

Dear Lakehouse Investor,

December was a quieter period for the Lakehouse Small Companies Fund as many companies wound down in the lead up to the holiday season. It was a similar story for our team, which spoke with two companies and attended two investor days during the month.

Turning to performance, the Fund returned -4.6% net of fees and expenses during December compared to a -0.3% return for the benchmark. Over the past year the Fund has returned 46.2% compared to 21.4% for the benchmark. And, since inception in mid-November 2016, the Fund has produced a net total return of 101.5% compared to 38.6% for the benchmark. In annualised terms, the Fund has returned 25.1% per year since inception compared to 11.0% for the benchmark.

Companies Held:	19
Cash Allocation:	15.0%
Top 5 Portfolio Holdings:	38.8%
Net Asset Value per Unit (mid):	\$1.8402
Fund Net Asset Value:	\$255.8 million
Benchmark:	S&P/ASX Small Ordinaries Accumulation Index

The Fund's most significant contributor to performance during the month was **Bravura Solutions** (+4.8%), which moved higher on no fresh news. The biggest detractor during the month was **Catapult** (-28.1%), which pulled back following a [strong](#) run in the prior month. The Fund's five largest holdings as of the end of December accounted for 38.8% of the portfolio and are named in order of the Fund's allocation: **Afterpay**, **EML Payments**, Bravura Solutions, **Nanosonics** and **Nearmap**.

Zooming out, the Fund's largest sector allocations are to information technology (64.8% of total capital), health care (9.6%), and consumer discretionary (5.7%), which is quite different to the benchmark's largest allocations: materials (21.5%), consumer discretionary (14.2%), and real estate (12.9%). 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 was a quiet month for our portfolio companies though Afterpay was again a fountain of news. The company provided a trading update for the November and 'Black Friday / Cyber Monday' trading period, with the highlights being new records in both customer additions and underlying sales. The company now has 6.6 million active customers, most of whom are outside of Australia with more than 3 million in the US and 500k in the UK.

Afterpay also responded to market queries during the month when it confirmed receiving a finance lender's licence from the California Department of Business Oversight "to facilitate its potential future expansion into other service offerings in the US that align with the Company's business model." We're happy to see Afterpay getting along nicely with the California government -- the state has GDP more than double that of Australia -- and to see that Afterpay is laying track for new offerings. We have long held the view that Afterpay's data, reach, and valued relationships with both users and merchants creates a number of interesting future growth opportunities, and we look forward to learning more about the company's intentions at the half-year results in February.

## Looking Ahead

The next couple of months should be livelier as a number of our companies report quarterly cash flows in January and half-year reporting season kicks into gear in February. We look forward to receiving updates from our portfolio companies and digging into potential opportunities as new information comes to light.

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,



**Joe Magyer, CFA**

Portfolio Manager, Lakehouse Small Companies Fund  
Chief Investment Officer, Lakehouse Capital

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