

# LAKEHOUSE SMALL COMPANIES FUND

FEBRUARY 28, 2021



## ABOUT THE FUND

The Lakehouse Small Companies Fund invests in fast growing small companies listed in Australia and New Zealand. They are companies that are typically less researched, and have greater potential upside.

## INVESTMENT OBJECTIVE

The fund's objective is to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling 5-year periods (after fees and expenses but before taxes).

	1 MONTH	3 MONTH	1 YEAR	3 YEAR (p.a)	SINCE INCEPTION (p.a)
LAKEHOUSE SMALL COMPANIES FUND**	0.6%	4.4%	43.1%	23.0%	25.5%
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX*	1.5%	4.1%	17.2%	7.2%	10.5%
EXCESS RETURN	-0.9%	0.3%	25.9%	15.8%	15.0%

\*\* Performance calculations are based on exit price with distributions reinvested, after fees and expenses, since inception in mid-November 2016.

\* Benchmark: S&P/ASX Small Ordinaries Accumulation Index.

Past performance is not indicative of future returns.

## INVESTMENT STRATEGY

Lakehouse Capital's strategy for the Fund is to invest in a high conviction portfolio of 15 to 30 small companies listed in Australia and New Zealand. The investible universe consists of companies outside the S&P/ASX 100, though the Fund may continue to hold companies that grow into the ASX 100 as letting winners run is part of the Fund's long-term strategy.

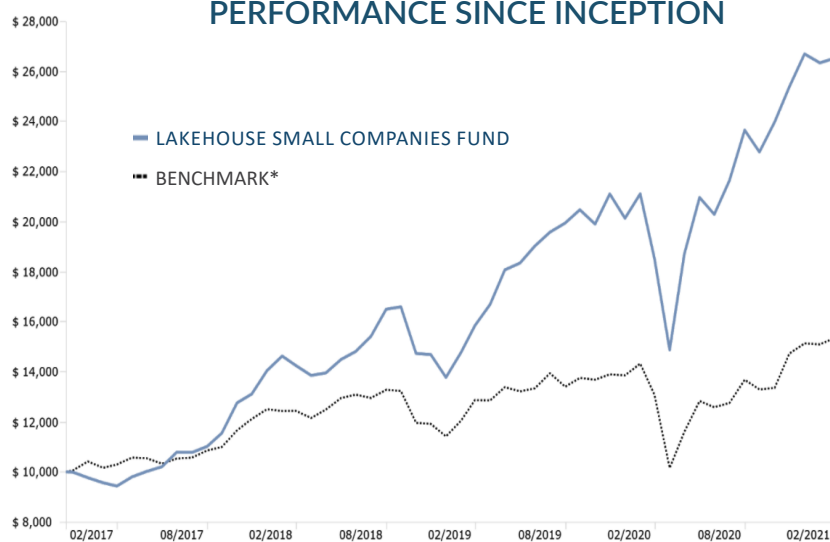
Our stringent investment process leads us to invest in companies that present the following characteristics:

- Strong positions in growing markets.
- Pricing power with customers and suppliers.
- Durable competitive advantages grounded in: scale, strong brands, network effects, or high customer switching costs.
- Aligned and experienced management teams with strong track records of capital allocation.
- Conservative balance sheets.
- Attractive valuations.

## PERFORMANCE REVIEW

The Fund returned 0.6% net of fees and expenses during the month compared to a 1.5% return for the benchmark. Since inception in mid-November 2016, the Fund has returned 25.5% p.a. compared to 10.5% p.a. for the benchmark. The Fund's most significant contributor to performance during the month was **EML Payments** (+29.6%) which reported a consensus-beating half year result with all segments of the business proving more resilient than the market expected. The biggest detractor during the month was **Netwealth** (-19.0%) which fell despite reporting pleasing half year results, with revenue and net profit growing 22.3% and 34.5%, respectively. We estimate the company increased its market share by 0.70% - 0.75% in the half, with 0.40% of that in the second quarter, pointing to an acceleration in market gain.

## PERFORMANCE SINCE INCEPTION



Source: Morningstar Direct

\*Benchmark: S&P/ASX Small Ordinaries Accumulation Index

Performance is based on exit price with distributions reinvested, net of fees and expenses

## Key Information

Portfolio Manager	Joe Magyer
Number of Stocks	15-30
APIR Code	OMF6696 AU
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Inception Date	15 November 2016
Fees & Costs	Management fee- 1.3% Performance fee- 15% ^
Buy/Sell Spread	+/- 0.25%
Distribution	Annual
FUM	\$403.6 million
Cash Range (Typical)	5%- 15%

^Performance fee: 15% of the amount by which the Fund's returns (after fees and expenses but before taxes) exceed the higher of the Benchmark and high watermark. This fee is payable to Lakehouse Capital.

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## TOP FIVE HOLDINGS OF THE FUND:

The Fund held 23 positions as at February 28, 2021:

Top 5 Holdings	Industry
EML Payments	Data Processing & Outsourced Services
Pro Medicus	Health Care Equipment & Services
Netwealth	Diversified Financials
Nearmap	Software & Services
Pinnacle Investment Management	Diversified Financials
Total Percentage	34.6%

## FUND COMMENTARY

The sector-level portfolio breakdown provides further context on the Fund's strategy relative to the broader market for small companies. The Fund's largest sector allocations are to information technology (51.7% of total capital), healthcare (14.8%), and financials (12.5%) while the benchmark's largest allocations are to materials (21.1%), consumer discretionary (17.0%), and financials (14.1%).

The Fund embraces a differentiated approach with an emphasis on capital-light, recurring-revenue-centric business models and a bias away from cyclical, capital-intensive businesses. As a result, the Fund tends to be overweight IT and underweight materials, energy, utilities, and real estate.

For a full detailed commentary of the fund, please read our [monthly newsletter](#) located on our website.

## WHO IS LAKEHOUSE CAPITAL?

Lakehouse Capital is the Sydney-based boutique fund manager of two high-conviction growth strategies. For further information on our other strategy, the Lakehouse Global Growth Fund, please feel free to contact our distribution team.

## PLATFORM AVAILABILITY

The Lakehouse Small Companies Fund is available on the following platforms:

- HUB24 IDPS
- Netwealth IDPS
- Powerwrap IDPS
- AEGIS (NZ)
- Mason Stevens IDPS
- WealthO2 IDPS
- Ausmaq

## Key Fund Metrics

Alpha <sup>^</sup>	13.8
Up Capture Ratio	171.6
Down Capture Ratio	81.6
Batting Average	63.5
Sortino Ratio	1.9
Information Ratio	1.4
Portfolio Turnover*	23.6%

Source: Factset and Lakehouse Capital  
\*Inception to date average annual turnover figure  
<sup>^</sup>Annualised

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