LAKEHOUSE SMALL COMPANIES FUND LETTER
30 SEPTEMBER 2017

Companies Held:	21
Cash Allocation:	9.0%
Top 5 Portfolio Holdings:	36.6%
Net Asset Value per Unit:	$1.1580
Fund Net Asset Value:	$112.5 million
Benchmark:	S&P/ASX Small Ordinaries Accumulation Index

Dear Lakehouse Investor,

September marked a quiet month following an August that featured reporting season and the addition of a new analyst to our team. We did manage to fit in conversations with 11 different companies during September, though, so while it was quiet I wouldn't say it was sleepy.

The Fund returned 4.8% net of fees and expenses during the month compared to a 1.3% return for the benchmark. Thus far in fiscal 2017 the Fund has returned a net 7.1% compared to 4.4% for the benchmark. Since inception in November 2016, the Fund has returned a net 15.8% compared to 10.0% for the benchmark. As ever, we remind investors that our team does not judge itself based on short-term results and neither should investors who embrace our long-term, high-conviction strategy.

As a reminder, we continue to seek opportunities with the following traits for the portfolio:

- Strong positions in growing markets.

- Pricing power with customers and suppliers.
- Durable competitive advantages grounded in scale, strong brands, network effects, or high customer switching costs.
- Aligned and experienced management teams with strong track records of capital allocation.
- Conservative balance sheets.
- Attractive valuations that afford upside to our estimate of fair value.

Our emphasis on growth and quality tends to steer us toward sectors and companies with recurring revenue models and away from those that are price-takers or have low visibility. Indeed, 19 of our 21 holdings have models geared towards subscriptions or long-term agreements.

Our approach also makes for high active share. The Fund's largest sector allocations as of the end of the month were to information technology (70.3% of total capital), consumer staples (7.7%), and consumer discretionary (5.8%) while the largest components of our benchmark were consumer discretionary (19.7%), materials (17.0%), and real estate (12.5%).

Turning to individual holdings, the biggest contributor to the Fund's performance during the month was **Xero** (+19.2%) while the biggest detractor was **Catapult Group** (-23.5%).

Below were the Fund's 5 largest holdings as of the end of September. Each should look familiar to investors as we've profiled them at different points in prior investor letters.

Company	Allocation
Altium (ASX:ALU)	8.7%
BWX (ASX: BWX)	7.7%
Afterpay Touch (ASX:APT)	7.7%
Gentrack (ASX:GTK)	6.7%
Bapcor (ASX:BAP)	5.8%
Total Top 5 Holdings	**36.6%**

Gentrack surprised investors with a pleasing upgrade late in the month when it revealed that underlying EBITDA was forecast to be NZ$24 million for the September-ended fiscal year compared to its prior guidance of NZ$20 million. We look forward to learning more about what drove the 20% upgrade when the company reports, but in the interim it's safe to say that we're pleased and feel confident in our long-term thesis.

BWX had a couple of notable events during the month. The first was that the company began selling a range of Sukin products at Coles stores. It's welcome news as BWX had previously not distributed into the grocery retail channel despite that slice of the market making up around 45% of the Australian beauty and personal care market. Even better, we would not be surprised to see other Australian grocers clamour to follow Coles into carrying Sukin, which has the leading value share of cosmetic skincare sales in Australian pharmacies.

The company also announced the $20 million acquisition of a fast-growing online retail platform, Nourished Life, and its house brand, Life Basics, that was funded with a direct institutional placement and the issuance of new shares to the seller. The price seems reasonable as Nourished Life is expected to contribute $4 million in EBITDA during fiscal 2018, plus the acquisition gives BWX new capabilities and a new brand to distribute. We're not overthinking the deal, however, as the purchase prices amounts to only around 4% of the company's market capitalisation. All in all, we remain pleased with how our BWX thesis is unfolding.

The Road Ahead

It's an exciting time for our business as it continues to grow. And, while it is still very early days and investors should read little into the Fund's performance thus far, we're pleased with the underlying performance of our portfolio companies and what we feel is a solid foundation for the future.

As ever, thanks to all our investors for your time and trust. We're honoured to have you with us and look forward to what the future holds.

Best Regards,

Joe Magyer
Chief Investment Officer