



Item 1 – Cover Page

Discovery Management

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March 15, 2011

This Brochure provides information about the qualifications and business practices of Discovery Management, Ltd. ["Discovery"]. If you have any questions about the contents of this Brochure, please contact us at (214) 880 - 4602. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Discovery Management, Ltd. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Discovery also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 15, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Emily Dawson, Analyst at (214) 880 - 4602 or edawson@discoverymgmt.com. Our Brochure is also available on our web www.discoverymgmt.com, also free of charge.

Additional information about Discovery is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Discovery who are registered, or are required to be registered, as investment adviser representatives of Discovery.

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Item 4 – Advisory Business

PRINCIPAL OWNER

Mr. Summers is the chief executive officer of the General Partner, HFM Advisors, LLC. He has also served as a director of Smith Asset Management Group, L.L.C. He held this position from 1995 until 2005 and then from 2008 to the present. From February 1989 to October 1995 he served as the general partner of Discovery Management, Ltd., an investment management firm which was the predecessor to the current company of the same name. From 1985 to 1989, Mr. Summers served as vice president and financial analyst for Cardinal Investment Company, Inc. Prior to that, from 1979 to 1985, he served as president of Electrical Supply Company, and from 1966 to 1978 he held a variety of positions, including president, with Summers Electric Company. He earned a B.B.A. in marketing and quantitative analysis and an M.B.A. in quantitative analysis, both received from Southern Methodist University. He was awarded the chartered financial analyst (CFA) designation in 2001.

Mr. Summers has years of experience as an investment manager. He has managed a number of different funds over the years changing his strategy as market circumstances change. Discovery Management was General Partner to other funds that were created as investment vehicles for the Discovery MasterFund, Ltd. Discovery MicroCap Market Neutral Fund, LP, Discovery Technology Fund, LP, DP and Defender Fund, Ltd (offshore) are among the special purpose or sector funds created, none of which are in operation since 2005. In addition, Discovery Management was sub-advisor to the Lauren Templeton's Market Neutral Fund. Since November, 2005, Discovery Management is General Partner to Discovery Partners, LP while providing research services to the Lauren Templeton Maximum Pessimism Fund.

SERVICES PROVIDED

Discovery Management has been in business since 1989. Discovery Management, Ltd. (Discovery) manages a family of investment portfolios on a discretionary basis. The services do not involve the giving of investment advice based on the individual needs of the client; such as, the nature of other client's assets and the client's personal and family obligations. The portfolios will be invested in long/short equity securities on a hedged basis.

Discovery provides research services on a quarterly basis to the Lauren Templeton Maximum Pessimism Fund. We provide an analysis of their portfolio and make suggestions. They pay a set amount each quarter for these services.

ASSETS UNDER MANAGEMENT

As of March 15, 2011 the Assets Under Management are \$1,729,783.

Item 5 – Fees and Compensation

Discovery generally charges (i) a management fee equal to 1%, (ii) a performance fee allocation equal to 20% of the annual pre-tax profit including both realized and un-realized gains, computed at the end of the calendar year, and (iii) Discovery is entitled to recoup its costs and expenses for its services to the Partnership. The management fee will be computed monthly. Due to the fact that Discovery charges a fee based on a share of the capital gains or the capital appreciation of the funds all clients must comply with SEC Rule 205-3, which prohibits the use of such fee unless the client is a “qualified client.” All Discovery clients are “qualified clients.”

Most clients pay according to the stated fee schedule. Under certain circumstances, fees may be negotiated to a level either higher or lower than the stated fee schedule.

The specific manner in which fees are charged by Discovery is established in a client’s written agreement with Discovery. Discovery will generally bill its fees on a monthly basis payable in advance by debiting fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Discovery’s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by lawyers, accountants, custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund’s prospectus. Such charges, fees and commissions are exclusive of and in addition to

Discovery's fee, and Discovery shall not receive any portion of these commissions, fees, and costs.

Discovery also provides research services for another fund, Lauren Templeton Capital Management. Discovery charges a fixed fee for these services.

Item 12 further describes the factors that Discovery considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Item 6 – Performance-Based Fees and Side-By-Side Management

In some cases, Discovery has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. Discovery will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Discovery shall include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for Discovery to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Discovery has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients

Discovery has provided portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, registered mutual funds, private investment funds, trust programs, and other U.S. and international institutions. Currently Discovery's clients consist of an investment partnership, Discovery Partners, whose limited partners are high net worth individuals. All limited partners must be "qualified clients."

