

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*	3.2%	2.6%	26.1%	65.3%	54.7%	115.5%
Index (NZD)**	-0.2%	-4.0%	4.5%	10.3%	8.1%	14.7%
Outperformance	3.4%	6.6%	21.6%	55.3%	46.6%	100.8%

*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.

'June was a quiet month of news for the Founders' Fund.'

Fund Review

There will be months with little news from our large positions. June was one of those months. The exciting news is that we're heading into a busy period of company updates in July and August.

The Founders' Fund finished up 3.2% in June. This was a solid performance vs the Index which finished down -0.2%, resulting in 3.4% of outperformance for the month.

Featured Company

A company which contributed to performance in June was **Pro Medicus (ASX:PME)**. PME is a founder led Australian medical technology company that provides enterprise imaging and workflow management software to radiologists globally.

PME is an Australian success story. From \$1 per share and \$1.5m of earnings in FY14, today PME is \$143 per share and on track to deliver earnings of \$80m in FY24.

We conducted a deep dive on PME at our old shop in 2014 when PME was \$1. PME was a rising star, breaking into the US market with high revenue growth and expanding margins. PME ticked all our boxes except one: valuation. Trading 50x earnings, we passed on valuation and in doing so missed one of the most successful investments on the ASX in the last decade.

Thankfully, we're fast learners. It only took us 10 years, \$89 (that's a 90 bagger excluding dividends) and a fresh process at Discovery to realise we were applying the wrong mental model to PME.

To make a great company a great investment requires good timing. We were patient and our opportunity came when PME reported its 1HFY24 result in February. PME's 1HFY24 result disappointed investors as a combination of higher costs and a reclassification of revenue caused PME to miss market expectations. PME dropped 25% in three days. We took advantage of the market over-reaction and built a position. PME's shares have subsequently rallied 50%.

Short term, a combination of large contract wins in FY24 has PME pacing ahead of FY25 earnings forecasts. Any additional wins in the near term will require FY25 upgrades. Long term, with just 7% of the US market, the market leading product, zero customer churn and optionality in other specialities PME looks set to continue outperforming expectations.

Outlook

Since inception, the Fund's performance has been largely driven by stock picking. Whilst June was quiet in terms of company updates, most of our companies will report in either July or August. It's a period we look forward to.

Select Holdings

1. Johns Lyng
2. Life360
3. Pro Medicus

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

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with Discovery today**

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Email our Team

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