

# DISCOVERY FOUNDERS' FUND



## Monthly Report for December 2025

For wholesale investors only – not for retail distribution

### PORTFOLIO MANAGERS



**CHRIS BAINBRIDGE**

Founder and Portfolio Manager



**MARK DEVCICH**

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 28<sup>th</sup> 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 **IMD 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

## 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

## Enquire about investing today

Investment enquiries 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

[Email our Team](#)

