

PORTFOLIO MANAGERS



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NET PERFORMANCE	1 MONTH	3 MONTHS	6 MONTHS	SINCE INCEPTION
Discovery Founders' Fund*	-2.1%	7.8%	17%	17%
S&P/ASX Small Ordinaries Accumulation Index (NZD)	-2.4%	1.7%	3.2%	3.2%
Outperformance	0.3%	6.1%	13.8%	13.8%

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

'Six months since inception, we're pleased with performance.'

Fund Review

Dislocation among US regional banks and Credit Suisse impacted investor sentiment in March.

The Founders' Fund finished down -2.1% vs the Index which was down -2.4%. In the six months since inception the Founders' Fund is up 17% vs the Index which is up 3.2%.

We've held relatively high cash levels for the last six months. Our measured approach paid off in March. When there is dislocation, everything gets sold off at the same time. That creates opportunity if you're nimble. We used the sell off to initiate a new position (discussed below) and add to existing holdings. In the current environment, we will continue to balance a measured approach to capital allocation with decisive action when opportunities present.

Contributor

Volatility breeds opportunity. That proved to be the case with **IPD Group (ASX:IPG)** in March.

IPG is a leading Australian distributor of electrical equipment and services. Electrification (think EV charging) is likely to be one of the dominant narratives over the next decade. IPG provides high quality exposure to this trend.

We participated in the IPO of IPG back in 2021 (pre Discovery) so we knew the business well. IPG reported a strong set of half

year results in February, sending the share price to +\$3.20. We remained patient but switched on for a pullback.

Investor concerns regarding US regional banks saw IPG drop as low as \$2.65 and we acted. As sentiment rebounded, so did IPG's share price, ending March at \$3.49. Tactically, it's this type of opportunity our size allows us to execute. Fundamentally, with strong earnings growth, a balance sheet primed for acquisitions and an experienced management team, we're amped up about IPG's future.

Detractor

Detracting from performance was gym operator **Viva Leisure (ASX:VVA)**. VVA declined on no news. The thesis is simple: Covid recovery on a leaner cost base, a compelling valuation, aligned management team and upside to consensus earnings. While the business has got back in shape post Covid, the share price hasn't. We believe it's only a matter of time.

Outlook

The market's fixation on rates, forward curves and inflation creates the temptation to become a macro expert. Whilst interesting, it's not a source of repeatable edge, so you won't find us getting distracted. We focus where we have an edge: company fundamentals. We believe this strategy will continue to pay off as our companies provide updates in April and May.

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.

MANAGER	Discovery Funds Management Limited
FUND TYPE	Wholesale (unregistered) 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

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with Discovery today**

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