

PORTFOLIO MANAGERS



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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*	7.4%	9.0%		16.6%
S&P/ASX Small Ordinaries Accumulation Index (NZD)	8.4%	6.6%		9.8%
Outperformance	-1.0%	2.4%		6.8%

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

'We've designed the Founders' Fund to be nimble so we can maximise performance'

Fund Review

The Index had one of its strongest Januaries on record as China reopening and positive sentiment around a soft landing propelled resources and the broader market higher.

The Founders' Fund performed strongly, finishing up 7.4%. A keen observer will note the Fund's slight underperformance versus the Index. We're invested in a handful of high calibre companies. Our concentrated approach means our returns will likely diverge significantly from the Index. The good news is whilst the majority of our top five positions added little to performance in January (more on that below), we generated a significant amount of performance from a number of smaller sized positions.

Key Contributor

We've designed the Founders' Fund to be nimble so we can maximise performance. One advantage of our size is the ability to capitalise on short term opportunities which present. **Nanosonics (NAN)** was one of those.

NAN is a healthcare company which provides best-in-class infection prevention tools, principally for disinfecting ultrasound probes.

At its AGM in November, NAN informed the market that the first four months were tracking significantly ahead of full year guidance given in August. Despite the strong update,

NAN's share price pulled back with the broader market in December. We took advantage of this weakness.

In January, NAN cleaned up. NAN upgraded its full year guidance and announced a first half profit which was higher than what the market was expecting for the full year. Discipline on valuation and speed of exit were critical. With our thesis played out, we recycled our capital into a new position which we believe has considerable upside leading into February.

Key Detractor

HUB24 (HUB) detracted from performance. As a reminder, HUB is an Australian investment and superannuation platform. HUB reports key performance metrics including flows onto its platform on a quarterly basis. HUB's share price declined during the month on the back of flows which were down on the prior year.

Outlook

February is when most of our companies report their half year results. It's a key litmus test of performance and we expect our core positions which didn't contribute in January to inflect in February. We'll be in Australia meeting companies at the beginning of March, so our next report will be released 6th March. We look forward to updating you on our performance post reporting season.

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.

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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Email our Team

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