

DISCOVERY FOUNDERS' FUND

Monthly Report for September 2023

For wholesale investors only – not for retail distribution

PORTFOLIO MANAGERS



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Founder and Portfolio Manager



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Founder and Portfolio Manager

NET PERFORMANCE	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	SINCE INCEPTION
Discovery Founders' Fund*	-2.5%	10.8%	23.4%	44.4%	44.4%
Index (NZD)**	-5.3%	-3.0%	-2.1%	1.0%	0.8%
Outperformance	2.8%	13.8%	25.5%	43.4%	43.6%

*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 (NZD)

One Year

The Founders' Fund reached the one year mark on 28th September. In 12 months the Founders' Fund was up 44.4% vs the Index which was up 1%.

No one celebrates getting to base camp at Everest. Neither are we. Performance should be judged over the medium term. Year 1 simply set the benchmark. What gives us confidence about Year 2 is our structure. Our singular focus is performance. We've designed a structure that reflects that:

- we have one Fund;
- we're small and nimble;
- we're concentrated in a handful of the best ideas; and
- we're highly aligned. Mark and I have virtually all our liquid networth invested in the Founders' Fund.

Thank you for investing alongside us. We're ambitious about what we can achieve for investors in Year 2.

Fund Review

The Founders' Fund is concentrated in a handful of the best ideas. The Fund moves when those companies update and is typically quiet in-between. After full year reporting in August, our companies were quiet in September. The good news is that we expect updates from a number of our positions in October.

Markets pulled back in September in line with the rise in the US 10 Year rate as investors baked in expectations of higher rates for longer.

The Founders' Fund finished down -2.5% in September vs the Index which finished down -5.3%. In the 12 months since inception the Founders' Fund is up 44.4% vs the Index which is up 1%.

Contributor

Contributing to performance in August was **Aussie Broadband (ASX:ABB)**. ABB continued to re-rate on the back of positive company data and supportive industry activity. From a company perspective, positivity from the management roadshow was bolstered by data pointing to ABB taking 20% of all ultra high speed plans (current market share +7%). Post month end ABB made a takeover bid for listed competitor **Symbio (ASX:SYM)**.

Detractor

Detracting from performance was **Duratec (ASX:DUR)**. DUR pulled back after management sold a small portion of their holdings. Together, the founders retain a 29% stake in the company.

Outlook

October is a busy month of company updates with quarterlies, investor days and AGMs. We expect updates from a number of our positions. We look forward to updating you on our performance.

Select Holdings

1. Aussie Broadband
2. Duratec
3. MMA Offshore

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) 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

**Launch your investment
with Discovery today**

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Email our Team

Application 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