

# DISCOVERY FOUNDERS' FUND

## Monthly Report for May 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*	12.7%	3.6%	40.2%	51.9%	49.4%	192.7%
Index (NZD)**	5.7%	0.1%	9.3%	10.2%	8.9%	25.6%
Outperformance	7.0%	3.5%	30.9%	41.7%	40.5%	167.1%

\*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 strongly in May finishing up 12.7%. It's important to acknowledge that the Index provided a solid tailwind to performance. Trump's walk back on tariffs allayed recessionary fears, leading to a strong rebound in global markets with the Index finishing May up 5.7%.

For the last two months, we have tried to emphasize 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."*

This played out in May as a number of our companies provided updates. In just over 2.5 years since inception (32 months to be precise), the Founders' Fund's annualised performance is 49.4% vs the Index of 8.9%.

### Featured Company

One company which contributed positively to performance in May was **Life360 (ASX.360 / NASDAQ.LIF)**. We've mentioned 360 in prior newsletters. As a reminder, 360 is the number one global family safety app with 83.7m monthly active users. 360 provides families with location sharing, roadside assistance and identity theft protection. 360 is used by one in 10 families in the US, is rapidly expanding globally and ticks our four Ps (Potential, Predictability, People and Profitability).

360 reported a strong 1Q2025 result in May, with both operating and financial metrics impressive.

360's key operating metrics are monthly active users (MAUs) and paying circles (paying users). 360 reported 83.7m MAUs and extremely strong paying circle growth, up 137k and 43% year on year.

Strong operating metrics were matched by financial ones. Revenue growth of 32% and Adjusted EBITDA of \$15.9m (vs just \$4.2m in the pcp) significantly beat market expectations. Importantly, advertising revenue appeared to show no sign of a seasonal slowdown in Q1, building confidence that over time this revenue line can match or exceed 360's subscription revenue.

Partnership announcements during the quarter bolstered our thesis that 360 is rapidly evolving into a global platform. 360 announced two new partnerships with Aura/Metlife and AccuWeather. These partnerships continue a string of recent announcements (e.g. Uber, Arity, Placer). The pace of partnership announcements has accelerated recently as 360 increasingly finds ways to leverage its 83.7m active users. Additional partnerships and the potential for M&A provide investors with significant optionality which we believe isn't currently being reflected in the share price.

### Outlook

Looking ahead, we expect markets to remain choppy. That's an environment which provides us with plenty of opportunity. We look forward to updating you on our performance.

### Select Holdings

1. Generation Development Group
2. Life360
3. Superloop

### 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