

### PORTFOLIO MANAGERS



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Founder and Portfolio Manager



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NET PERFORMANCE	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	SINCE INCEPTION (P.A)	SINCE INCEPTION (TOTAL)
Discovery Founders' Fund*	13.1%	18.3%	31.0%	57.4%	53.2%	70.8%
Index (NZD)**	7.6%	8.9%	5.6%	8.4%	7.7%	9.8%
Outperformance	5.5%	9.4%	25.4%	49.0%	45.5%	61.0%

\*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.

## 'December was the Founders' Fund strongest month since inception.'

### Fund Review

7.6%: that was the Index return in December and the benchmark for measuring performance.

With a market tailwind, the Founders' Fund performed strongly, finishing December up 13.1%. In the fifteen months since inception, the Founders' Fund's annualised performance is 53.2% vs the Index of 7.7%.

Medium term performance is built on a series of short-term performances. The key question we ask ourselves is: how are we performing in Year 2? Three months into Year 2, the Founders' Fund is up 18.3% vs the Index of 8.9%.

### Contributor

We usually ignore Biotech companies. They're typically pre revenue, cash burning, money raising machines. However, the most attractive investments are often found in atypical places. **Neuren Pharmaceuticals (ASX:NEU)** was such an investment.

NEU is a biopharmaceutical company focused on the development of therapies for orphan neurodevelopmental disorders. NEU sounded like your typical Biotech, but by late 2023 was more like an industrial with optionality.

- NEU's first drug, Trofinetide, was experiencing rapid sales growth in the US to patients with no alternative;

- NEU was profitable, had a low operating cost base and \$230m of cash; and
- NEU was developing a new drug, NNZ-2591, with first results due in December 2023. All evidence suggested that if Trofinetide was a Blackberry, 2591 was the iPhone.

Trading at \$11-\$12, NEU was a no-brainer. In December, NEU re-rated after it revealed that patients suffering from Phelan-McDermid Syndrome who had been treated with 2591 had demonstrated significant improvement. 2591's data represented an important de-risking event. With \$230m of cash, NEU's well capitalised to proceed with Phase 3 trials if M&A interest doesn't emerge.

### Detractor

There were no significant detractors to performance.

### Outlook

The Fund is concentrated in a handful of the best ideas and typically moves when those companies update. The good news is that we are approaching a busy period of company updates.

Thank you for investing alongside us. We're early in the mission and excited about what we can deliver for investors in 2024.

### 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) PIE 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**

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