

# DISCOVERY FOUNDERS' FUND

## Monthly Report for July 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	SINCE INCEPTION
Discovery Founders' Fund*	10.9%	14.6%	24.0%	44.6%
S&P/ASX Small Ordinaries Accumulation Index (NZD)	3.2%	1.4%	- 2.2%	7.3%
Outperformance	7.7%	13.2%	26.2%	37.3%

\*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.

## *'July was the Founders' Fund strongest month to date.'*

### Fund Review

Markets rallied in July as concerns regarding a deep recession subsided in the face of resilient data.

Last month we said July and August would be a busy period of company updates. We also said that Mark and I had added to our investments in the Fund ahead of this period. We're pleased to report that company updates played out as expected in July, with the Founders' Fund recording its strongest month of performance to date.

The Founders' Fund finished July up 10.9%. This was a strong performance vs the Index which finished up 3.2%. In the ten months since inception the Founders' Fund is up 44.6% vs the Index which is up 7.3%.

### Contributor

Good news comes early. Accordingly, it was pleasing that the Founders' Fund benefitted from a number of positive company updates in July.

Case in point was offshore service vessel (OSV) operator **MMA Offshore (ASX:MMA)**. MMA provides vessels that service the offshore oil, gas and wind markets. MMA re-rated in July after it advised that FY23 earnings will be in the range of \$66m-\$68m, an increase of over 100% on the prior year. Extensive industry channel checks indicate the dynamic of high demand and constrained supply continues

to strengthen. We believe the market is underestimating the speed and size of change this dynamic will have on both utilisation and days rates for OSV operators. We believe these factors create the opportunity for a significant earnings beat in FY24.

### Detractor

Detracting from performance in July was **Telix (ASX:TLX)**. Telix is a radio pharmaceutical company that aims to develop new diagnostic (imaging) and therapeutics (therapy) to combat prostate, renal and brain cancer. Telix is an Australian success story which ticks our four Ps (potential, predictability, people and profitability). Telix listed in 2017 with a market cap of \$128m and no revenue. Today Telix is valued at \$3.5bn and is annualising \$480m in revenue with a deep pipeline of products in development. Telix pulled back in July as quarterly numbers appeared to miss investor expectations.

### Outlook

We spent July preparing for August. August is another busy month with most of our companies reporting their full year results. We'll be on the road meeting companies at the beginning of September, so our August report will be released 8<sup>th</sup> September. We look forward to updating you on our performance post reporting season.

### Select Holdings

1. Aussie Broadband
2. Duratec
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