

### PORTFOLIO MANAGERS



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Founder and Portfolio Manager



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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 28<sup>th</sup> September 2022.

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

### 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 performance 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:

- (1) 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, 9<sup>th</sup> September. We look forward to updating you on our performance post reporting season.

### Select Holdings

1. Johns Lyng
2. Life360
3. NEXTDC

### 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

**Launch your investment  
with Discovery today**

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