the Fund can rise and fall over time.

Different types of investments have different risk characteristics, which will affect investment performance. Risk cannot be entirely avoided when investing. The philosophy employed for the Fund is to identify and manage risk as far as is practicable. However, we do not promise that the ways in which risks are managed will always be successful and, if certain risks materialise, the value of your investment could be adversely affected. Some risks can never be practically managed.

Significant risks associated with:

- an investment in the Fund; and
- investments by the Fund,

are discussed below.

The lists do not purport to be a complete or conclusive examination of the applicable risks. Potential investors should read this Information Memorandum in its entirety and seek professional advice before deciding to invest. Performance of the Fund is not guaranteed.



## *Risks associated with the Fund*

TYPE OF RISK	DESCRIPTION OF RISK
<b>Market risk</b>	Economic, technological, political or legal conditions, unexpected major world events, interest rates and even market sentiment, can (and do) change, and these changes can affect the value of investments in the Fund.
<b>Concentration</b>	<p>The Fund will seek to hold a concentrated portfolio of investments. For example, at times it may hold only a few investments, with the rest of the Fund being held in cash. The value of the Fund's investments may be more affected by any single adverse event than the investments of a more diversified portfolio.</p> <p>Discovery will seek to minimise the risks of holding a concentrated portfolio by employing careful investment selection.</p>
<b>Structural</b>	<p>Risks associated with investing in the Fund include:</p> <ul style="list-style-type: none"> <li>• it could be terminated;</li> <li>• there can be changes in Discovery, or in investment and management teams or key relationships, or there could be disputes amongst them;</li> <li>• someone involved with your investment (even remotely) does not meet their obligations or perform as expected;</li> <li>• investment decisions, although taken carefully, are not always successful; and</li> <li>• investing in the Fund may give different results compared to investing directly.</li> </ul>
<b>Limited liquidity risk</b>	Access to your money can be delayed in some circumstances (see page 22 "Delaying access to your investment"). Overall market liquidity can make it difficult to trade profitably and to realise assets in a timely manner to meet any withdrawal requests. Liquidity risk is particularly relevant in smaller company securities. Units in the Fund are not quoted on any stock exchange so you cannot sell them through a stockbroker.
<b>Cyber risk</b>	There is a risk of fraud, data loss, business disruption or damage to the information of the Fund or to an investor's personal information because of a threat or failure to protect the information or personal data stored within Discovery's IT systems and networks or our service providers.



<b>Interest rate risk</b>	Changes in interest rates can have a negative impact on the Fund. Reasons for interest rate changes include changes in inflation, economic activity and Central Bank policies. Interest rate risk is inherent in the Fund and rate movements will have both a positive and negative impact on the Fund.
<b>Regulatory</b>	The value or tax treatment of the Fund or its investments, or the effectiveness of the Fund's investment strategy, may be adversely affected by changes in government (including taxation) policies, regulations and laws affecting managed investment schemes, or changes in generally accepted accounting policies or valuation methods.
<b>Counterparty risk</b>	Any returns to investors may be affected by a default by any of the Fund's counterparties. For example, a counterparty to a transaction or contract (such as a broker or other agent of the Fund) may fail to perform their obligations in the manner anticipated by the Fund or may experience financial difficulty, which may result in a reduction in expected returns to the Fund
<b>Valuation risk</b>	The ongoing value of the stocks held by the Fund may be influenced by changes in market conditions (e.g. supply, demand).

## Management of risks

Whenever the Fund invests, Discovery carefully assesses the potential for returns in light of the likely risks involved.

Discovery rigorously monitors and seeks to manage, as far as is practicable, risk across the entire investment process. However, many risks are difficult or impractical to manage effectively and some risks are beyond Discovery's control altogether.

You can help manage your own risks too. You can:

- know your investment goals and your risk tolerance;
- understand risk and return and be comfortable that an investment may not give you the outcomes you hope for;
- diversify your investments (that is, don't invest all your monies in the Fund or in similar funds);
- invest for at least the recommended timeframe (5 to 7 years);
- keep track of your investment by reading our regular commentaries; and
- seek professional advice.



## *Fees and Expenses*

<b>FEE</b>	<b>AMOUNT</b>
<b>Entry Fee</b>	Nil
<b>Management Fee</b>	1.20%p.a. (exclusive of GST).
<b>Performance Fee</b>	20% (exclusive of GST) of performance above the S&P/ASX Small Ordinaries Accumulation Index (NZD) (after deduction of management fees and Fund expenses), and positive performance has been achieved.
<b>Exit Fee</b>	Nil
<b>Buy/Sell Spread</b>	Nil

### *Management Fee*

Discovery is entitled to a Management Fee of 1.2%p.a. (excluding GST or any other similar tax) of the Net Asset Value of the Fund before any current performance fee accrual. The Management Fee is calculated and accrued daily and is paid monthly in arrears from the Fund.

