

PORTFOLIO MANAGERS



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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*	-13.8%	-39.4%	-11.9%	2.2%	25.1%	119.5%
Index (NZD)**	-10.0%	-4.5%	24.0%	11.2%	11.7%	47.6%
Outperformance	-3.8%	-34.9%	-35.9%	-9.0%	13.4%	71.9%

*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

Our performance over the last six months has been unacceptable. This has demanded brutal self-reflection. We recognise we made an error which we detail below.

By October last year, the Fund had compounded at +50% p.a. for three years. Markets are great humblers.

In October/November market conditions changed. At the time, expectations were for multiple rate cuts in Australia. Instead, inflation triggered the start of a rapid rise in interest rates. Rising rates severely impacts the valuation of growth companies. We were concentrated in communication, financial, technology and consumer discretionary companies. On reflection, our positions within these sectors were overly correlated. At the same time, electrification, demand for data centres and a recovery in the resources sector created a fertile backdrop for contractors and mining service companies. We were under-weight these sectors and failed to adapt quickly enough. That was a portfolio management error.

The good news is:

(1) we've enhanced the process with a particular focus on individual company and sector correlations; and

(2) we know how to pick stocks. Our process now ensures we have enough of them in the right sectors.

Looking forward, we're currently in the heart of an environment of higher rates, AI disruption fears and conflict in the Middle East. How are we responding?

1: we've been here before. This period echoes 2022 when Russia invaded Ukraine. Markets sold off sharply as rates and oil prices spiked. However, this was followed by a strong recovery as oil prices normalised;

2: history teaches us that Event Driven sell offs are typically short lived and provide the best opportunities. Don't waste a crisis; and

3: stick to the (enhanced) process. The fundamental outlook for many of the companies in our portfolio is unchanged despite the valuations having fallen significantly.

Featured Company

One company which detracted from performance in March was **Catapult Sports (ASX:CAT)**. CAT is a global leader in sports technology, utilising wearable and video technology to optimize performance for professional teams. CAT fell in March after it advised the market that earnings would be flat half on half and share based payments would be above market expectations in FY27. The lack of leverage and decline in earnings quality was disappointing.

Outlook

Valuations are incredibly low, which bodes well for prospective returns on a 6-12 month view.

Select Holdings

1. Generation Development Group
2. Imdex
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.

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