

Dear Lakehouse Investor,

October was a choppy month for small-cap investors highlighted by the cancellation of multiple IPOs, including; Latitude Financial, Retail Zoo and Property Guru. For the Lakehouse team it was a busy month of turning over stones as we attended two conferences and attended seventeen company meetings, including sitting down with the chairmen of two portfolio companies ahead of casting the Fund's AGM votes.

We were a net buyer of shares during October, though when combined with net fund inflows and share price declines in some of our core holdings, the net result was that the Fund's cash allocation grew to 16.0% during the period. This is at the upper end of our typical cash range of 5% to 15%, however, we are actively scouring for new opportunities and remain patient in putting money to work.

The Fund declined -2.8% net of fees and expenses during October compared a -0.5% decline for the benchmark. In this four-month-old fiscal year, the Fund has returned a net 4.6% compared to 2.6% for the benchmark. Since inception in mid-November 2016, the Fund has produced a net total return of 99.1% compared to 36.8% 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** (+7.8%). The biggest detractor during the month was **Afterpay Touch** (-19.5%). The Fund's five largest holdings as of the end of October accounted for 38.0% of the portfolio and are named in order of the Fund's allocation: **Afterpay, Nanosonics, EML Payments, Bapcor** and **Nearmap**. All five positions should be well known to Lakehouse investors as they have been discussed in prior letters.

Zooming out, the Fund's largest sector allocations are to information technology (61.0% of total capital), health care (10.8%), and consumer discretionary (6.5%), which is quite different to the benchmark's largest allocations: materials (20.9%), consumer discretionary (14.7%), and real estate (13.3%). We continue to embrace a differentiated approach with an emphasis on companies and industries known for capital-light, recurring-revenue-centric business models.

Companies Held:	19
Cash Allocation:	16.0%
Top 5 Portfolio Holdings:	38.0%
Net Asset Value per Unit (mid):	\$1.8189
Fund Net Asset Value:	\$250.0 million
Benchmark:	S&P/ASX Small Ordinaries Accumulation Index

Company News and Portfolio Update

Rarely a month passes without mentioning Afterpay in these pages -- such has been the company's meteoric rise and corresponding attention from regulators -- and this month is no different.

In October, it was the Reserve Bank of Australia's upcoming 'card payments regulation review' that caught the eye of investors, and raised concerns that Afterpay's 'no surcharge' rule with merchants may come under scrutiny. It isn't obvious that the RBA will force Afterpay to offer merchants the right to surcharge, though, because the government is openly encouraging challenges to the incumbent big bank hierarchy and because Afterpay offers considerable value beyond just payment processing. For example, Afterpay remains the biggest source of leads to retailers after Google. Merchants who would choose to go the surcharge route might soon discover they were getting better value from Afterpay with the bundled offering. Further, even if the RBA did enforce a change to current practice, it is unlikely that all merchants would choose to surcharge and, for that matter, most of the company's growth is coming from outside Australia, anyway.

On a more positive note, during October the company announced that Larry Summers, former US Treasury Secretary from the Clinton era and Director of the White House National Economic Council under President Barack Obama, joined Afterpay's US Advisory Board. While Mr. Summers' appointment is of little immediate consequence, landing such a high-profile advisor speaks well of Afterpay's position within, and ambitions for, the US market over the long term.

Looking Ahead

The team shall remain busy turning over stones throughout November, following AGM updates, voting outcomes, and attending a corporate speed dating event later in the month.

The Fund will mark its third anniversary during November -- another small milestone on our march toward long term outperformance.

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

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