### *Performance Fee*

The Investment Manager is entitled to a performance fee of 20% of the amount by which the Fund (after fees and expenses but before any distributions) outperforms the S&P/ASX Small Ordinaries Accumulation Index (NZD) over a calculation period.

Performance is measured by comparing the change in the net asset value of the Fund daily, adjusted for applications, redemptions or distributions (excluding any current period performance fee accrued) against performance of the benchmark.

If the total return of the Fund is less than the

benchmark return, no performance fee is payable. No performance fee is payable until any previous periods of underperformance have been made up.

Any accrued performance fee is paid six monthly in arrears.

### *Transaction costs*

The Fund will incur and pay transaction costs when buying or selling investments. Transaction costs can include brokerage, settlement costs and clearing costs.

### *Expenses*

Ordinary expenses are a cost of the Fund and include legal, audit, accounting and taxation return preparation costs, custodial fees, insurances, government charges, AML checking fees and general expenses. Some of these fees are fixed and will fall as a proportion as Fund assets grow.





Abnormal expenses are expected to occur infrequently and may include (without limitation) costs of litigation to protect investors' rights, costs to defend claims in relation to the Fund, one off or non "business as usual" legal or other fees, and termination and wind up costs. If abnormal expenses are incurred, they will be deducted from the assets of the Fund as and when they are incurred.

*Can the fees change?*

Yes, all fees can change.

You will receive at least 30 days' written notice of any proposed increase to fees charged.

*Bank and government charges*

Bank charges may apply to your applications and withdrawals.

*Goods & Services Tax*

Quoted fees and other costs are exclusive of GST.



## Investing in the Fund

### How to Invest

#### Four Simple Steps

1. **Qualify:** You must be a permitted investor. Details on how you qualify as a permitted investor are outlined on our website and included below.
2. **Meet the Minimum:** The minimum investment is generally \$250,000 unless otherwise agreed with Discovery.
3. **Apply:** Simply visit our website and complete an application online.
4. **Pay:** You need to pay for your investment by electronic funds transfer (EFT) from your financial institution account.

You will receive confirmation when your application is accepted.

For questions about completing our online application form, please:

Email: [info@discoveryfunds.co.nz](mailto:info@discoveryfunds.co.nz)

Or

Call: +64 22 192 2332 anytime Monday – Friday:  
8am – 6pm

#### How do you qualify as a permitted investor?

In order to invest in the Fund, you must be:

1. a “wholesale investor” within the meaning of clause 3 of Schedule 1 of the Financial Markets Conduct Act 2013 (“FMCA”); or
2. an “eligible investor” as defined in clause 3(3) of Schedule 1 of the FMCA; or

3. otherwise not require disclosure of the offer under Part 3 of the FMCA.

### Wholesale Investor

To qualify as a wholesale investor for the purposes of this offer, the investor must:

- be large; or
- meet the investment activity criteria; or
- be an investment business; or
- be a government agency,

as defined, in each case, in Schedule 1 of the FMCA.

#### Large (net assets or turnover exceeding NZ\$5m for the last two years)

“Large” persons are those who had **net assets** as at the last day of each of the **2 most recently completed financial years** before the date of the certificate/investment which **exceeded \$NZ5 million**, or in each of the **2 most recently completed financial years** before the date of the certificate/investment **turnover which exceeded \$NZ5 million**.

#### Investment Activity (over \$1m invested in financial products for the last two years or participated to a material extent in an investment business for at least two of the last 10 years)

Persons meeting the “investment activity criteria” include those persons who:

- own, or at any time during the last **two year period** before the date of the certificate/investment have **owned**, a portfolio of “specified financial products” of a value of at least **\$NZ1 million** in aggregate or



- have, **during the last 2 year period** before the date of the certificate/investment, **carried out 1 or more transactions** to acquire “specified financial products” where the amount payable under those transactions (in aggregate) is **at least \$NZ1 million**, or
- (for an **individual**) who has, **within the last 10 years** before the date of the certificate/investment, been **employed or engaged** in an **investment business** (see below) and have, **for at least 2 years** during that 10-year period, **participated to a material extent** in the **investment decisions** made by the investment business.

