LAKEHOUSE SMALL COMPANIES FUND LETTER
30 NOVEMBER 2017

Companies Held:	21
Cash Allocation:	12.2%
Top 5 Portfolio Holdings:	35.2%
Net Asset Value per Unit:	$1.3146
Fund Net Asset Value:	$128.3 million
Benchmark:	S&P/ASX Small Ordinaries Accumulation Index

Dear Lakehouse Investor,

The Lakehouse Small Companies Fund celebrated its first birthday during November. It's still early days but we are pleased with the progress we've made towards the Fund's objective of long-term outperformance. Our team is not standing still, however, and we hustled to fit in 14 company meetings during what was an already busy month.

The Fund returned 2.8% net of fees and expenses in November compared to a 3.9% return for the benchmark. The Fund has now returned a net 21.6% in fiscal 2018 compared to 15.0% for the benchmark. Since inception in mid-November 2016, the Fund has returned a net 31.5% compared to 21.1% for the benchmark.

We're satisfied with how November and the Fund's first full year unfolded, but 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.

The Fund continues to look very different to its benchmark and the broader Australian market. We consider that a positive as it is driven by our emphasis on quality and growth, plus a willingness to take high-conviction positions. The Fund's largest sector allocations as of the end of the month were information technology (67.1% of total capital), consumer staples (7.0%), and consumer discretionary (5.7%).

Turning to individual positions, the most significant contributor to performance during the month was **Gentrack** (+19.6%), while the most significant detractor was **Catapult** (-17.4%).

The Fund's 5 largest holdings as of the end of November accounted for 35.2% of the portfolio, and are named in order of the Fund's allocation. Each should look familiar to investors as we've profiled them at different points in prior investor letters: **Afterpay Touch** (ASX:APT), **Altium** (ASX: ALU), **Gentrack** (ASX:GTK), **BWX** (ASX:BWX) and **Bapcor** (ASX:BAP).

As an aside, you'll notice that we have stopped including sizing data for the Fund's largest individual holdings. This change was made to balance providing our investors with appropriate transparency of portfolio holdings while also not telegraphing our intentions with the Fund's largest holdings to the wider market. We think this modest change is in the best interests of the Fund and will still shine a light on its key holdings.

AGM Season

AGM season was in full swing during November, which included some notable updates and events from some of our portfolio companies that we feel are worth outlining below:

Afterpay Touch announced another in a long string of impressive business updates at its AGM. The number of active Afterpay customers now stands at 1.3 million, up around 360% year-to-date in calendar 2017, and merchant partners now exceed 10,000. As use of the Afterpay platform continues to grow, it is attracting greater attention from investors, brokers and, according to financial media, regulators.

We're not surprised Afterpay has captured the attention of regulators given its surging popularity, and we're comfortable it continues to operate within regulations. While the rules of engagement may change we are reassured by the company's unrelenting customer focus, proactive engagement with regulators and industry stakeholders, and fact that its product is in large part a software-driven replacement to long-established lay-by practices. We will continue to watch this space closely but feel good about the Fund's investment.

Catapult received a 'first strike' against its remuneration report at the recent AGM. This did not come as a surprise given the Lakehouse Small Companies Fund voted against the resolution. We're big believers in management teams being incentivised and rewarded, though we feel the rewards should only come once an acquisition is successfully integrated and proves value enhancing, not simply on completion. This issue aside, we remain enthused about the business, its strategy and the structures being implemented by CEO Joe Powell in his first 7 months in the role.

Gentrack, as a New Zealand domiciled company, released its full-year results during the month. The company delivered pleasing numbers with headline revenue and EBITDA both up 43%. Recent acquisitions contributed to the strong result but we were also pleased that underlying organic EBITDA increased by 24%. It's also notable that the usually conservative management team bumped long-term organic growth forecasts from 10%-plus up to 15%-plus, reinforcing our view of the company's bright prospects.

Gentrack has a long growth runway servicing utility deregulation in Australia, New Zealand and the United Kingdom, as well as rolling out its trio of airport operations software globally. Gentrack remains a core portfolio holding.

Looking Ahead to 2018

One of the fun things about our job is that markets and companies are in a constant state of change. It's never the same day twice and companies are constantly evolving, which explains why we've met up with companies almost 200 times since the launch of the Fund even though we are long-term investors. Despite all the hustle and bustle, our unwavering focus remains on the distant star of long-term outperformance.

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, CFA
Chief Investment Officer