

# DISCOVERY FOUNDERS' FUND

## Monthly Report for April 2025

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	6 MONTHS	1 YEAR	2 YEAR	SINCE INCEPTION (P.A)	SINCE INCEPTION (TOTAL)
Discovery Founders' Fund*	4.3%	-0.3%	29.0%	43.4%	44.5%	159.7%
Index (NZD)**	-0.2%	-4.0%	1.9%	5.9%	6.9%	18.8%
Outperformance	4.5%	3.7%	27.1%	37.5%	37.6%	140.9%

\*Performance is reported after all fees and expenses. Past performance is not a reliable indicator of future returns. Inception date 28<sup>th</sup> September 2022.

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

### Fund Review

The Founders' Fund performed solidly in April, finishing up 4.3% versus the Index which finished down -0.2%. In just over 2.5 years since inception, the Founders' Fund's annualised performance is 44.5% vs the Index of 6.9%. Last month we said:

*"In the fifteen years we've been investing, we've learned that opportunities appear when stock prices disconnect from fundamentals (earnings) and trade on noise (uncertainty)."*

That proved to be the case in April. April was a month of significant volatility, but also incredible opportunity. In early April, the S&P500 was down +10% in two days, the VIX (a measure of volatility) was at the third highest level in history and there was panic in the media. These factors typically signal turning points in markets and we acted decisively. We initiated positions or increased our exposure to a handful of high-quality companies caught up in the market noise.

It's important to remember that, whilst in the short-term stock prices can be volatile, in the medium term, prices follow company earnings. The earnings growth of our companies is strong and predictable, which gives us confidence in the outlook for the Fund.

### Featured Company

One company which detracted from performance in April was **Generation Development Group (ASX:GDG)**. GDG is a fast growing Australian based provider of investment products and financial services.

We discussed GDG in our February newsletter. By way of background, the jewel in GDG's crown is the managed accounts business. The managed accounts business involves constructing and managing client portfolios on the behalf of financial advisers. It has been an area of rapid growth, with GDG's FUM growing at a 100% CAGR since 2020. In February, GDG acquired Evidentia Group to create a market leader in the managed accounts space with \$25bn of FUM.

GDG's share price dropped in May after the quarterly FUM growth for the recently acquired Evidentia missed expectations. We believe this is largely a timing issue, with recently won FUM dropping in Q4 rather than Q3.

We believe GDG's still early in its journey. Led by Executive Chairman Rob Coombe and CEO Grant Hackett (of Olympic swimming fame), GDG has strong tailwinds and near-term catalysts.

### Outlook

Looking ahead, we expect markets to remain choppy. In terms of the Fund, we're focused on what we can control. That means we're back-to-back talking to companies. Whilst our performance in April was relatively solid, the Fund remains 10% off its high and well short of aspirations. May is a busy month of company updates. We look forward to updating you on our performance.

### Select Holdings

1. Generation Development Group
2. Life360
3. Superloop

# DISCOVERY FOUNDERS' FUND

## 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.

<b>MANAGER</b>	Discovery Funds Management Limited
<b>FUND TYPE</b>	Wholesale (unregistered) PIE unit trust
<b>STRATEGY</b>	Long only concentrated portfolio of companies listed on the ASX/NZX
<b>STOCK HOLDINGS</b>	Target 20 holdings
<b>STOCK LIMIT</b>	10% at cost
<b>CASH HOLDING</b>	Generally, no more than 20%
<b>APPLICATIONS</b>	Minimum \$250,000 (unless otherwise agreed)
<b>BENCHMARK</b>	S&P/ASX Small Ordinaries Accumulation Index (NZD)
<b>MANAGEMENT FEE</b>	1.2% per annum (excluding GST) on the net asset value of the fund
<b>PERFORMANCE FEE</b>	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)
<b>UNIT PRICING</b>	Daily in NZD
<b>WITHDRAWALS</b>	10 Business Days
<b>AUDITOR FOR THE FUND</b>	PricewaterhouseCoopers
<b>LAWYER</b>	Chapman Tripp
<b>TRUSTEE</b>	Public Trust
<b>CUSTODY, REGISTRY AND FUND ADMIN</b>	Adminis

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Investment enquiries can be made online via our website at [www.discoveryfunds.co.nz](http://www.discoveryfunds.co.nz) or by contacting the team at [info@discoveryfunds.co.nz](mailto:info@discoveryfunds.co.nz) or phone +64 22 192 2332