

### PORTFOLIO MANAGERS



**CHRIS BAINBRIDGE**  
Founder and Portfolio Manager



**MARK DEVCICH**  
Founder and Portfolio Manager

NET PERFORMANCE	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	SINCE INCEPTION (P.A)	SINCE INCEPTION (TOTAL)
Discovery Founders' Fund*	-2.4%	-3.8%	16.4%	42.6%	51.1%	172.0%
Index (NZD)**	-2.2%	-0.7%	8.2%	11.4%	9.5%	24.5%
Outperformance	-0.2%	-3.1%	8.2%	31.2%	41.6%	147.5%

\*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

February was half year reporting for our Australian companies. We were determined to deliver but we didn't. Performance was poor for two reasons: (1) our stock picking and (2) the market. We focus on what we can control, so we won't spend much time on the market. Suffice to say, it was a challenging month with the Index down 2.2%. In terms of stock picking, we made two mistakes (1) we had too much faith in past winners. A number of these companies failed to perform; and (2) we held a number of small positions (reduced because we were concerned about their results). Their results were worse than feared. We've rectified both of these mistakes, cutting positions where our thesis hasn't played out. Our actions mean we're focused back on only the best ideas. That is the high conviction process which has delivered our performance to date.

The Founders' Fund finished February down 2.4%, underperforming the Index which finished down 2.2%. In the 29 months since inception, the Founders' Fund's annualised performance is 51.1% vs the Index of 9.5%.

### Featured Company

One company which contributed to performance in February was Generation Development Group (**ASX:GDG**). GDG is a fast growing Australian based provider of investment products and financial services that ticks our four Ps (Potential, Predictability, People and Profitability).

We discussed GDG in our October newsletter. By way of background, in June 2024, GDG completed the

transformational acquisition of Lonsec. Lonsec is a leading provider of investment research, ratings and managed accounts with FUM of 11.7bn. The managed accounts business is the jewel in Lonsec's crown, growing FUM at a CAGR of 100% since 2020 in a rapidly growing market. The only other scale player in the managed accounts market is Evidentia Group.

In February, GDG acquired Evidentia Group to create a market leader in the managed accounts space with \$25bn of FUM. Evidentia has been growing at a similar rate to Lonsec, is highly profitable, has minimal client overlap and comes with a highly experienced team aligned with script to accelerate GDG's growth.

GDG's re-rated, but we believe it's still early in its journey. Led by Executive Chairman Rob Coombe and CEO Grant Hackett (of Olympic swimming fame), GDG's in good hands. With strong tailwinds in both the managed accounts business and investment bonds, the momentum looks set to continue.

### Outlook

Experience has taught us that companies which report well in February often continue to perform as the market reallocates capital toward them. We've positioned the Fund accordingly. We look forward to updating you on our performance.

### Select Holdings

1. Generation Development Group
2. Life360
3. Superloop

### 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**

[Email our Team](#)

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