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Bill Chater: Discovery's focus is simple: find underappreciated innovators early, back them for the long term, and remain vigilant about the next generation of ideas. Recently, we've observed that the market is becoming more supportive of this style.

After years of investors narrowly focusing on mega-cap tech with ambitious smaller companies firmly out of favour, market breadth is improving. The visibility of demand in areas like AI and Western reshoring is prompting investors to look through the market cap spectrum for companies which can capitalise.

Accordingly, the market has re-rated several of our most overlooked holdings. The smaller company's asset class as a whole remains out of favour, but with greater clarity on US interest rate cuts and capital markets quickening, we're very optimistic about its path. Overall, though, this is a much healthier backdrop for discovery compared with 2022 and 2023.

Encouragingly, absolute quarterly returns have been very strong and clearly ahead of the benchmark, but we also want to highlight the returns over the last 18 months, which have been stronger, while stressing that we remain eager to continue repaying clients' trust and patience.

Now, while the environment has certainly been helpful, most of those positive returns have actually been generated from decisions we made years ago. Four of the top five contributors over the last 12 months, those which have generated more than two-thirds of the returns, we've owned those businesses for more than five years.

For each, companies like Axon Enterprise or AeroVironment, we've had to tolerate drawdowns of over 40 per cent between 2021 and 2023. But to us, this highlights the virtues of backing conviction, holding good companies in size and being resolutely long-term.

And this has undoubtedly been the case with Alnylam, the biotech built on RNA interference, which we've owned for well over a decade. Early commercial traction in its new cardiovascular therapy is extremely encouraging.

We believe it can go on to become the frontline treatment in a life-limiting disease, unlocking a multi-billion dollar revenue opportunities. Our summer meeting with management, though, reinforced a bigger, slightly less tangible idea, but one which is perhaps even more exciting. That the business is evolving from a rare disease specialist into a broader chronic illness engine with market-leading development speed and hit rates.

Now, as mentioned earlier, markets are becoming increasingly alive to the idea of Western re-industrialisation and governments intervening in strategically important technologies. But this is something we've long considered, as demonstrated by our investment in 2023 in MP Materials, a US rare earths miner.

Over the most recent quarter, it signed a public-private partnership with the US Department of Defence, which included a price floor agreement to materially de-risk domestic rare-earth magnet capacity, while a separate agreement with Apple helps pre-allocate civilian demand.

Together, these elevate NP materials to become a strategically important asset of national security. Shares have responded accordingly, prompting us to take some proceeds on portfolio construction grounds.

But from rare earth excavation to Bitcoin mining, the breadth of Discovery's research takes the team into many varied markets. We want to emphasise the strength of recent idea generation, which has created an exceptionally high level of competition for capital.

Over the quarter, we bought more than five new holdings, including a precision oncology detection business and a technical education provider.

But among them, IREN: a company which started with a simple insight that the digital world is scaling faster than the physical assets behind it. So they secured power, land, and know-how to run compute-dense data centres.

Initially, they focused on Bitcoin mining, but have shifted into AI compute, where the returns are now much higher. It joins several names within the portfolio that are experiencing rapid growth thanks to the immense scaling of AI data centres.

But that competition for capital that I referenced earlier, that's also represented in the number of full sales, with more than five occurring over the quarter. A notable one was that of Sweetgreen, the US casual healthy eating chain.

We admire the company's ambition, but recent trading has challenged our thesis, with traffic, mix, and execution all moving the wrong way. With that conviction broken, we have sold and recycled that capital into higher conviction ideas.

But a clear theme running through this quarter is one of breadth, both in markets and our research, where we've been looking far and wide for the few special businesses with durable moats and competitive advantage with long, long growth runways, but then being disciplined with capital allocation, trimming on exuberance and exiting where the thesis is broken.

But the message I'll leave you with is this: that it's been a strong period for discovery with rapid, absolute progress, strong fundamentals, and a portfolio that's been steadily upgraded by that level of competition for capital.

History tells us that returns won't be linear, and our approach has some inherent volatility. But we'll stay patient, selective, and long-term, because we've seen that's how client returns are generated. Thank you for watching.

Discovery (representing Global Discovery and Worldwide Discovery strategies)

Annual past performance to September each year (%)

	2021	2022	2023	2024	2025
Worldwide Discovery Composite* (gross)	8.0	-49.0	-5.9	13.0	21.9
Worldwide Discovery Composite (net)	7.2	-49.4	-6.6	12.1	21.0
MSCI ACWI Small Cap Index	41.1	-24.4	15.8	25.2	13.3

Annualised returns to 30 September 2025 (%)

	1 year	5 years	10 years	Since Inception *
Worldwide Discovery Composite (gross)	21.9	-6.5	N/A	7.0
Worldwide Discovery Composite (net)	21.0	-7.2	N/A	6.2
MSCI ACWI Small Cap Index	13.3	11.9	N/A	8.8

*Inception date: 30 June 2017.

Source: Revolution, MSCI. US dollars. Returns have been calculated by reducing the gross return by the highest annual management fee for the composite. 1 year figures are not annualised.

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