

Dear Lakehouse Investor,

The Australian equity market moved sideways during July as the prospect of a second wave of COVID-19 weighed on investors' minds. For our part, Lakehouse remains busy and held 11 virtual meetings during the month with current and prospective portfolio companies, bringing the total number of company meetings since inception to 620.

The Fund returned +6.7% net of fees and expenses during the month compared to a +1.4% return for the benchmark. Over the past 12 months the Fund has returned +10.6% compared to -8.5% for its benchmark. And, since inception in mid-November 2016, the Fund has produced a net total return of 116.6% compared to 27.6% for the benchmark. In annualised terms, the Fund has returned 23.2% per year since inception compared to 6.8% per year for the benchmark.

	1 Month	3 Month	1 Year	3 Year (p.a.)	Inception (p.a.)
Lakehouse Small Companies Fund	6.7%	15.8%	10.6%	26.2%	23.3%
Benchmark*	1.4%	9.9%	-8.5%	6.5%	6.8%
Excess Return	5.3%	5.9%	19.1%	19.7%	16.4%

We continue to take a balanced view of the economic backdrop. Economies are struggling and markets have rallied hard from their lows, however, the market's rebound is on the heels of the steepest drawdown ever, markets are forward-looking, and some businesses are net beneficiaries of the dramatic shifts in some of the ways we all live, work, spend, and play. As it happens, we own many businesses that we think are benefitting from a structural pull-forward in their growth profiles as economic distress is hammering legacy businesses and challengers are benefitting from an increased openness of customers to try new products and services that will save them time, money, and stress.

The Fund's largest sector allocations are to information technology (60.0% of total capital), financials (15.0%), and health care (13.2%) while the benchmark's largest allocations are to materials (21.8%), consumer discretionary (14.4%), and real estate (12.9%). Our differentiated style should look familiar and our general preference to shy away from cyclical, capital-heavy sectors and companies has also rewarded the Fund very well in calendar 2020.

Company News

Turning to specific companies, the Fund's most significant contributor to performance during the month was **Whispir** (+116.7%), which presented a very impressive update to the market that we'll comment more on shortly. The biggest detractor during the month was **Pro Medicus** (-9.6%) on no news. The Fund's five largest holdings as of the end of the month accounted for 38.4% of the portfolio and are named in order of the Fund's allocation: **Netwealth**, **Nearmap**, **EML Payments**, **Pro Medicus**, and **Nanosonics**.

Fund Metrics	
Companies Held	19
Cash Allocation	11.9%
Top 5 Portfolio Holdings	38.4%
Net Asset Value per Unit (mid)	\$1.8007
Fund Net Asset Value	\$282.9 million
Benchmark	S&P/ASX Small Ordinaries Accumulation Index

Turning to company-specific news, Whispir updated the market with a strong set of results. The company ended the year with 630 active customers, up 25% vs the prior year and a significant acceleration from the 11.3% year-on-year growth from one year ago. Even more impressive is that the company added 72 new customers in the fourth quarter alone and with significantly improved sales efficiency. Whispir was a clear beneficiary in digital transformation being top of mind and pulled forward by organisations. Customer net revenue retention expanded to 124.1%, which highlights increasing customer engagement and deepening relationships. The company was also happy to report positive EBITDA in June. All in all, we're excited for Whispir's future, as the company takes on more ambitious goals in its product roadmap.

Netwealth also provided a pleasing business update during the month showing that market share gains accelerated in the second half of fiscal 2020, as Funds Under Administration grew +35% over the full year to \$31.5 billion. In fact, of the major platforms, Netwealth is growing the fastest, both relative to its size and in absolute terms, which shouldn't be entirely surprising given it has ranked number one in the industry for overall satisfaction for the ninth year in a row (according to Investment Trends). Netwealth's market share of around 4% is less than one-twentieth of the combined share of the six larger legacy platforms -- a number of whom face some structural and idiosyncratic challenges -- and speaks to the long growth runway given their win rate.

We have been impressed with how well management navigated COVID-19 and how resilient the business has proven in light of market turmoil and a falling RBA cash rate. Increased transaction volume, ancillary revenue and the impact of fee caps helped to cushion the impact, putting the business on track to slightly exceed its COVID-19-revised guidance and consensus forecasts. The business has performed well, and the share price has followed, with Netwealth growing to be our largest position at month end.

Looking Ahead

August marks the full year reporting season for most of our portfolio holdings. We look forward to hearing more from the management teams of our portfolio holdings, and prospective companies, and their plans for the future.

Thanks again to all our investors for your time and trust. We appreciate it a great deal and hope you and yours are well during this challenging time.

Best Regards,
Lakehouse Capital

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