

PORTFOLIO MANAGERS



CHRIS BAINBRIDGE
Founder and Portfolio Manager



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Founder and Portfolio Manager

NET PERFORMANCE	1 MONTH	3 MONTHS	1 YEAR	SINCE INCEPTION
Discovery Founders' Fund*	-1.1%	8.6%		8.5%
S&P/ASX Small Ordinaries Accumulation Index (NZD)	-4.3%	1.5%		1.3%
Outperformance	3.2%	7.1%		7.2%

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

Fund Review

Markets pulled back in December as central banks continued the rate tightening cycle. We used the pullback as an opportunity to deploy further capital.

The Founders' Fund was resilient, ending the month down -1.1% vs the benchmark which was down -4.3%.

Key Contributor

There's always a bull market somewhere, you just have to find it. The offshore service vessel (**OSV**) market is a case in point. An increase in the number of offshore oil and gas projects combined with a shortage of OSVs has driven up rates for OSV operators. **Mermaid Marine** is an OSV operator. Mermaid rerated in December after guiding to strong first half earnings. Management cautioned that second half earnings could be impacted by monsoon weather. However, broader conditions remain supportive.

Key Detractor

The key detractor demonstrated Discovery's risk management system in action. **Johns Lyng Group (JLG)** manages trades people who carry out the repair and remediation work for insurers. JLG ticked our four Ps: potential, predictability (for BAU work), people and profitability, with a particular emphasis on the People. On 10th October, the CEO sold \$24m of stock. On 19th December, the Chief Operating Officer sold 31% of his holding. Management sell downs above a threshold are an Amber Flag. A single Amber Flag doesn't require us to reduce our position. However, two in short succession do.

Investor question: what make's Discovery different from other fund managers?

The most important difference is structural. Most funds management business' are structured to grow management fees and launch new funds. Our business is structured for performance. We have:

- One nimble fund;
- A handful of the best ideas concentrated in one fund;
- Alignment *in the fund*. Mark and I have virtually all our liquid networth invested in the Founders' Fund.

Discovery's structure is differentiated, based on experience and one which we believe gives investors the best opportunity to outperform.

2023

It's fashionable to make bold macro predictions for the year ahead. We can't consistently make correct macro predictions, let alone make money from them, so we won't. Our structure means we hold a select number of companies which we believe can rapidly grow earnings and value irrespective of the broader market conditions.

Thank you for investing alongside us. We hope you and your families have a great break. We're excited and ambitious about what we can achieve in 2023.

Select Holdings

1. Duratec
2. HUB24
3. Mermaid Marine

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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