Dear Lakehouse Investor,

Companies Held:	21
Cash Allocation:	10.7%
Top 5 Portfolio Holdings:	40.5%
Net Asset Value per Unit:	$1.8227
Fund Net Asset Value:	$245.4 million
Benchmark:	S&P/ASX Small Ordinaries Accumulation Index

August was a busy and fruitful month for the Lakehouse Small Companies Fund. The team digested a deluge of new information, held 36 meetings with current and potential portfolio companies, and was a net buyer of shares. We also initiated a new position and exited a small but long-held position where our thesis had drifted. The net result was that, despite net inflows, the Fund's cash allocation shrank from 15.5% to to 10.7% during the month.

The Fund returned 1.9% net of fees and expenses during the month compared a -3.9% return for the benchmark. Thus far in this young fiscal year, the Fund has returned a net 4.8% compared to 0.5% for the benchmark. Since inception in mid-November 2016, the Fund has produced a net total return of 99.5% compared to 34.0% for the benchmark.

We're pleased with the Fund's progress towards its ultimate objective of long-term outperformance, however, our team does not judge itself on short-term performance and neither should investors who embrace our long-term, high-conviction strategy.

The Fund's most significant contributor to performance during the month was **Nanosonics** (+21.0%), which ran up following a strong full year report. The biggest detractor during the month was **Nearmap** (-19.0%) -- a newly disclosed position -- which fell after full year results came up short of lofty market expectations. More on both companies shortly.

The Fund's five largest holdings as of the end of August accounted for 40.5% of the portfolio and are named in order of the Fund's allocation: **Afterpay Touch, EML Payments,** Nanosonics, **Altium,** and **Bapcor**. All five positions should be well known to Lakehouse investors as they have been discussed in prior letters. Collectively, these investments had a very good month, which along with our buying activity explains much of why the Fund's cash position decreased by 4.8 percentage points during the month.

Zooming out, the Fund's largest sector allocations as of the end of the month were to information technology (63.6% of total capital), health care (14.5%), and consumer discretionary (6.2%), which is quite different to the benchmark's largest allocations: materials (20.9%), consumer discretionary (14.6%), and real estate (13.1%). We continue to embrace a differentiated

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

Portfolio Company News and Updates

Afterpay Touch's (+15.9%) full-year results beat market expectations as the business continues its rapid global expansion. The execution and speed of progress in the US continues to impress with underlying sales of nearly $1 billion now accounting for around 20% of Afterpay's global underlying sales -- staggering considering the business only started there in May 2018. The UK launch has also gone very well and is actually pacing ahead of the US run-rate after its first 15 weeks.

Afterpay's key metrics also continue to perform well. Net transaction margin came in at 2.4% compared to 2.6% a year ago despite rapid growth in new users and enterprise merchants, while gross transaction losses declined from 1.5% to 1.1%. In the more mature Australian market, Afterpay has seen loss rates continue to fall and frequency of use for customers who have been on the platform has risen to 20-plus per year, all of which bodes well as the global customer base grows and matures over time.

The optionality around the business continues to expand as Afterpay innovates at a rapid pace: making better use of its data to retain and grow its merchant base, simplifying merchant integrations, enabling cross-border purchases, and expanding use cases of the platform for customers wanting to purchase bigger-ticket items and services. We also think the introduction of persistent login, which can reduce the number of clicks required by customers to drop from four to two, should reduce friction in the buying process, improve conversion rates, and ultimately spin the flywheel even faster.

Afterpay has also flagged a partnership with Visa -- a holding in the Lakehouse Global Growth Fund. Although the announcement was scant on details, the arrangement should drive efficiency and allow the Afterpay business to scale even faster. It also goes some way to allaying market concerns that arose at the end of fiscal 2019 around Visa entering the space.

Uncertainty around regulation remains a headwind for the business. We're yet to see the outcome of the pending AUSTRAC audit, and remain mindful that the business and industry is in its infancy in all markets. We'll continue to watch the space closely, appreciating that shares in Afterpay Touch have a wide range of outcomes, but remain enthusiastic about the business.

