

### PORTFOLIO MANAGERS



**CHRIS BAINBRIDGE**  
Founder and Portfolio Manager



**MARK DEVCICH**  
Founder and Portfolio Manager

NET PERFORMANCE	1 MONTH	3 MONTHS	6 MONTHS	SINCE INCEPTION
Discovery Founders' Fund*	2.5%	8.8%		19.5%
S&P/ASX Small Ordinaries Accumulation Index (NZD)	-3.9%	-0.3%		5.5%
Outperformance	6.4%	9.1%		14.0%

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

## 'Whilst markets were weak, the Founders' Fund performed strongly.'

### Fund Review

February reporting played out as expected. Overall, reporting season was weak as most companies found it difficult to beat earnings expectations in an inflationary environment. In short, great results were rare. Against this backdrop, our strategy of owning a handful of winners performed well.

The Founders' Fund finished up 2.5% vs the Index which was down -3.9%. This means that in the five months since inception the Founders' Fund is up 19.5% vs the Index which is up 5.5%.

### Contributors

In last month's newsletter we noted that while our top positions contributed little to performance in January, we expected them to perform in February. We're pleased to say that this was the case.

Maintenance and remediation specialist **Duratec** (ASX:DUR) delivered a strong result with underlying EBITDA up 46% on the prior six months. Duratec's like Bunnings, there's something for everyone: industry tailwinds, high profit growth, fortress balance sheet, reasonable valuation and a founder management team.

Performance was also buoyed by offshore service vessel operator **MMA Offshore** (ASX:MMA). MMA's stoic management team were almost upbeat, upgrading NTA to

\$1.15 against a backdrop by high utilisation and rising day rates.

Lastly, portfolio stalwart **HUB24** (ASX:HUB). HUB's result was strong across the board, balancing high growth with margin improvement.

### Detractor

Not all investments go to plan. A detractor was **Hansen Technologies** (ASX:HSN). Hansen provides mission critical software to the energy and telecommunication industries. Our investment thesis was premised on a defensive business with M&A upside. We revised this thesis post result. First, numbers were below expectations as licence revenue was pushed to the right and the quality of earnings declined as HSN increased its use of capitalisation. Secondly, Hansen's acquisition is taking longer than Avatar 2. We have a high hurdle rate for our capital so have exited the position.

### Outlook

February results are the catalyst to ask: are we invested in the right place?

Why is February so critical? Experience has taught us that companies which report well in February often continue to perform as the market reallocates capital toward them. We look forward to keeping you updated on our performance.

### Select Holdings

1. Duratec
2. HUB24
3. MMA Offshore

### 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.

<b>MANAGER</b>	Discovery Funds Management Limited
<b>FUND TYPE</b>	Wholesale (unregistered) unit trust
<b>STRATEGY</b>	Long only concentrated portfolio of companies listed on the ASX/NZX
<b>STOCK HOLDINGS</b>	Target 20 holdings
<b>STOCK LIMIT</b>	10% at cost
<b>CASH HOLDING</b>	Generally, no more than 20%
<b>APPLICATIONS</b>	Minimum \$250,000 (unless otherwise agreed)
<b>BENCHMARK</b>	S&P/ASX Small Ordinaries Accumulation Index (NZD)
<b>MANAGEMENT FEE</b>	1.2% per annum (excluding GST) on the net asset value of the fund
<b>PERFORMANCE FEE</b>	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)
<b>UNIT PRICING</b>	Daily in NZD
<b>WITHDRAWALS</b>	10 Business Days
<b>AUDITOR FOR THE FUND</b>	PricewaterhouseCoopers
<b>LAWYER</b>	Chapman Tripp
<b>TRUSTEE</b>	Public Trust
<b>CUSTODY, REGISTRY AND FUND ADMIN</b>	Adminis

**Launch your investment  
with Discovery today**

Apply online

Email our Team

Application can be made online via our website at [www.discoveryfunds.co.nz](http://www.discoveryfunds.co.nz) or by contacting the team at [info@discoveryfunds.co.nz](mailto:info@discoveryfunds.co.nz) or phone +64 22 192 2332