DISCOVERY FOUNDERS' FUND



Monthly Report for July 2024

For wholesale investors only – not for retail distribution

PORTFOLIO MANAGERS



CHRIS BAINBRIDGE
Founder and Portfolio Manager



MARK DEVCICH
Founder and Portfolio Manager

NET PERFORMANCE	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	SINCE INCEPTION (P.A)	SINCE INCEPTION (TOTAL)
Discovery Founders' Fund*	6.1%	13.6%	33.1%	58.1%	56.6%	128.7%
Index (NZD)**	3.8%	2.2%	7.9%	11.0%	9.9%	19.1%
Outperformance	2.3%	11.4%	25.2%	47.1%	46.7%	109.6%

^{*}Performance is reported after all fees and expenses. Past performance is not a reliable indicator of future returns. Inception date 28th September 2022.

Fund Review

Increased expectations of interest rate cuts caused a rotation into interest rate sensitive companies during July and underpinned strong market performance. The Index finished the month up 3.8%, providing a solid tailwind which flattered performance numbers.

The Founders' Fund finished up 6.1% in July. This was a satisfactory perormance vs the Index. In the 22 months since inception the Founders' Fund's annualised performance is 56.6% vs the Index of 9.9%.

Despite the positive performance, July didn't play out as expected. We made mistakes which has caused us to sharpen our process heading into August reporting.

Featured Company

A company which detracted from performance in July was **Aussie Broadband (ASX:ABB).** Aussie is Australia's fifth largest telecommunications company.

In July, Aussie announced that it would be providing early FY25 earnings guidance. Typically, good news comes early. We expected the impending update would prove to be a positive catalyst. We were wrong.

Aussie provided FY25 earnings guidance which was significantly below market expectations. The miss vs expectations was the result of two factors:

 Aussie announced it had launched a challenger brand called Buddy which it would support with a \$10m investment in FY25; and (2) The earnings impact in FY25 from the loss of the Origin contract was larger than expected. We expected Aussie would remove \$15m of costs as the contract wound down, but it appears there's more fixed costs than we anticipated.

Aussie derated significantly on the back of the update. Whilst there remain a number of question marks hovering over the company, FY25 earnings guidance is likely conservative and Aussie has a number of irons in the fire (capital management, new customer wins) which could quickly restore investor confidence. Trading 8x FY25 EV/EBITDA, it won't take much for Aussie to be everyone's best Buddy again.

Outlook

Markets have performed strongly recently. We don't have a crystal ball, but markets don't go up in a straight line and neither will the Fund. At some point there will be a pullback. We're working hard but expectations need to remain grounded.

August is another busy month with most of our companies reporting their full year results. We'll be on the road meeting companies at the beginning of September, so our August report will be released on Monday, 9th September. We look forward to updating you on our performance post reporting season.

Select Holdings

- 1. Johns Lyng
- Life360
- 3. NEXTDC

This information refers to investments in the Discovery Founders' Fund (the **Fund**). Any person wishing to invest in the Fund should review the Information Memorandum and seek legal, financial and taxation advice. The Fund is a Wholesale Offer as defined in the Financial Markets Conduct Act 2013. **An investment may achieve a lower than expected return and investors risk losing some or all of their principal investment. Past performance is no indication of future performance.**

^{**} Index is the S&P/ASX Small Ordinaries Accumulation Index in New Zealand Dollars.

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Fact Sheet

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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.

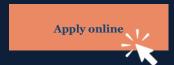
Deep Fundamental Research: mosaic approach incorporating independent company sources, industry experts, feedback from customers and base rates derived from local and international competitors to generate unique insights.

Rigorous Risk Management: disciplined framework designed to minimise drawdowns and protect capital.

Limited Capacity: \$300m close to new investors.

Discovery Funds Management Limited			
Wholesale (unregistered) PIE unit trust			
Long only concentrated portfolio of companies listed on the ASX/NZX			
Target 20 holdings			
10% at cost			
Generally, no more than 20%			
Minimum \$250,000 (unless otherwise agreed)			
S&P/ASX Small Ordinaries Accumulation Index (NZD)			
1.2% per annum (excluding GST) on the net asset value of the fund			
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)			
Daily in NZD			
10 Business Days			
PricewaterhouseCoopers			
Chapman Tripp			
Public Trust			
Adminis			

Launch your investment with Discovery today



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