

DISCOVERY FOUNDERS' FUND



Monthly Report for December 2025

For wholesale investors only – not for retail distribution

PORTFOLIO MANAGERS



CHRIS BAINBRIDGE

Founder and Portfolio Manager



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Founder and Portfolio Manager

NET PERFORMANCE	1 MONTH	6 MONTHS	1 YEAR	2 YEAR (P.A)	SINCE INCEPTION (P.A)	SINCE INCEPTION (TOTAL)
Discovery Founders' Fund*	-7.0%	-2.3%	7.7%	31.8%	39.6%	196.8%
Index (NZD)**	3.0%	26.1%	31.1%	20.7%	15.5%	60.0%
Outperformance	-10.0%	-28.4%	-23.4%	11.1%	24.1%	136.8%

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

** Index is the S&P/ASX Small Ordinaries Accumulation Index in New Zealand Dollars.

Fund Review

The broad-based sell-off in growth companies continued in December. We believe this has gone too far. There are extraordinary pockets of value currently on offer (one of which we discuss below).

The Founders' Fund finished December down 7%, underperforming the Index which finished up 3.0%. It's been a difficult period to keep up with the Index due to the performance of resource companies which make up 34% of the Index and are up 45% in the last six months. We typically have low exposure to mining companies given they don't fit our Four Ps framework (e.g. low predictability and low returns on invested capital through the cycle).

In just over 3 years since inception, the Founders' Fund's annualised performance is 39.6% vs the Index of 15.5%.

One pocket of value which has emerged is technology stocks. For ASX technology stocks, it's been an AI bust, not an AI boom, with the ASX Technology Index off 20% since October. Driving the bust is a persistent fear that AI will upend the software industry, either by reducing pricing power, lowering licensing revenue by making it less labor-intensive to perform tasks or by rendering traditional software applications obsolete. The market has taken a shoot first, analyse later approach, with almost everything in software hit by concerns over AI. Fear of AI disruption is valid, particularly for software companies reliant on traditional seat-based pricing. However, the indiscriminate sell-off has been overblown and created opportunities. For example, software companies with proprietary industry data will be in a position to leverage AI using domain specific

models that are more accurate and cheaper than Large Language Models. Sentiment shifts quickly in markets. We've been buying a number of companies caught up in the sell off which we expect to provide positive updates in February. We believe February reporting will provide the backdrop for a solid re-rating.

Featured Company

One company which updated during December was **Imdex Limited (ASX:IMD)**. As a leading supplier of tools, fluids and software to the mining exploration industry, IMD provides quality, second derivative exposure to the strength in gold & copper prices. During December, IMD acquired Advanced Logic Technology and its subsidiary MIS. These are sensible acquisitions which add market leading products which IMD can leverage via its global distribution to accelerate growth.

Outlook

Looking into 2026, we believe there's an incredible amount of unrecognised value embedded in the portfolio. We're already back on the tools and working hard to enhance that value as we position for half year reporting in February.

Thank you for investing alongside us. We hope you and your families have a relaxing break. We're still early in the mission, highly aligned and determined to deliver in 2026.

Select Holdings

1. Generation Development Group
2. Life360
3. Zip Co

This information refers to investments in the Discovery Founders' Fund (the **Fund**). Any person wishing to invest in the Fund should review the Information Memorandum and seek legal, financial and taxation advice. The Fund is a Wholesale Offer as defined in the Financial Markets Conduct Act 2013. **An investment may achieve a lower than expected return and investors risk losing some or all of their principal investment. Past performance is no indication of future performance.**

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Fact Sheet

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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) PIE 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

**Enquire about investing
today**

[Email our Team](#)



Investment enquiries can be made online via our website at www.discoveryfunds.co.nz or by contacting the team at info@discoveryfunds.co.nz or phone +64 22 192 2332