EML Payments (+18.8%) delivered a good set of numbers, beating expectations both on revenue and operating profit. The company continues to focus on expanding in its niche verticals, offering bespoke customisations and speed that banks typically cannot match. EML's relationships with large players such as bet365 and GVC Holdings have helped the company expand into the UK. Its offering is on track to be introduced in other markets in which these global players operate,

including the recently legalised largest gaming market in the world, the US. We expect EML to continue signing deals in the US and possibly enter Latin America.

However, EML's growth is not all about gaming. Second half revenue growth in the Virtual Account Numbers (VANs) segment accelerated (+196%), as the company shifted away from a full program management model into a lighter touch processing-plus solution, which has a lower yield but can scale faster. The company expects significant growth from this segment and has called out that this change was due to increasing talent onboard to recognise a better model. Also, EML continues to win the Australian salary packaging market, which is projected to get the company to an estimated 71% market share by June 2021, on the back of the recent Smart Group contract. We foresee EML going after the remaining 100k benefit accounts in the next few years.

The business is running with multiple growth drivers, a diversified client base, and growing optionality across its portfolio. Though announced deals have significant runway, we suspect that there may be more verticals which EML could enter in the future. We remain patient investors.

Nanosonics (+21.1%) delivered a strong set of results, well ahead of market expectations -- so much so the shares popped a third higher on the day of the announcement. The company continues to expand its global installed base, and the strength of the 'razor-and-blade model' with its high levels of recurring revenue are becoming more widely appreciated by investors. The super-high-margin consumable sales now comprise 61% of revenue, up from 58% a year ago, and an even larger share of profits. The transition to a more profitable agreement with GE Healthcare in the US over the next 12 months will only add to growth in consumable sales. With only 17% of the addressable market penetrated, increasing pressure on the medical community to do more to prevent ultrasound probe cross-infection, the pending announcement of a new high-level disinfectant product line, and continued heavy investment in research & development, we see a long runway ahead for Nanosonics.

Altium (+1.5%) was no slouch either as growth in new Altium Designer seats sold accelerated for the second year in a row. The company's strength is also with each of its business lines growing at 17% or faster. We're also pleased that the beta version of Altium 365 -- which marks new territory for the company -- is now live and the company still expects general availability from November onwards. The shares have been on quite the run but we also note that, in addition to the above points, Altium is highly profitable, debt-free, and has US$80 million in cash. We remain comfortable holding a large position.

Bapcor (+6.7%) did not blow analysts away, however, this steady-as-she-goes business continues to quietly execute. The company's largest segment, which is powered by Burson Auto Parts stores, grew revenue and EBITDA by 4.8% and 9.8%, respectively, on a year-on-year basis. Zooming out, we were also pleased that group-level, pro-forma EBITDA margins expanded from 12.1% to 12.7% and that leverage is in hand with net debt relative to EBITDA sitting at just under 2.0x and in line with the company's target. The shares are also reasonably priced at around 19

times consensus earnings estimates for this year in light of the steadiness of the business and management's history of underpromising and overdelivering. We remain patient holders.

We should also comment on Nearmap as the Fund's biggest detractor and a newly disclosed holding. Nearmap is a provider of digital aerial imagery, on a subscription basis, to a diverse customer base ranging from architecture, construction & engineering, to government, insurance & property, and even utilities. It's a cost-effective solution if you, say, run a solar panel business and want to provide a quote to a customer for outfitting their home but without having to send someone on your team out for a look.

Nearmap's proprietary camera technology captures images and then the software automatically processes and uploads the images, with no human intervention, to Nearmap's web-portal within two to three days. The company claims to be 5-10x more productive -- both in cost and capture efficiency -- than their nearest competitor. Combining this technology and efficiency with a subscription model has made high-quality aerial imagery available to a very wide audience -- in some cases, creating markets that didn't previously exist. The use cases continue to grow as Nearmap improve image capture technology (e.g. oblique images, 3D content online) and the frequency of Nearmap's coverage increases, negating the need for expensive and time consuming visits for a variety of customers. Ultimately, the company's net revenue retention ratio of around 109% says it all in terms of customer satisfaction.

