Dear Lakehouse Investor,

Companies Held:	19
Cash Allocation:	13.7%
Top 5 Portfolio Holdings:	38.7%
Net Asset Value per Unit (mid):	$1.9289
Fund Net Asset Value:	$266.5 million
Benchmark:	S&P/ASX Small Ordinaries Accumulation Index

November was a milestone month for the Lakehouse Small Companies Fund as it celebrated its third birthday. It has been a busy three years -- we've held more than 460 company meetings, cornerstoned IPOs and capital raises, and grown the Lakehouse team from two to eight -- but through it all we've remained focused on the consistent execution of our long-term, high-conviction strategy.

The trust that our earliest investors placed in us will always means a great deal to us, particularly myself and Lakehouse co-founder Donny Buchanan. In light of that, we're happy to report that trust has thus far been well placed. Morningstar reports that, for the three-year period ended 30 November 2019, the Lakehouse Small Companies Fund ranked number #1 out of 69 Funds in the Morningstar Equity Australia Mid/Small Blend category. Further, the Fund now has its inaugural Morningstar Overall Rating™ and Three-years Rating™ of 5 Stars*.

We're pleased with the Fund's progress towards its goal of long-term outperformance. That said, the confluence of the Fund's ranking and its third birthday calls for introspection regarding key performance drivers to date. The first is good fortune: Luck plays a role in all investment outcomes and a fund does not lead its category over three years without having some good breaks along the way. It would be naive and disingenuous to not accept and acknowledge otherwise.

The second is a steadfast commitment to our long-term, high-conviction approach. The Fund only backs companies when it expects to do so for years, still owning 11 of the 21 companies it owned two years ago, making for a run-rate average holding period of four years at the position level. In the world of fast-growing smaller companies where circumstances can change quickly, we'll submit that four years is a very long time. We have also maintained our high-conviction style and, as our sector tilts show, we have no fear of looking very different from our peers. Indeed, a willingness to think and act differently is a prerequisite to long-term outperformance.

Lastly, our emphasis on seeking asymmetric outcomes -- investments where we see multiple ways to win and few ways to lose -- has also treated us well. We make mistakes, of course, but 73% of the Fund's investments since inception have contributed positively to performance and 11 different investments have contributed more to performance than the Fund's worst performer detracted. Morningstar also notes the Fund has a Sortino ratio of 3.00 over the past three years compared to 1.84 for the category Morningstar Equity Australia Mid/Small Blend and 1.42 for the benchmark S&P/ASX Small Ordinaries TR AUD, which is pleasing**. We do not explicitly target risk measures, however, given our emphasis on asymmetric outcomes we are not surprised that such measures have fared well thus far.

Turning to the future, while we can't speak to future performance, we can say that our team is as much focused on executing on our process as ever. We've initiated five new positions in the past year, attended 10 conferences, and held 136 company meetings. We've also made our business more robust by upgrading order management systems, introducing new research tools, and increasing our team size among distribution and operations.

All of that leads back to our usual starting point in our letters: Monthly performance and updates on new and key holdings. The Fund returned 6.0% net of fees and expenses during November compared to a 1.6% return for the benchmark. Over the past year the Fund has returned 43.7% compared to 16.6% for the benchmark. And, since inception in mid-November 2016, the Fund has produced a net total return of 111.2% compared to 39.0% for the benchmark. In annualised terms, the Fund has returned 27.9% since inception compared to 11.4% for the benchmark.

The Fund's most significant contributor to performance during the month was **Catapult** (+56.0%), which rebounded thanks largely to the long-awaited appointments of a new CEO and CFO. The biggest detractor during the month was **Whispir** (-19.5%), which is a holding we're disclosing for the first time and will discuss shortly. The Fund's five largest holdings as of the end of November accounted for 38.7% of the portfolio and are named in order of the Fund's allocation: **Afterpay**, **EML Payments**, **Nanosonics**, **Bravura Solutions**, and **Nearmap**.

Zooming out, the Fund's largest sector allocations are to information technology (65.5% of total capital), health care (9.8%), and consumer discretionary (5.8%), which is quite different to the benchmark's largest allocations: materials (20.3%), consumer discretionary (14.5%), and real estate (12.8%). 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 and Portfolio Update

Afterpay continued to grab headlines during the month following the release of the final independent audit report to AUSTRAC. There was something in the report for the Afterpay bulls and bears alike, though it ultimately boiled down to a reduction in regulatory risk for Afterpay.

We took heart from the auditors' view that '*Afterpay's service poses a low money laundering / terrorism financing risk*', as this aligns with our thinking, and in Afterpay's reaffirmation that it has not identified any money laundering or terrorism financing activity via its systems. It wasn't all smooth sailing as the auditor also found *'historic matters of non-compliance'* during Afterpay's exponential growth. Ironically, this is in no small part due to the company receiving incorrect legal advice from top tier Australian law firms in 2016.

