DISCOVERY FOUNDERS' FUND

DISCOVERY FUNDS MANAGEMENT

Monthly Report for July 2026

For wholesale investors only – not for retail distribution

PORTFOLIO MANAGERS

CHRIS BAINBRIDGE
Founder and Portfolio Manager

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Founder and Portfolio Manager

NET PERFORMANCE	1 MONTH	6 MONTHS	1 YEAR	2 YEAR (P.A)	SINCE INCEPTION (P.A)	SINCE INCEPTION (TOTAL)
Discovery Founders' Fund*	-8.9%	-14.4%	-26.7%	1.9%	25.2%	137.4%
Index (NZD)**	-5.0%	-10.4%	11.6%	11.1%	10.5%	47.0%
Outperformance	-4.9%	-4.0%	-38.3%	-9.2%	14.7%	90.4%

*Performance is reported **after** all fees and expenses. **Past performance is not a reliable indicator of future returns.** Inception date 28th September 2022.
** Index is the S&P/ASX Small Ordinaries Accumulation Index in New Zealand Dollars.

Fund Review

July was a sentiment driven correction with little news from our companies. We run a concentrated portfolio and most of our positions pulled back during the month, on no news. We believe our companies are positioned to exceed market earnings expectations in August and look forward to that being proved when they report their full year results this month.

The Index was weak in July driven by concerns regarding renewed conflict in the Middle East, the return on AI capex spending and the prospect of rising interest rates. Immediate concerns regarding AI capex spending were allayed by strong results from Microsoft and Amazon at the end the month and rate hike expectations in Australia were pushed out late in the month due to lower inflation.

The Fund finished down 8.9%, underperforming the Index which finished down 5.0%. In over 3.5 years since inception, the Founders' Fund's annualised performance is 25.2% vs the Index of 10.5%.

Featured Company

One company which contributed positively to performance in July was **Generation Development Group (ASX:GDG)**. GDG is a fast-growing Australian based provider of managed accounts and investment bonds. It's the market leader in both segments. GDG has derated over the last twelve months as Evidentia inflows have consistently missed expectations. As stated in prior newsletters, we believed this was a timing issue. Flows will be lumpy as Evidentia wins business and that business transitions over to Evidentia.

Given recent market volatility and weaker flows from platforms such as HUB and Netwealth, the market was positioned for another miss from Evidentia in July. However, GDG re-rated as both Evidentia and the investment bond business surprised to the upside, beating flow expectations.

All parts of GDG's business are firing. This likely requires a higher level of investment in FY27 than the market is expecting, but the structural tailwinds for both the managed accounts and investment bond business only continue to strength. These are the type of structural tailwinds which (as we witnessed with HUB), drive significant upside over the long term. That upside is unlikely to come evenly.

Outlook

Given the depressed level of valuations, we believe many of our companies are poised for strong share price performance over the next six months. We've tilted the portfolio to companies leveraged to the US, where the fundamentals support a continued strong economic outlook. As we're fond of saying, August is a key litmus test of company performance. We look forward to reporting on our performance next month. We'll be on the road meeting companies at the beginning of September. Accordingly, **our August newsletter will be released on Friday, 4th September.**

Select Holdings

1. Generation Development Group
2. Lycopodium
3. Zip Co

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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.

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

Enquire about investing today

Email our Team

Investment enquiries 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