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Our stock selection process uses a quantitative approach and is fundamentally based, including multiple factors. Due to the quantitative process Discovery uses a ranking system where the fund is long the best stocks and short the lowest ranked ranked stocks. As market circumstances change the factors also change. Relative valuation, earnings quality, price momentum and earnings surprise predictions have all been factors used. Currently the fund is using price to private market value as the main factor. The factors are dynamically weighted according to their relative attractiveness and excess return expectation. We calculate several betas for each stock including market, growth vs. value, large vs. small cap, and industry. When we use optimized portfolios, these style betas are neutralized in both the long and short portfolio in order to minimize unintended portfolio risk. While the fund makes an attempt to reduce risk, there is always risk investing in the stocks and clients must be prepared for this risk.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Discovery or the integrity of Discovery's management. Discovery has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Stephen Summers is an advisory director for Smith Group Asset Management. Discovery and Smith Group Asset Management share an office; however the two businesses are separate. The arrangement in no way influences the stock selection process and does not present any conflicts of interest.

Discovery also provides research services to Templeton Capital Management. Discovery provides a quantitative analysis of their fund and provides short recommendations based on their long holdings.

Item 11 – Code of Ethics

Discovery has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Discovery must acknowledge the terms of the Code of Ethics annually, or as amended.

Discovery anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Discovery has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Discovery, its affiliates and/or clients, directly or indirectly, have a position of interest. Discovery's employees and persons associated with Discovery are required to follow Discovery's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Discovery and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Discovery's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Discovery will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Discovery's clients. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Discovery and its clients.

It is Discovery's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Discovery will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment

adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Discovery's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Steve Summers, (214)-880-4602.

Item 12 – Brokerage Practices

Soft dollar benefits are not limited to those clients who may have generated a particular benefit although certain soft dollar allocations are connected to particular clients or groups of clients.

Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits. However, at this time Discovery does not generate any soft dollar benefits.

There is generally no limitation on Discovery's authority to determine the nature or amount of securities to be bought or sold except that the basic investment policy of each fund must be followed. The applicant maintains custody of client funds and securities through "a qualified custodian" as defined to Rule 206(4)-2 of the Investment Advisers Act of 1940. In addition, neither the applicant nor any affiliated person trades ahead of any stock selections made on behalf of a limited partnership.

Trades executed on an agency basis are typically executed electronically at a commission of no more than four cents per share. The exact amount paid is negotiated by the Adviser to commensurate with the value of the brokerage service provided. This amount is typically higher than is available from brokerage firms which do not provide research services. Brokers are selected based on their ability to transact the trades with best price and execution. The Adviser conducts periodic analyses to measure these transaction costs.

Trades are completed on a principal bid basis and on an agency basis electronically. In most cases, the competitive bidding process associated with principal bids effectively guarantees best execution. No soft dollars are generated from principal bid trading. Discovery can also execute trades electronically and generally not at a commission of more than four cents per share. A portion of this commission may be reserved and used to pay for research and trading related services used to manage client portfolios, in compliance with Section 28 € of the Securities Exchange Act of 1934. The exact amount paid is negotiated by the Adviser to be commensurate with the value of the brokerage service

provided. This amount is typically higher than is available from brokerage firms which do not provide research services. Brokers are selected based on their ability to transact the trades with the best price execution. Currently the Adviser has trading relationships with BNP Paribas and Interactive Brokers. These trading relationships are not exclusive and are subject to change at any time without notification. Discovery conducts periodic analysis to measure transaction costs. The research services, which are paid for by trading commissions, are selected because Discovery believes they will add value to the partnership or Client's portfolio. The vast majority of these services are databases of financial information, which are used in the investment decision-making process. The soft dollar research obtained by Discovery typically benefits all clients, rather than just the one(s) for which the order is being executed. Therefore, Discovery uses all research generated from soft dollars for the benefit of all of its accounts and does not allocate between clients. When the cost of a research service exceeds the commission amount generated by an individual account commissions are commingled with other accounts to pay for the research service.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Discovery's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Discovery will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

If a complete execution of a block trade occurs on a trade date, the purchased or sold securities will be allocated among the applicable Funds on a pro rata basis. Funds in which DM or any officer, partner or employee of DM has a beneficial interest that in the aggregate exceeds 10 percent of the net assets of such Fund ("Affiliated Funds") may participate in a complete execution of a block trade with unaffiliated client accounts if the Affiliated Funds participate at the same average execution price as the client accounts.

If an order is partially filled, DM will allocate the securities among the participating Funds on a pro rata basis.