Focusing one's investment thesis on matters of historic non-compliance feels akin to driving whilst looking through the rear-view mirror, rather than the windscreen. Looking forward, we're pleased that the auditor confirmed Afterpay's current AML/CTF processes are compliant and will support Afterpay's ongoing compliance with the AML/CTF Act and Rules.

It's hard to know how AUSTRAC will react to the historic non-compliance matters, and as we said in the annual and July letters: '*we would not be surprised if the current AUSTRAC-inspired audit processes led to a fine'.* That remains the case, however, Afterpay remains well capitalised and given the above we would be surprised if a thesis-altering fine was imposed. For that matter, our sense is that the Australian financial press and investing community have not yet digested that Afterpay is now a truly global business with most of its users outside of Australia, thus domestic regulatory risks are fast fading in relevance. Investing in Afterpay will remain an eventful ride, as is the case with all disruptors, but we remain enthused about the long-term prospects of this increasingly global business.

Turning to newly disclosed, and recently listed, software company Whispir, which sold off in November on animal spirits. The Fund participated in a small way in the initial public offering back in June and built the majority of its stake shortly thereafter. Whispir is a multi-channel communication platform (text and voice messaging, email and social media) offered via a software-as-a-service model. The business is led by the company's founder, Jeromy Wells, who is well motivated as he owns roughly 15% of the stock.

Whispir's software improves efficiency and enhances customer experience by simplifying complex communications processes with automated and drag-and-drop workflows that require little to no coding, so they can be managed with no IT developer or designer skills. This allows users to ensure their stakeholders receive accurate, timely, useful and actionable information that is relevant to their individual circumstances. For example, AGL use Whispir's platform to automate their e-billing and digital customer experience, and The Department of Fire and Emergency Services of Western Australia use it to coordinate multi-agency emergency responses for communities at risk over a vast 2.6 million square kilometres.

Whispir has strong underlying economics with customer retention rates running at 88% and customer revenue retention rates exceeding 115%. 94% of all overall revenue is sourced from recurring subscription licences and transactional charges across its base of more than 500 enterprise customers across Australia, New Zealand, Asia and North America. Sales come from a combination of direct (roughly 25%) and channel partners, like IBM and Telstra, comprising the lion's share. Telstra is a key relationship, and vulnerability, for the business as it accounts for over half of total revenue. We take some comfort from Telstra Ventures being a 7.6% shareholder, but have also appropriately sized the position within the portfolio on account of this key relationship.

Whispir is a rare example of an innovative local tech company expanding into a large global market opportunity. While much of the revenue is currently generated in Australia and New Zealand, the business is making strong headway into Asia and North America. While it's still early days, with Whispir's annual recurring revenue running at a touch over $31 million, we think the company's best years lie ahead.

Turning to Bravura, which is also a newly disclosed holding. This is a company that we have followed for a long time, in fact we met with the management team five times over two and a half years before investing. The company was listed by private equity in November 2016 -- ironically the same week the Fund launched -- and while we are attracted to this type of enterprise software business, we watched patiently, and cautiously, from the sidelines to see how the 47% stake held by private equity played out.

Bravura is a leading provider of software to the wealth management and fund administration industries primarily in Australia, New Zealand, South Africa and the United Kingdom serving a suite of top-tier clients, including: Fidelity International, Bank of New York Mellon, JPMorgan, Prudential, Mercer, Westpac NZ, and Citi, among many other notables.

The company's new generation Sonata product is pivotal to the company's long-term growth. Sonata has an open-architecture structure which allows all customer-requested enhancements to be written into the primary code base, and then made available to all customers on a regular -- usually monthly -- basis. This means the Sonata code base is constantly enriched and remains relevant to their customer's needs.

Bravura's software is mission critical and customers usually sign up for 10 to 15-year contracts with CPI escalation. In addition to this, roughly half of Sonata contracts also include a volume-related element. The mission critical nature of the products also means customers are slow to change, the sales cycles and implementations are long, and as a result revenue can be lumpy from year to year. The business is delivering mid-teens revenue growth and, thanks to strong operating leverage, we expect the business to generate very healthy earnings growth over the medium- to long-term.

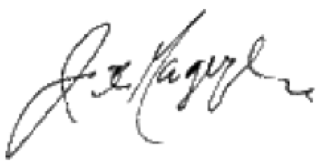
The company was in the headlines over the past 12 months as a potential buyer of ASX-listed, and previous Fund holding, **GBST**. Bravura raised $165 million in anticipation of a transaction, which in our view fortunately did not proceed. Bravura remains very well capitalised as a result with around $120 million in net cash even after two smaller, recent, and -- we think -- more sensible acquisitions. These purchases add further growth atop an already growing core business with high levels of recurring revenue, and a strong balance to continue investing and growing in the years ahead.

Thank You

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 again to all our investors for your time and trust. It means a great deal to us, especially those of you who backed us early, and we'll continue to do our best for you.

Best Regards,



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Morningstar Data source:* ***Lakehouse Small Companies Fund* *https://www.morningstar.com.au/Funds/FundReport/41682*
***Morningstar Data source: Morningstar Direct (Presentation Studio)*

The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision.

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