

### PORTFOLIO MANAGERS



**CHRIS BAINBRIDGE**

Founder and Portfolio Manager



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Founder and Portfolio Manager

NET PERFORMANCE	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	SINCE INCEPTION (P.A)	SINCE INCEPTION (TOTAL)
Discovery Founders' Fund*	9.3%	2.0%	19.2%	37.6%	42.0%	51.0%
Index (NZD)**	5.6%	-4.1%	-1.3%	-3.6%	1.7%	2%
Outperformance	3.7%	6.1%	20.5%	41.2%	40.3%	49.0%

\*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.

\*\* Index is the S&P/ASX Small Ordinaries Accumulation Index.

### Fund Review

When a boxer goes down, you can tell how much fight they have in them by how quickly they spring off the canvas. Funds are the same.

After a tough October, the Founders' Fund sprang back strongly in November, finishing up 9.3%. Whilst performance was strong, so was the Index, finishing up 5.6% in NZD terms. 5.6% set the benchmark for performance in November.

In the fourteen months since inception, the Founders' Fund annualised performance is 42% vs the Index of 1.7%.

### Contributor

We Like Big Boats And We Cannot Lie. Offshore service vessel operator **MMA Offshore (ASX:MRM)** delivered a significant beat to earnings expectations in November. MRM, which delivers marine and subsea services to the offshore energy sector, advised the market that EBITDA for 1HFY24 would be \$55m-\$60m, an 80%-90% increase on the prior year. More importantly, it was 45% higher than consensus estimates of \$40m for the first half. Given the recent trajectory of the industry, we believe the primary driver of the beat was higher vessel day rates. Vessel day rates are inflecting because there is a shortage of vessels. Demand looks set to continue and there's very little new vessel supply. As we've stated previously, we believe the market continues to underestimate the rate and size of MRM's earnings trajectory. You can't ride a cyclical to the beach, but there's no prizes for paddling to shore before the big waves come.

### Detractor

Detracting from performance was **Life360 (ASX:360)**. 360 is the number one global family safety app with 58.4m monthly active users. 360 provides families with location sharing, roadside assistance and identity theft protection. 360 is used by one in 10 families in the US and is rapidly expanding globally. 360 ticks our fours Ps (Potential, Predictability, People and Profitability). 360 reported a solid set of Q3 numbers during November, including upgrading full year earnings. However, the share price pulled back as 360 indicated it would add less paying users in the seasonally weaker Q4 and reinvest to drive future growth. Given the high incremental return on investment and large market opportunity, balancing profitability with investment makes sense. Tile bundling could also unlock a paradigm shift in retention, optionality which isn't baked in. With continued revenue growth of 20%, margin expansion, a healthy balance sheet and founder alignment, we believe Life360 should track in the right direction.

### Early in the Mission

Have we missed it? That's the question a new investor asked in November. Rather than focus on the returns to date, we encourage people to focus on the fund's size and structure. Discovery has one small nimble fund with a highly aligned and hungry team. We're still early in the mission and excited about what we can deliver.

### 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