

DISCOVERY FOUNDERS' FUND

Monthly Report for January 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*	-6.5%	-14.4%	-0.5%	27.0%	35.6%	177.4%
Index (NZD)**	2.6%	24.5%	28.9%	21.9%	16.0%	64.1%
Outperformance	-9.1%	-38.9%	-29.4%	5.1%	19.6%	113.3%

*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

January was a busy month as we positioned the Fund for February reporting. We initiated four new positions and cut three existing ones. We're confident each of the new positions has the potential to re-rate strongly in February. Remaining disciplined, we cut positions where we couldn't see significant upside in the next six months. We believe this positions the Fund well ahead of an important month.

January continued the theme of December. The broad-based sell off in high quality industrial companies continued as investors crowded into resource companies (particularly gold and silver). We believe quality differentiation has been lost. This has created opportunity and we believe February reporting will provide a backdrop for the fundamentals of our companies to reassert themselves and be reflected in share price performance.

The Founders' Fund finished December down 6.5%, underperforming the Index which finished up 2.6%. In just over 3 years since inception, the Founders' Fund's annualised performance is 35.6% vs the Index of 16%.

Featured Company

One company which updated during January was **Codan Limited (ASX:CDA)**. CDA has two divisions (1) it's the market leader in metal detection solutions (i.e. it makes and sells gold detectors) and (2) it delivers mission critical communications to defence and public safety customers. CDA has significant IP in markets experiencing structural tailwinds, namely gold detection and tactical unmanned communications (its radios are used in military drones). CDA re-rated in January after it advised that earnings

would be up +52% year on year, 11% higher than market expectations. The beat versus expectations was driven by CDA's metal detection division with revenue accelerating through 1HFY26 as CDA released a new Gold Monster metal detector. We believe the release of an additional three new detectors in 2HFY26 provides upside to 2HFY26 earnings expectations. At the same time, CDA's communications segment should continue to benefit from elevated defence spending and its balance sheet is primed for accretive M&A.

Many of our companies pulled back on no news during January. However, one company which detracted from performance was **Generation Development Group (ASX:GDG)**. As a reminder, GDG is a fast-growing Australian based provider of investment products and financial services. GDG de rated after Evidentia inflows were delayed from Q2FY26 until Q3FY26. Flows will be lumpy as Evidentia wins business. This doesn't change the structural tailwinds which (as we've seen with HUB) can drive significant upside over a long period of time.

Outlook

This period has echoes of 2022. At the time, buying high quality industrial companies felt like buying straw hats in winter. As the powerful returns from 2023-2025 showed, summer will come. We're excited about February reporting.

Select Holdings

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

DISCOVERY FOUNDERS' FUND

Fact Sheet

For wholesale investors only – not for retail distribution

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