

# LAKEHOUSE SMALL COMPANIES FUND

MARCH 31, 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**             | -3.6%   | -4.3%   | 71.8%  | 22.6%        | 23.9%                 |
| S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX* | 0.8%    | 2.1%    | 52.1%  | 8.3%         | 10.5%                 |
| EXCESS RETURN                                | -4.4%   | -6.4%   | 19.7%  | 14.3%        | 13.4%                 |

\*\* 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.

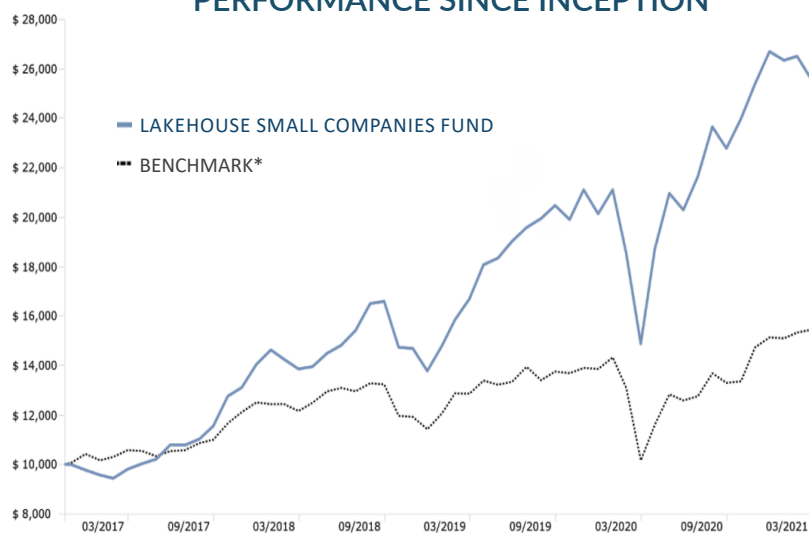
## PERFORMANCE REVIEW

The Fund returned -3.6% net of fees and expenses during the month compared to a 0.8% return for the benchmark. Since inception in mid-November 2016, the Fund has returned 23.9% p.a. compared to 10.5% p.a. for the benchmark.

The Fund's most significant contributor to performance during the month was mining software and consulting leader **RPM Global** (+21.7%) after a strong start to the second half for its software business. RPM management continues to execute well on its strategy to build an enterprise platform to service miners and is reaping the rewards of having invested against the commodities cycle.

The biggest detractor during the month was **CleanSpace** (-67.2%) which provided a horrid quarterly trading update following its strong half-year report.

## 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%<br>Performance fee- 15% ^ |
| Buy/Sell Spread      | +/- 0.25%                                      |
| Distribution         | Annual   |
| FUM                  | \$391.9 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 March 31, 2021:

| Top 5 Holdings                 | Industry                              |
|--------------------------------|---------------------------------------|
| EML Payments                   | Data Processing & Outsourced Services |
| Netwealth                      | Diversified Financials                |
| Pro Medicus                    | Health Care Equipment & Services      |
| Pinnacle Investment Management | Diversified Financials                |
| Tyro                           | Data Processing & Outsourced Services |
| Total Percentage               | 35.2%                                 |

## 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 (54.2% of total capital), financials (13.4%), and healthcare (12.7%) while the benchmark's largest allocations are to materials (21.2%), consumer discretionary (17.3%), and financials (13.3%).

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
- AEGIS (NZ)
- Mason Stevens IDPS
- Ausmaq

## Key Fund Metrics

|                     |       |
|---------------------|-------|
| Alpha <sup>^</sup>  | 12.4  |
| Up Capture Ratio    | 161.7 |
| Down Capture Ratio  | 81.6  |
| Batting Average     | 62.3  |
| Sortino Ratio       | 1.8   |
| Information Ratio   | 1.2   |
| Portfolio Turnover* | 23.2% |

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

## CONTACT US

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