

PORTFOLIO MANAGERS



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NET PERFORMANCE	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	SINCE INCEPTION (P.A)	SINCE INCEPTION (TOTAL)
Discovery Founders' Fund*	3.7%	9.5%	38.3%	64.8%	55.1%	108.8%
Index (NZD)**	-1.4%	2.8%	12.6%	11.2%	8.6%	14.9%
Outperformance	5.1%	6.7%	25.7%	53.6%	46.5%	93.9%

*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

The Founders' Fund performed strongly in May, finishing up 3.7%. 3.7% isn't impressive in an absolute sense, but it's solid when one considers the Index was down -1.4% for the month, resulting in 5.1% of outperformance in a down market.

Last month we said May was a busy period of company updates. We're pleased to report that a number of our companies provided positive updates during the month, allowing the Fund to rise despite the market headwind. In the 20 months since inception, the Founders' Fund's annualised performance is 55.1% vs the Index of 8.6%.

Featured Company

One company which contributed positively to performance in May was **Life360 (ASX:360)**. We've mentioned 360 in prior newsletters. As a reminder, 360 is the number one global family safety app with 66.4m 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).

In May, 360 reported its 1Q2024 result and lodged a registration statement for a proposed IPO in the US.

360's key metrics are monthly active users and paying circles (paying users). In April, 360 advised that paying circle additions for 1Q2024 were materially ahead of market expectations. Accordingly, the actual result in May held few surprises. Whilst paying circles were ahead, the

actual result was below (our) expectations, both at the revenue and EBITDA line. The revenue miss was driven by (i) a lack of average revenue per paying circle (ARPPC) growth in the US (more on this below) and (ii) hardware revenue being down on the prior year. At the same time, commentary around the short-medium term upside from advertising revenue appeared more tempered.

Investors took a glass half full approach to 1Q2024, focusing on 360's comment that the high growth in paying circle adds had continued into April. Whilst impressive, it appears the growth in paying circles could be being artificially boosted by promotional activity (which would explain the lack of ARPPC growth).

Hot off the press, 360 launched its US IPO offer on Tuesday. The offer will comprise 5.75m shares split between a primary and secondary component (to minimise dilution). We believe hopes of a US linked valuation re-rating are misplaced. In our view, the IPO is unlikely to have a material impact, but could be modestly positive in the long term via increased exposure in its home market.

Preserving Performance

Our mission is outstanding performance. Accordingly, we will limit the access of **new** investors to the Founders' Fund at \$300m. We're approaching that level.

Select Holdings

1. Life360
2. Lycopodium
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

**Launch your investment
with Discovery today**

Apply online

Email our Team

Application 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