# DISCOVERY FOUNDERS' FUND



## Monthly Report for December 2023

For wholesale investors only – not for retail distribution

#### PORTFOLIO MANAGERS



CHRIS BAINBRIDGE
Founder and Portfolio Manager



MARK DEVCICH
Founder and Portfolio Manager

NET PERFORMANCE	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	SINCE INCEPTION (P.A)	SINCE INCEPTION (TOTAL)
Discovery Founders' Fund*	13.1%	18.3%	31.0%	57.4%	53.2%	70.8%
Index (NZD)**	7.6%	8.9%	5.6%	8.4%	7.7%	9.8%
Outperformance	5.5%	9.4%	25.4%	49.0%	45.5%	61.0%

<sup>\*</sup>Performance is reported after all fees and expenses. Past performance is not a reliable indicator of future returns. Inception date 28th September 2022.

# 'December was the Founders' Fund strongest month since inception.'

#### **Fund Review**

7.6%: that was the Index return in December and the benchmark for measuring performance.

With a market tailwind, the Founders' Fund performed strongly, finishing December up 13.1%. In the fifteen months since inception, the Founders' Fund's annualised performance is 53.2% vs the Index of 7.7%.

Medium term performance is built on a series of short-term performances. The key question we ask ourselves is: how are we performing in Year 2? Three months into Year 2, the Founders' Fund is up 18.3% vs the Index of 8.9%.

#### Contributor

We usually ignore Biotech companies. They're typically pre revenue, cash burning, money raising machines. However, the most attractive investments are often found in atypical places. **Neuren Pharmaceuticals (ASX:NEU)** was such an investment.

NEU is a biopharmaceutical company focused on the development of therapies for orphan neurodevelopmental disorders. NEU sounded like your typical Biotech, but by late 2023 was more like an industrial with optionality.

 NEU's first drug, Trofinetide, was experiencing rapid sales growth in the US to patients with no alternative;

- NEU was profitable, had a low operating cost base and \$230m of cash; and
- NEU was developing a new drug, NNZ-2591, with first results due in December 2023. All evidence suggested that if Trofinetide was a Blackberry, 2591 was the iPhone.

Trading at \$11-\$12, NEU was a no-brainer. In December, NEU re-rated after it revealed that patients suffering from Phelan-McDermid Syndrome who had been treated with 2591 had demonstrated significant improvement. 2591's data represented an important de-risking event. With \$230m of cash, NEU's well capitalised to proceed with Phase 3 trials if M&A interest doesn't emerge.

#### Detractor

There were no significant detractors to performance.

#### Outlook

The Fund is concentrated in a handful of the best ideas and typically moves when those companies update. The good news is that we are approaching a busy period of company updates.

Thank you for investing alongside us. We're early in the mission and excited about what we can deliver for investors in 2024.

#### **Select Holdings**

- 1. Aussie Broadband
- 2. Duratec
- 3. MMA Offshore

This information refers to investments in the Discovery Founders' Fund (the **Fund**). Any person wishing to invest in the Fund should review the Information Memorandum and seek legal, financial and taxation advice. The Fund is a Wholesale Offer as defined in the Financial Markets Conduct Act 2013. **An investment may achieve a lower than expected return and investors** risk losing some or all of their principal investment. Past performance is no indication of future performance.

<sup>\*\*</sup> Index is the S&P/ASX Small Ordinaries Accumulation Index.

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### **Fact Sheet**

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# **The Investment Opportunity**

Discovery was established with one mission: outstanding performance. Mark and Chris believe there's three foundations for success:

**Focus**: one fund, one focus. Targeting 20 of the best companies in Australasia, delivered in one nimble, limited capacity fund.

**Expertise**: Mark and Chris are experts in Australasian equities. Discovery leverages over 20 years combined experience and the competitive drive of two founders to outperform.

**Alignment**: Mark and Chris have virtually their entire liquid networth invested in the Founders' Fund.

## The Manager

Discovery Funds Management is a performance driven boutique investment management firm specialising in investing in high calibre companies for sophisticated investors. Discovery was launched in September 2022 and is wholly owned by Mark and Chris.

# **Our Approach**

**High Conviction**: targeting 20 of the best companies in Australasia.

Active Manager: benchmark unaware.

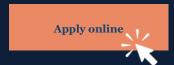
**Deep Fundamental Research**: mosaic approach incorporating independent company sources, industry experts, feedback from customers and base rates derived from local and international competitors to generate unique insights.

**Rigorous Risk Management**: disciplined framework designed to minimise drawdowns and protect capital.

Limited Capacity: \$300m close to new investors.

MANAGER	Discovery Funds Management Limited			
FUND TYPE	Wholesale (unregistered) PIE unit trust			
STRATEGY	Long only concentrated portfolio of companies listed on the ASX/NZX			
STOCK HOLDINGS	Target 20 holdings			
STOCK LIMIT	10% at cost			
CASH HOLDING	Generally, no more than 20%			
APPLICATIONS	Minimum \$250,000 (unless otherwise agreed)			
BENCHMARK	S&P/ASX Small Ordinaries Accumulation Index (NZD)			
MANAGEMENT FEE	1.2% per annum (excluding GST) on the net asset value of the fund			
PERFORMANCE FEE	20% (excluding GST) of the total return of the fund in excess of the Benchmark during a six month performance period and provided any underperformance has been recovered (high water mark)			
UNIT PRICING	Daily in NZD			
WITHDRAWALS	10 Business Days			
AUDITOR FOR THE FUND	PricewaterhouseCoopers			
LAWYER	Chapman Tripp			
TRUSTEE	Public Trust			
CUSTODY, REGISTRY AND FUND ADMIN	Adminis			

# Launch your investment with Discovery today



**Email our Team** 

Application can be made online via our website at www.discoveryfunds.co.nz or by contacting the team at info@discoveryfunds.co.nz or phone +64 22 192 2332