

Dear Lakehouse Investor,

November was a milestone month for the Lakehouse Small Companies Fund as it celebrated its second anniversary. It has been a fun and eventful ride thus far, however, our team had little time to celebrate as we navigated through a burst of volatility and held 25 meetings with current and potential portfolio companies.

The Fund returned -0.3% net of fees and expenses in November compared to a -0.4% return for the benchmark. For the fiscal year, the Fund has returned a net -0.8% compared to -8.9% for the benchmark. Since inception in mid-November 2016, the Fund has returned a net 46.9% compared to 19.2% for the benchmark.

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| Companies Held: | 22 |
| Cash Allocation: | 14.4% |
| Top 5 Portfolio Holdings: | 33.2% |
| Net Asset Value per Unit: | \$1.4024 |
| Fund Net Asset Value: | \$164.5 million |
| Benchmark: | S&P/ASX Small Ordinaries Accumulation Index |

We're pleased that the Fund is off to a good start towards its objective of long-term outperformance, particularly given that we've run with a conservative cash position ranging around 11% to 16% over the past year. We do not read much into early performance, though, and neither should investors who embrace our long-term, high-conviction strategy.

The Fund's most significant contributor to performance during November was **Afterpay Touch** (+15.4%), which we'll discuss (again) shortly. The most significant detractor was **ELMO Software** (-13.8%), which drifted downwards on no new material news. The Fund's five largest holdings as of the end of November accounted for 33.2% of the portfolio and are named in order of the Fund's allocation: **Afterpay Touch**, **Altium**, **Pro Medicus**, **Gentrack** and **Bapcor**. Longtime investors should recognise each of these names as they've been Fund holdings for some time.

Speaking of familiar names, the Fund continues to own 19 of the 21 companies it held this time a year ago, and 1 of the 2 companies we exited was acquired. We are always on the lookout for new opportunities -- our team has opened stakes in 3 new companies in the past year and has held more than 300 company meetings since the Fund launched -- but we expect these details highlight that we walk the walk when it comes to investing for the long-term.

Zooming out, the Fund's largest sector allocations as of the end of the month were to information technology (68.0% of total capital), health care (10.1%), and consumer discretionary (5.2%), which is quite different to the benchmark's largest allocations: materials (18.0%), consumer discretionary (13.5%), and real estate (11.3%). We continue to embrace a differentiated

approach with an emphasis on companies and industries known for capital-light, recurring-revenue-centric business models.

Company News

It seems there's never a dull moment with fast-growing Afterpay Touch. The company announced at its AGM that the pre-Christmas trading environment has been above expectations, which was welcome news, and that the US launch continues to gain strong momentum. On Black Friday alone, Afterpay picked up 19,000 new customers in the US, far outpacing the same day total of 8,500 in Australia and New Zealand, which in itself was a record-setter.

Afterpay has now acquired more than 450,000 users in the US in just under 7 months, which is more than it picked up in Australia in its first 7 quarters. It's early days for Afterpay in the US market, but the early signs are very encouraging and the market opportunity remains large. We think this strong launch bodes well for the planned push into the UK, as well.

Afterpay also received clarity on the long-awaited ASIC review into 'buy now, pay later' businesses during the month. ASIC's take was more or less what we expected, which is that these businesses fall outside the purview of the National Credit Act but ASIC should have intervention powers into the sector. The finer details are yet to be seen and put into place, and we fully expect regulators here and abroad to keep an eye on this disruptive business, but we view this response as broadly favourable.

The encouraging update on the US business, continued growth in Australia across multiple channels and verticals, potential in the UK, de-escalated domestic regulatory risk, and fact that the shares traded at roughly half their previous highs, provided an opportunity for the Fund to top up its stake during the month following previous profit taking. The business continues to have a wide range of outcomes but we feel comfortable with what we think is a positive skew.

Pro Medicus also delivered big news in November when it announced a 7-year, \$27 million contract with US-based Partners Healthcare for its Visage imaging technology. The deal is the company's largest to date, has room to expand, and brings on two prestigious American medical institutions, Massachusetts General Hospital and Brigham and Women's Hospital, that are teaching hospitals for Harvard Medical School. We continue to be impressed with the company's success at winning large, high-profile customers and look forward to what the future holds.

Less eventful but still notable is that Gentrack also reported full year results towards the end of the month. Organic revenue grew 37% and profits grew by a lesser, but still satisfactory, 17% due to continuing high levels of reinvestment. The business added 28 new customers over the year, built further traction in its SaaS offering and continued to expand into new geographies. One of the most significant takeaways was the cautious outlook around UK growth as Brexit approaches, particularly given the UK has been the growth engine in recent years. The shares sold off a bit on

the release, however, such post-release volatility is normal for this business. We also will not fault a business with such sticky customers for sacrificing short-term profit for longer-term potential upside. Our long-term-focused support here is unchanged.

Looking Ahead

December is a quieter month as the industry winds down to Christmas and people take some well-deserved time off with their families. We certainly plan to get some quality time in with ours and hope you do as well.

Thanks to all our investors for your time and trust. It is still early days but we hope that the many of you who backed us from the start feel some sense of validation. To that end, we'll note that Lakehouse and Motley Fool staff have more than \$4 million invested across our funds, plus more from family and friends. We are fortunate to have such a loyal and aligned group of investors and will keep doing our best for you.

Lastly, we're pleased to share that Kerra McDonough has joined the board of directors at Lakehouse Capital. Kerra has served our parent company, The Motley Fool, for more than 18 years and was appointed Chief Financial Officer in February. She also sits on the board of directors of The Motley Fool. Kerra stepped into both the CFO role and Lakehouse board seat left open by Ollen Douglass, who recently took on the role of Managing Partner for the newly-created and US-based Motley Fool Ventures. We thank Ollen for his service, wish him all the best with the new Foolish venture, and look forward to working more closely with Kerra.

Best Regards,



Joe Magyer, CFA
Chief Investment Officer

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