

DISCOVERY FOUNDERS' FUND

Monthly Report for May 2026

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 (P.A)	SINCE INCEPTION (P.A)	SINCE INCEPTION (TOTAL)
Discovery Founders' Fund*	4.6%	-22.8%	-15.8%	8.6%	27.8%	146.3%
Index (NZD)**	0.4%	0.2%	24.0%	16.4%	12.8%	55.7%
Outperformance	4.2%	-23.0%	-39.8%	-7.8%	15.0%	90.6%

*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

Global markets marched higher in May driven by strong quarterly reporting in the US, particularly from companies providing the picks and shovels to the AI trade. In Australia, performance of the market was underpinned by a rebound in resource companies.

It was a solid month for the Founders' Fund. The Fund finished up 4.6%, outperforming the Index which finished up 0.4%. In just over 3.5 years since inception, the Founders' Fund's annualised performance is 27.8% vs the Index of 12.8%.

Featured Company

One company which detracted from performance in May was **Life360 (ASX.360 / NASDAQ.LIF)**. 360 is the number one global family safety app with 87.7m monthly active users. 360 provides families with location sharing, roadside assistance and identity theft protection.

360 reported a mixed 1Q2026 result in May.

360's key operating metrics are monthly active users (MAUs) and paying circles (paying users). MAUs include potential future customers, paying circles are current customers. In simplistic terms, MAU's are the future, paying circles are the present.

In May, 360 missed Q1 expectations for MAU growth and downgraded full year MAU growth expectations from 20% to 17%-20%.

On a positive note, 360 upgraded FY26 Revenue and EBITDA guidance, driven by stronger than expected paying circle growth during the period.

Investors are currently focused on MAU growth. 360 attributed the Q1 MAU miss to technical issues which have been resolved. Importantly, not all MAU growth is created equal. A MAU in the US (where 360 offers all its features) is worth more than a MAU in International markets.

Looking ahead, Q2 looks likely to be a repeat of Q1. Market expectations for MAU growth appear too high, and FY26 MAU guidance likely needs to be lowered to the bottom end of the range (at best). On a positive note, expectations for subscription revenue and EBITDA are likely too low. Whilst some investors rightly point to the quality of MAU growth, US MAU growth is slowing faster than expected, with the absolute number of incremental MAUs added in 2026 likely to be lower than prior years. This puts more pressure on 360 to demonstrate success in advertising and international expansion. An inflection in either area isn't likely to be evident until Q3/Q4.

Outlook

June is another busy month of company updates. Valuations remain incredibly low, which bodes well for prospective returns on a 6-12 month view. We look forward to updating you on our performance.

Select Holdings

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

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