

PORTFOLIO MANAGERS



CHRIS BAINBRIDGE
Founder and Portfolio Manager



MARK DEVCICH
Founder and Portfolio Manager

| NET PERFORMANCE | 1 MONTH | 3 MONTHS | 1 YEAR | SINCE INCEPTION |
|---|---------|----------|--------|-----------------|
| Discovery Founders' Fund* | 7.0% | | | 7.0% |
| S&P/ASX Small Ordinaries Accumulation Index (NZD) | 3.1% | | | 2.9% |
| Outperformance | 3.9% | | | 4.1% |

*Performance is reported after all fees and expenses. Inception date 28th September 2022.

October performance was 7.0% versus 3.1% for the Small Ords Accum index (NZD).

Fund Review

Equity markets rebounded in October. With markets changing faster than British Prime Ministers, we took a prudent approach to deploying capital, ending the month with +35% cash.

Whilst being prudent, we believe that volatility breeds opportunity. Expertise means knowing when to lean into the uncertainty that occasionally crops up in markets. We've done exactly that. We've invested in a handful of companies with high returns on invested capital which we believe can surprise to the upside regardless of the broader market. After over 100 meetings this month alone, we know there aren't many of these. The great news is that our small size and selective approach allows us to remain nimble and take advantage of these opportunities.

Key Contributor

HUB24 positively surprised during the month. HUB24 is an Australian investment and superannuation platform. HUB's platform provides financial advisors with the tools they need to onboard, manage and report to their clients. From 0.2% market share in 2015, HUB has grown to over 5% market share today. HUB's key quarterly metrics are fund flows onto the platform and advisors joining the platform.

Both surprised to the upside with HUB adding \$3bn of flows during the quarter. We believe HUB offers a strong outlook, attractive valuation and plenty of optionality.

Key Detractor

Pinnacle Investment Management was a key detractor. Pinnacle is a multi-affiliate investment firm providing services to boutique investment managers which it holds minority stakes in. Pinnacle has a strong track record of organic growth. Weak investor sentiment was reflected in a softer than expected flow number during the quarter. Importantly, the impact of the flows on management fee revenue was negligible as outflows were skewed to low fee funds whilst inflows were skewed to higher fee strategies.

Outlook

We're well positioned. Our prudent positioning means we're poised to take advantage of any further weakness in markets. At the same time, our small size allows us to remain nimble for opportunities which present.

Select Holdings

In alphabetical order

1. Aussie Broadband
2. HUB24
3. Johns Lyng Group

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% (excluding GST) on the net asset value of the fund paid monthly |
| 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 |

**Launch your investment
with Discovery today**

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Email our Team

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