## Investment Business

“**Investment businesses**” are entities whose principal business consists of:

- **investing in financial products;**
- acting as an **underwriter;**
- providing a **financial advice service;**
- providing a **client money or property service;**
- trading in financial products **on behalf of other persons;**
- a registered **bank;**
- a **non-bank-deposit taker;**
- a licensed **insurer;**
- a **manager of a registered scheme,**
- or a **discretionary investment management scheme**, that holds a market services licence; a **derivatives** issuer;
- or a **financial adviser.**

## Eligible Investors

“**Eligible investors**” are persons with suitable experience in acquiring or disposing of financial products, as defined in the FMCA.

## Other Permitted Investors

Examples of investors who do not require disclosure of the offer under Part 3 of the FMCA are relatives of a director of Discovery, or close business associates. There may be other applicable categories that you can discuss with Discovery as to whether you qualify.

Applications or any requests for information from persons in New Zealand who do not meet the above criteria will not be accepted.

## Processing

Applications are processed daily. Any interest on application monies received prior to processing is credited to the Fund. Discovery may refuse investment applications and need not provide reasons.

Money received from applications will not be invested in accordance with the investment strategy set out in this Information Memorandum until the Fund’s actual launch date, which is expected to be on or around 28 September 2022. Money received from investors prior to the launch date will be held in trust by the custodian in an application account until units are issued in respect of the application monies on the launch date of the Fund.

## Application Price

Discovery determines the Fund’s unit price as



frequently as Discovery considers it necessary or desirable from time to time, which will usually be each business day based on the market value that is most recently available of each asset in the Fund.

We calculate unit prices in two steps:

- we calculate the value of the investments of the portfolio and subtract the value of any liabilities – this gives us the net asset value; and
- we divide this by the number of units we have on issue.

The first unit price for the Fund will be struck on the Fund's launch date, which is expected to be on or around 28 September 2022.

### **Additional investment**

The minimum amount for further investments into the Fund is \$50,000 unless otherwise agreed in advance with Discovery.

To make an additional investment you will need your unique Investor Number.

Payment of your additional investment can be by EFT from your financial institution account.

### ***What if I have further questions?***

If you have any questions about any matter relating to the Fund's strategy, people and process, please email Discovery at:

**[chris@discoveryfunds.co.nz](mailto:chris@discoveryfunds.co.nz)**

Or call on:

**+64 22 192 2332** anytime Monday – Friday: 8am – 6pm.

For questions about forms, applications, redemptions, confirmation notices, tax statements or unit pricing, please contact:  
**[info@discoveryfunds.co.nz](mailto:info@discoveryfunds.co.nz)**



## *Distributions*

We do not intend to make distributions from the Fund. Instead, income will be retained in the Fund and reflected in the unit price.

We may make distributions from the Fund in the future at our discretion. Any distribution that is paid in the future will be paid out within 20 business days of the relevant distribution date.

Immediately after a distribution is declared, the unit price of the Fund will usually fall by the amount of the distribution. This is because the distribution reduces the Fund's assets.

Distributions are not pro-rated for investors who were not unit holders for the whole period, meaning that you may receive some of your investment back immediately as income if you invest just before a distribution.



## *Accessing your monies*

### **How to withdraw**

To withdraw part or all your investment in the Fund, complete the Withdrawal Request Form available online from Discovery.

The minimum withdrawal amount is \$25,000, and you need to keep a minimum of \$50,000 invested otherwise we may redeem your entire investment. We may waive these requirements generally, or on a case-by-case basis.

Once lodged, withdrawal requests cannot generally be withdrawn.

Your withdrawal will be paid by transfer to your nominated account, normally within 10 business days of a unit price being calculated for the relevant withdrawal day. There can be delays in certain circumstances, as set out below.

### **Deductions**

Discovery may deduct from any money payable to an investor (including on winding up) or otherwise recover from an investor:

- any moneys due to Discovery by the investor, including any expenses payable in relation to the distribution or wind-up; and
- any money Discovery (or the trustee of the Fund) owes someone else (including Inland Revenue in relation to PIE tax) relating to the investor.

### **Delaying access to your investment**

Discovery can delay unit redemption for up to 90 days or such longer period as the trustee approves if for any good reason reasonably determined by Discovery, Discovery forms the opinion that it is not desirable, or would be prejudicial to the interests of investors in the Fund for Discovery to cause the redemption of

units of investors in the Fund, or would threaten the Fund's eligibility for PIE status. See the Governing Document for the Fund which sets out the circumstances in which Discovery can delay withdrawal of your money. A copy of the Governing Document is available free of charge on request.

Unit prices are generally calculated at the time the delay ends.

### **Transfers**

Units in the Fund are generally not transferable. However, the Manager may, in its absolute discretion, approve a transfer of Units. The Manager will not do so unless it is satisfied that the transferee is a permitted investor under this offer, and the transfer is permitted or required by law.

