

LAKEHOUSE SMALL COMPANIES FUND LETTER

31 MARCH 2018

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| Companies Held: | 21 |
| Cash Allocation: | 16.0% |
| Top 5 Portfolio Holdings: | 32.8% |
| Net Asset Value per Unit: | \$1.3778 |
| Fund Net Asset Value: | \$144.8 million |
| Benchmark: | S&P/ASX Small Ordinaries Accumulation Index |

Dear Lakehouse Investor,

March was a busy month for the Lakehouse Small Companies Fund as volatility continued to rattle markets. Our team was active as we caught up with 13 different companies, opened a new position, took some gains off the table from some outsized winners, and redeployed cash to other existing positions that we think have bright long-term prospects.

We remain opportunistic, as ever, and the Fund's 16.0% cash position, which is a touch above our typical range of 5% to 15% given recent inflows and profit taking, leaves us well placed to capitalise should this bout of volatility keep up. While recent volatility might seem high, it's actually reasonably in line with longer-term averages, which leaves us inclined to remain patient in deploying investors' capital.

The Fund declined 2.7% net of fees and expenses in March compared to a 2.3% fall for the benchmark. The Fund has now returned a net 28.5% thus far in fiscal 2018 compared to 15.4% for the benchmark. Since inception in mid-November 2016 the Fund has returned a net 38.9% compared to 21.5% 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.

The Fund's most significant contributor to performance during the month was **Gentrack** (+4.9%), which announced a new UK client. The most significant detractor was **Afterpay Touch** (-10.9%), as shares of many high-growth companies sold off and investors became skittish over ASIC's ongoing review of the disruptive 'buy now, pay later' industry at which Afterpay is at the vanguard. We continue to watch the latter with interest and look forward to the company's upcoming quarterly business update.

The Fund's 5 largest holdings as of the end of March accounted for 32.8% of the portfolio, and are named in order of the Fund's allocation: **Altium**, **Gentrack**, **Afterpay Touch**, **Pro Medicus**, and **ELMO Software**. The Fund's largest sector allocations as of the end of the month were information technology (64.4% of total capital), health care (9.7%), and consumer discretionary (6.5%), which is a stark contrast to the benchmark's largest allocations: materials (18.8%), consumer discretionary (18.2%), and real estate (10.9%).

Looking Ahead

We're leaving this month's letter a bit on the lighter side as we expect to see many of you at the Fund's first ever investor day on Friday 6 April. We look forward to sharing more with you about our strategy and outlook, fielding your questions, and introducing you to one of the CEOs of our portfolio companies.

Ah, and for those of you who cannot attend in person, we plan to record the presentations. We'll follow up later with details.

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

P.S: In case you missed it, we can now accept regular, recurring BPAY payments. Existing investors who add to their investment via BPAY (using their investor profile ID number as the reference) do NOT need to fill out an application form.

To add to your investment simply BPAY the payment and Registry will confirm additional units in the Fund. No further action is required. **BPAY payment assumes no changes to the beneficial owner.* [Click here for more details.](#)

Please read the [Product Disclosure Statement](#) before purchasing additional units in the Fund.

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