After building a market-leading position in Australia, Nearmap has expanded into NZ, the US and most recently Canada. After some early success in North America, the company raised $70 million of capital in September 2018 to support its growth. The business is now cash-flow breakeven on the core Australian business but continues investing for growth in North America, which strikes us as wise given the weak existing competition and Nearmap's attractive incremental unit economics. In the fullness of time, we could see the business expanding to additional geographies.

Nearmap has been on a meteoric rise over the past 12 months, and it appears the market may have gotten ahead of itself. Nearmap's annual contract value (ACV) growth had accelerated for 3 consecutive halves, on rising average price per user, until the recent full year result. ACV still expanded by a very respectable 36%, but the market had been baking in for the acceleration to continue. We are less fussed by the recent deceleration and remain attracted to the fundamentals of the business: low churn, expanding use cases, rising revenue per client and a long growth runway.

Lastly, we note that the Fund exited its long-held position in **Class**. Class has posted somewhat underwhelming results for some time -- it was the Fund's second most significant detractor last fiscal year -- but we hung in there because of the loyal customer base, strong balance sheet, and undemanding valuation. We finally cried 'Uncle!', though, when the company reported in August that customer acquisition costs, which had already been trending higher, spiked 45% higher year on year. Also, while we normally applaud our portfolio companies for aggressive reinvestment,

we are concerned that Class plans to hit the gas on spending despite the maturing of its core market and the rapid deterioration in incremental unit economics. We wish the business well but the above combination of issues led us to conclude that we could find a better home for the capital we had behind the business.

Looking Ahead

September sees us continuing to engage with management teams to review full year results and hear more about plans for the future. We will update Lakehouse investors on any significant outcomes.

As always, thanks to all our investors for your time and trust.

Best Regards,

Joe Magyer, CFA
Portfolio Manager, Lakehouse Small Companies Fund
Chief Investment Officer, Lakehouse Capital

Sole use and confidentiality: This report has been prepared by Lakehouse Capital Pty Limited (ABN 30 614 957 603, authorised representative of AFSL 400691) and by its officers, employees and agents (collectively "Lakehouse") for the sole use of its clients as a record of the performance of their investment. The contents of this report are confidential, and the client may only disclose such contents to its officers, employees or advisers on a need to know basis, or with the prior written consent of Lakehouse.

Disclaimer: The responsible entity for the Lakehouse Small Companies Fund (ARSN 615 265 864) is One Managed Investment Funds Limited (ACN 117 400 987) (AFSL 297042) ("OMIFL"). The information contained in this document was not prepared by OMIFL but prepared by other parties. All of the commentary, statements of opinion and recommendations contain only general advice and have not taken into account your personal circumstances. This report contains general financial product advice only. Any investment in Lakehouse or OMIFL products need to be made in accordance with and after reading the Product Disclosure Statement (PDS) and Additional Product Disclosure Statement (APDS) dated 15 March 2019, and investors should consider the PDS before deciding whether to invest in the Fund or continue to hold units in the Fund. The opinions, advice, recommendations and other information contained in this report, whether express or implied, are published or made by Lakehouse in good faith in relation to the facts known at the time of preparation. Information is current as at the date of the letter, unless otherwise noted. Past performance is not indicative of future performance. The PDS and APDS can be obtained by visiting www.oneinvestment.com.au/lakehouse.

Limitation of liability: Whilst all care has been taken in preparation of this report, to the maximum extent permitted by law, neither Lakehouse or OMIFL will be liable in any way for any loss or damage suffered by you through use or reliance on this information. Lakehouse and OMIFL's liability for negligence, breach of contract or contravention of any law, which cannot be lawfully excluded, is limited, at Lakehouse's option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you.

Disclosure: Lakehouse, its directors, employees and affiliates, may, and likely do, hold units in the Lakehouse Small Companies Fund and securities in entities that are the subject of this report. Copyright: Lakehouse owns the copyright to this publication. Its contents may be used for your own personal use, but you must not (without Lakehouse's consent) alter, reproduce or distribute any part of this publication, transmit it to any other person or incorporate the information into any other document.