The goal of our trading operations is to implement trades in such a way that enhances the total performance of our Funds and total returns to our investors. We achieve this by scrutinizing every trade and every broker to determine the best sources of liquidity and lowest cost execution services as well as weighing the cost benefits between Agency trading and Principal Bids. In order to achieve this we spend considerable time and

resources in evaluating total implementation costs. We evaluate implementation costs from the time the decision to trade is made by the portfolio manager to the time that the last share for that order has been executed. We look at several variables including the total market impact of the order, the delay between execution and order entry, the opportunity cost of missed orders as well as several other variables to compute a complete implementation cost for each order.

While a competitive commission schedule is important in obtaining best price and execution, consideration in selecting brokers to execute transactions should also include such factors as:

- Broker-dealer's trade performance;
- Efficiency of the broker's back-office operations;
- Ability to provide liquidity for certain issues; and
- Research contributions;

Item 13 – Review of Accounts

The Adviser reviews the limited partnerships. The team leader is:

Stephen J. Summers, CFA-Chief Investment Officer, is responsible for overseeing the review process and implementation of the investment discipline within Discovery's limited partnerships.

The review process consists of the following steps:

- 1) The Adviser is primarily in the business of managing equity portfolios on a hedged basis. Therefore, the typical objective is to produce investment performance on the long side that exceeds that of the short portfolio.
- 2) On a monthly basis, the portfolio manager monitors each investment to ensure that the investment is appropriate for the limited partnership.
- 3) If an investment is no longer appropriate, the portfolio manager affects a trade to the portfolio and decides the trading procedure.
- 4) The portfolio manager monitors the investment performance of the Adviser's limited partnerships on a daily basis to identify exceptions.

- 5) The performance of each limited partnership is reported to the client on a mutually agreed schedule.
- 6) Periodically the portfolio manager meets with the limited partners to ascertain whether the stated investment objective is being met and to discuss any factors which impact the achievement of the investment objective.

Reporting

Limited partners receive quarterly financial reports along with a letter discussing the financial and non-financial matters concerning their account. The quarterly letter is prepared by Discovery. Occasionally, monthly reports are distributed but are not required. In addition, the manager is available for individual consultations by phone or in person.

Item 14 – *Client Referrals and Other Compensation*

From time to time Applicant may enter into agreements to pay referral fees to certain persons who refer advisory clients to Discovery. Such persons are generally paid a negotiated fee amount. Referral arrangements and the payment of referral fees will be disclosed to clients in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended.

Item 15 – Custody

Interactive Brokers provides prime brokerage services to Applicant and in this capacity also provides Discovery with access to their electronic trading platform and with a portfolio management system. Statements from Interactive Brokers are delivered to Discovery electronically and are available to clients at any time upon request.

Item 16 – Investment Discretion

Discovery usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Discovery observes the investment

policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Discovery's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Discovery in writing.

Item 17 – Voting *Client* Securities

Discovery has a written policy for the voting of proxies. Discovery believes that voting proxies is an important tool for maintaining long-term shareholder value for its investors in conjunction with the overall portfolio management process. The policy is designed to ensure that these ideals are effectively maintained in accordance with the investor's best interests. (A copy of the Proxy Voting Guidelines is available.)

Voting Responsibility and Oversight – The CEO has the responsibility to construct Discovery's overall voting guidelines as well as the procedures in order to ensure compliance. Discovery has also identified someone whose duty it is to administer these procedures on an ongoing basis.

Discovery will maintain records of proxy votes recorded for each client and any documentation that was used to determine the basis on which to vote the specific item. Client requests for documentation will also be maintained by Discovery in order to comply with current rules and regulations governing proxy voting.

Clients may obtain a copy of Discovery's complete proxy voting policies and procedures upon request. Clients may also obtain information from Discovery about how Discovery voted any proxies on behalf of their account(s).

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Discovery's financial condition. Discovery has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. Stephen Summers, the Chief Investment Officer, accepts full responsibility for expenses the fund cannot cover. If necessary he will subsidize operations. There is a very small risk to clients

that we will fail to deliver on operational or financial obligations and in that unlikely event, the fund will be liquidated.

Item 19 – Requirements for State-Registered Advisers

Stephen J. Summers, CFA

CRD Number: 1819332

Date of Birth: 1944

Education: B.B.A., Quantitative Analysis and Marketing, Southern Methodist University, Dallas, TX

M.B.A., Quantitative Analysis, Southern Methodist University, Dallas, TX

Business Background: CEO, Discovery Management, Ltd. Since 1989

Stephen Summers is an Advisory Director at Smith Group Asset Management, contributing about four hours each quarter.