

# The Discovery Fund

The Discovery Balanced Fund

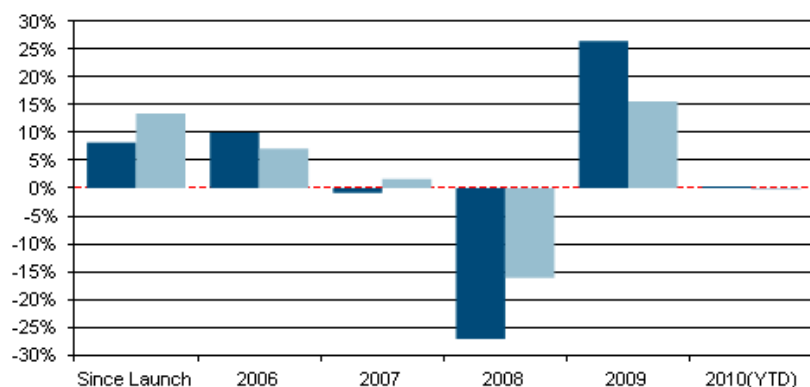
## I Fund Strategy I

- The price paid for an investment is key. Buying cheap, high-quality assets for the long term, while avoiding expensive ones, has proven itself to be a consistently successful approach to investing.
- We firstly identify the most attractively priced asset classes. We then work out the best way to invest in them. This may be through funds run by talented managers or through other investment vehicles that, for whatever reason, offer particularly advantageous exposure.
- We are very conscious of risk, and endeavour to run the Fund so that it is not overly exposed to any one specific threat. There are several rules within the fund that are designed to keep risks well spread.
- In our view, "timing the market" is not something that we, or anyone else, can do consistently, and that attempting to do so is likely to prove costly for investors. At most times, therefore, we are likely to be close to fully invested in what we consider to be the most attractively valued non-cash assets.

## I Fund Objectives I

To provide income together with long term capital growth from a portfolio of investments.

## Performance Record



■ Discovery Balanced TR  
■ IMA Cautious Managed TR

© Financial Express Holdings 2010

## Discrete Annual Performance (%)

Share Type	2010(YTD)	2009	2008	2007	2006
Accumulation	0.3	26.5	-27.1	-0.8	10.0

## Discrete Annual Performance to Quarter End 30 June 2010 (%)

Share Type	30/06/2009	30/06/2008	30/06/2007	30/06/2006	30/06/2005
Accumulation	20.8	-16.4	-10.5	8.9	9.9

## Cumulative Performance to 30 June 2010 (%)

Share Type	3 Months	6 Months	1 Year	3 Years	5 Years
Accumulation	-4.1	0.3	20.8	-9.5	8.2
Official Sector	-4.2	-0.2	13.9	-3.3	13.5

Quoted on a total return, bid to bid, UK sterling basis. Past performance is not a guide to the future. The price of units and shares and the income from them may go down as well as up and you may get back less than you invested.

Source: Financial Express. 14/07/2010

## | Key Facts |

<b>Fund Size:</b>	£26.09m
<b>Launch Date:</b>	21 March 2005
<b>Sector:</b>	IMA Cautious Managed
<b>Historic Yield:</b>	Inc: 4.7% Acc: 4.7%
<b>Min. Investment:</b>	£3,000 / \$5,000 / €5,000

## | Top 10 Holdings |

	%
Cash	6.73
BAILLIE GIFFORD CORPORATE BOND	5.10
IGNIS CORPORATE BOND	4.98
L&G DYNAMIC BOND	4.86
TWENTYFOUR ASS MGM TWTY FOUR INV MN	4.38
SCHRODER INCOME MAXIMISER	4.30
STANDARD LIFE INVS UK EQTY HIGH INC	4.26
RENSBURG UK EQUITY INCOME	4.21
RATHBONE INCOME	4.16
NEPTUNE INCOME	4.03
<b>TOTAL</b>	<b>47.01</b>

## | Asset Allocation |

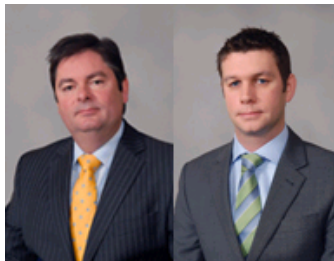
	%
UK Equities	38.98
Investment Grade Bonds	18.05
High Yield Bonds	11.47
Alternative Assets	7.77
International Equities	7.66
Cash	7.64
Property	5.80
Other Equities	1.70
Gilts	0.91

# The Discovery Fund

The Discovery Balanced Fund

## Fund developments and comments

### Discovery Balanced Fund, Investment Managers: David Hambidge & David Thornton



Stock markets endured some fairly steep falls in June, sparked by growing fears that the economic recovery may be stalling and the ongoing concerns over sovereign debt. In contrast, gilt prices rose significantly, suggesting that edgy investors were losing their appetite for risk. The Fund held up relatively well in the conditions, despite our avoidance of gilts, falling by just 0.6% as compared to -1.3% for the

Cautious Managed sector average. Over one year, the Fund is up by 20.8%, against 13.8% for the sector average.

With stock markets taking the brunt of the selling, it was no surprise that our equity exposure was the chief driver of our small loss over the month. Our fixed interest exposure, meanwhile, generally had a positive impact on returns, despite our strong preference for corporate bonds over gilts. At the same time, the Fund's high weighting in sterling relative to many of its peers helped relative returns, as the pound reacted well to the deficit cutting proposals set out in the emergency budget.

Our holding in Standard Life UK Equity High Income was relatively hard hit in June, largely on account of its sizable weighting in plummeting BP shares. However, the BP disaster has had a limited impact on our Fund overall, showing the benefits of running a diversified portfolio. We have been wary for some time that UK equity income funds were becoming increasingly reliant on fewer and fewer large-cap stocks. This was one of the key reasons why we diversified into areas such as structured products and small-cap funds, which generally had a much better time of it in June.

## Fund Strategy

We still believe equities offer the best value in the current environment, although we think it's sensible to stay away from the hotter areas of the market. Corporate bonds, meanwhile, look more attractive than their government counterparts with a higher yield, especially after the movements of the last few weeks, so we've added some exposure here.

We established a new position in Axa US Short-Duration High Yield to top up our corporate bond exposure, as high-yield bonds have improved in value of late, while this Fund offers a more attractive trade-off between risk and reward than the wider high-yield market. We also had one of our structured products mature in June, which gave us a return that comfortably beat the market over the course of its life.

## Fund Information

Annual Management Charge	1.50%
Initial Charge	5.27%
Accounting Dates	31 Jan, 31 Jul, 30 Apr, 30 Oct
Payment Dates	31 Mar, 30 Jun, 30 Sept, 31 Dec
Valuation Point	12 noon, daily
Sedol	Acc: B0643P1 Inc: B0643L7
Published Price	www.thediscoveryfund.co.uk The Financial Times
Share Class	Accumulation & Income
ISA eligible	Yes, stocks & shares

## Investment Team

### I Premier Asset Management Limited I

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### I David Hambidge, Investment Director I

David has been with Premier since 1987 and specialises in the management of portfolios using collective investment vehicles including OEICs and investment trusts. David has been part of the original investment team that set up Premier's Fund of Funds in 1995 and was appointed lead manager in February 1999, making him one of the most experienced Fund of Funds managers in the UK.

### I David Thornton, Investment Manager I

David joined Premier in May 2006 and currently manages discretionary portfolios covering fixed interest and European sectors. Previously, David worked as an Investment Analyst before becoming an Investment Manager in 2004, with responsibility for discretionary multi-manager portfolios.

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