

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	SINCE INCEPTION (P.A)	SINCE INCEPTION (TOTAL)
Discovery Founders' Fund*	-8.4%	-2.3%	18.6%	45.8%	43.8%	149.0%
Index (NZD)**	-4.4%	- 2.1%	-0.3%	7.5%	7.2%	19.0%
Outperformance	-4.0%	-0.2%	18.3%	38.3%	36.6%	130.0%

*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

Markets corrected in March due to uncertainty regarding the impact of Trump's tariffs. The two questions are: how serious is this correction and how have we responded?

Corrections are a reliable feature of markets. Since 1945 the S&P500 has fallen -10% or more 37 times. After a 10% decline, on average, the S&P500 takes just four months to recover, delivering a 14.7% return one year post correction.

Market corrections are often short, but it pays to be prudent. We've reduced our weighting to companies with exposure to US consumer discretionary spend.

At the same time, in the fifteen years we've been investing, we've learned that opportunities appear when stock prices disconnect from fundamentals (earnings) and trade on noise (uncertainty). We've selectively increased our exposure to a handful of high-quality companies with predictable earnings which are uncorrelated to the US economy.

In the short term, stock prices can be volatile, but in the medium term, prices follow company earnings. The earnings growth of our companies is strong and predictable, which gives us confidence in the outlook for the Fund.

The Founders' Fund finished March down -8.4%, underperforming the Index which finished down -4.4%. In the 2.5 years since inception, the Founders' Fund's annualised performance is 43.8% vs the Index of 7.2%.

Featured Company

One company which detracted from performance in March was Tuas Limited (**ASX:TUA**). Spun out after a merger between TPG Telecom and Vodafone Australia, TUA is a fast growing telecommunications company in Singapore that ticks our four Ps (Potential, Predictability, People and Profitability).

Executive Chairman David Teoh's track record in Australia with TPG has proved to be a blueprint for success in Singapore. Prior to its merger with Vodafone, TPG grew its revenue at a 22.5% CAGR from FY09 to FY19. TUA has been mirroring this success, growing its mobile market share from 0% to 12% in five years and launching a broadband offering. Revenue and earnings have followed suit.

In March, TUA reported its 1HFY25 result, growing revenue 34% year on year to \$73.2m and EBITDA 48% year on year to \$33.1m. Despite impressive earnings growth, a seasonal slowdown in mobile adds combined with speculation of a sell down by a major shareholder saw a pullback in TUA's share price during the month.

Outlook

April is a busy period of company updates. We look forward to updating you on our performance.

Select Holdings

1. Generation Development Group
2. Life360
3. Superloop

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