

DISCOVERY FOUNDERS' FUND

Monthly Report for November 2024

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	3 MONTHS	6 MONTHS	1 YEAR	SINCE INCEPTION (P.A)	SINCE INCEPTION (TOTAL)
Discovery Founders' Fund*	8.5%	21.0%	35.3%	87.1%	61.1%	182.6%
Index (NZD)**	1.4%	9.0%	9.2%	22.9%	11.0%	25.4%
Outperformance	7.1%	12.0%	26.1%	64.2%	50.1%	157.2%

*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 finished November at or near all-time highs as declining inflation and certainty following the US election result bolstered investor confidence.

The Founders' Fund had a strong November finishing up 8.5% versus the Index which finished up 1.4%. In the 26 months since inception, the Founders' Fund's annualised performance is 61.1% vs the Index of 11.0%.

Featured Company

One company which contributed positively to performance in November 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 76.9m 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 mixed 3Q2024 result in November.

On the positive side, subscription revenue grew 27% year on year, predominantly driven by US user growth (aka paying circles) of 23%. Outperformance on subscription revenue led 360 to upgrade its full year guidance for Underlying EBITDA from a range of USD\$36m-\$41m to USD\$39m-\$42m.

Whilst the core business continued to perform strongly, there were three less positive developments which initially caused the share price to decline.

First, 360 tempered near-term expectations for the growth in advertising revenue. 360's decision to begin advertising to its free users has been a large driver of 360's significant re-rate over the past year. 360 initially guided to advertising revenue of \$5-\$10m for FY24. Following the Q3 update, market expectations have moved to the middle of this range with some analysts reducing expectations for FY26.

Secondly, post result, Founder and CEO Chris Hulls sold a quarter of his shareholding on market. The rationale provided was diversification. Chris Hulls continues to hold 3.8% of 360. Investors take a dim view of CEO share sales and did so in this case, with the shares declining post sale.

Finally, sales of 360's Tile hardware devices missed expectations, falling 24% year on year. Hardware sales are one off and non-core to the investment thesis.

Thankfully, 360 shareholders were thrown a bone late in the month when the Russell 2000 made a surprise decision to upweight 360 in the Index. This triggered a wave of buying which drove the share price up nearly 20%.

Outlook

December is a quiet month of company updates. Whilst companies might be quiet, we won't be. December is another month of opportunity to drive performance. We look forward to reporting week commencing 6th January.

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.

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

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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