DISCOVERY FOUNDERS' FUND

DISCOVERY FUNDS MANAGEMENT

Monthly Report for February 2026

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*	-8.2%	-20.2%	-26.9%	15.6%	31.4%	154.6%
Index (NZD)**	-0.1%	12.9%	31.7%	21.1%	15.5%	64.0%
Outperformance	-8.1%	-33.1%	-58.6%	-5.5%	15.9%	90.6%

*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

We've rarely seen such a disparity between stock prices for the highest quality companies listed on the ASX and our assessment of their fair value. That bodes incredibly well for future returns. Insiders agree. 19 Directors purchased stock in our companies post reporting. That's the highest level of Director buying we've seen post a reporting period. Directors sell for many reasons, but they only buy for one: to make money.

Over the medium term, earnings drive share prices. In the short term, it's sentiment. Many of our companies reported strong earnings in February. However, Fund performance was poor as fears of AI disruption caused investors to abandon sectors as diverse as insurance broking, platforms, education and digital businesses. AI is a revolutionary technology, but the sell-off has been indiscriminate and, for select companies, overdone.

The Founders' Fund finished February down 8.2%, underperforming the Index which finished down 0.1%. In 3 years and five months since inception, the Founders' Fund's annualised performance is 31.4% vs the Index of 15.9%.

Featured Company

One investment we didn't get right in February was ZIP. ZIP offers point-of-sale credit (think Buy Now, Pay Later) to consumers in the USA and ANZ. ZIP has had a track record of delivering beats and earnings upgrades. In February, it delivered a small miss to expectations with US loan losses higher than expected. Lending is a simple business: lend and control bad debts. Zip's new Pay in 8 product delivered higher bad debts than expected. The market reacted severely, with ZIP dropping 35% post result. The short duration of ZIP's lending product allows management to control bad debts quickly. Provided ZIP proves this, we believe the combination of strong growth and a low valuation provides an attractive set up. ZIP Directors clearly believe the same, buying stock post result.

Outlook

Our mission is outstanding performance. We have a long track record of delivering just that. Our track record has been built on a robust process paired with alignment, passion and focus. Our track record and alignment mean we feel periods of underperformance acutely.

We're responding by focusing on our process. Our Four Ps process involves identifying founder led businesses with high returns on invested capital, strong earnings and a catalyst to realise value. Businesses with these characteristics are among the best on the ASX. Typically, their valuations reflect that. Right now, they're out of favour and on sale. We're making the most of the opportunity.

Events in the Middle East are currently dominating markets. History has taught us that event driven sell offs are typically attention grabbing but short. Therein lies the opportunity. We look forward to updating you on our performance.

Select Holdings

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

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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