### **Compulsory redemptions**

Discovery may, at any time, redeem an equal pro rata share (determined by Discovery) of all investors' units in the Fund without an investor asking.

Additionally, Discovery may redeem an investor's units in the Fund:

- to satisfy any amount of money due to Discovery (or the trustee of the Fund) by you;
- to satisfy any amount of money Discovery (or the trustee of the Fund) owes someone else (including Inland Revenue in relation to PIE tax) relating to your investment; or

where Discovery suspects that law prohibits you from legally being an investor in the Fund. The Governing Document sets out these circumstances in further detail. A copy of the Governing Document is available free of charge on request.



## Reporting

### Regular reports

You will receive the following regular reports:

- distribution / income statements (each time the Fund makes a distribution);
- a monthly performance report; and
- tax return information (after the end of the financial year).

We usually communicate with you by email.

You will be able to check your investment anytime via the online investor portal.

For more information on unit prices and performance, visit our website at [www.discoveryfunds.co.nz](http://www.discoveryfunds.co.nz) where you can sign up for the Monthly Newsletter.

### Privacy

Information provided by applicants on the Application Form is collected for the primary purpose of issuing units in the Fund and managing your investment in the Fund.

Your personal information is being collected and held by Discovery Funds Management Limited, Suite 2, 20 Northcroft Street, Takapuna, Auckland, New Zealand.

The information will also be used to forward to you periodic information relating to your investment in the Fund and from time to time to provide you information of a generic or marketing nature relating to the Fund or Discovery.

Your personal information will not be made available to any third party, other than as required by law and to service providers for permitted related purposes (for example, the registry service provider Adminis, auditors, consultants and advisers) for administering your investment.

By executing the Application Form, you provide your consent to Discovery to disclose your information to such service providers and to use your information for the purposes referred to above. If you wish to request access to your information or if you have any complaint in relation to the way Discovery has handled your information, please contact Discovery.

For more information relating to Discovery's privacy policy please contact Discovery on **+64 22 192 332** during business hours or see [www.discoveryfunds.co.nz](http://www.discoveryfunds.co.nz).

### Information from you

You must provide Discovery in a timely way all information (including personal information) that it (or its service providers) reasonably requests or which you suspect that it should know to perform its functions (for example, regarding your identity or the source or use of invested moneys – if you do not, Discovery may refuse to issue units to you and/or redeem your investment).

### AML

Applications to invest in the Fund are subject to the requirements of applicable anti-money laundering and counter terrorism financing laws and Discovery's requirements.



Investors must provide verification of their identity. Please refer to the Application Form to determine which documents you will need to provide.

Applications will not be accepted into the Fund until identity verification has been completed. In some instances, such as the case of determining beneficial owners of the investor, Discovery may request additional information. This must also be provided to proceed with the application.

Application monies must be given by EFT. If applicants wish to transfer funds from a foreign bank, additional documentation may be requested and the application will not be processed until satisfactory documentation has been provided to Discovery. Discovery reserves the right to reject any application in its sole discretion.

If you apply through a financial planner or other advisor, they may assist you to obtain the necessary documentation and provide it to us. If you apply directly and need assistance with the Application Form or understanding the documentation requirements, you may contact Discovery at **info@discoveryfunds.co.nz** or phone **+64 22 192 332** during business hours.





## ***Additional Information***

### **The Governing Document**

Further detailed information about the Fund can be found in the Governing Document (including amendments), a copy of which can be found on our website at **[www.discoveryfunds.co.nz](http://www.discoveryfunds.co.nz)**.

### **Enquiries**

If you have any queries or complaints, you can call us on:

**+64 22 192 332** during business hours

or write to us at:

**[info@discoveryfunds.co.nz](mailto:info@discoveryfunds.co.nz)**

If you are still not happy, you can contact the trustee at the address set out on the "Contact" page.



## *Contacts*

### **Investment Manager**

#### **Discovery Funds Management Limited**

P: +64 22 192 332

E: [info@discoveryfunds.co.nz](mailto:info@discoveryfunds.co.nz)

Suite 2, 20 Northcroft Street  
Takapuna, Auckland, 0622  
New Zealand

### **Trustee**

#### **Public Trust**

P: 0800 371 471

E: [info@publictrust.co.nz](mailto:info@publictrust.co.nz)

Level 16, 151 Queen Street  
Auckland, 1010  
New Zealand

### **Administrator, Custodian, Registrar**

#### **Adminis Limited**

P: +64 4 909 7655

Level 1, 125 Featherston Street  
Wellington, 6140  
New Zealand

