

# LAKEHOUSE SMALL COMPANIES FUND

SEPTEMBER 30, 2023



## 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)	5 YEAR (p.a)	SINCE INCEPTION (p.a)
LAKEHOUSE SMALL COMPANIES FUND*	-2.4%	6.2%	24.3%	-3.4%	4.4%	11.1%
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX**	-4.0%	-1.9%	6.8%	2.6%	1.6%	5.4%
EXCESS RETURN	1.6%	8.1%	17.5%	-6.0%	2.8%	5.7%

\* Performance calculations are based on exit price with distributions reinvested, after fees and expenses, since inception in mid-November 2016. Returns greater than one year are annualised. Past performance is not indicative of future returns.

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

## 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 -2.4% net of fees and expenses during the month compared to a -4.0% return for the benchmark. Since inception in mid-November 2016, the Fund has returned 11.1% p.a. compared to 5.4% p.a. for the benchmark. The Fund's most significant contributor to performance during the month was **Pro Medicus (+14.0%)** as the company announced its largest ever contract win during the month. This win continues the 3 year run of fully cloud depolyed contracts as more of the North American healthcare market has come to undersdand cloud is more secure, more scalable and more cost effective. The biggest detractor was **Altium (-10.2%)** whose share price pulled back following a near 30% rally after its full year results in August.

## 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	Donny Buchanan
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	\$228.8 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 22 positions as at September 30, 2023:

Top 5 Holdings	Industry
Netwealth	Data Processing & Outsourced Services
Audinate	Technology
Pro Medicus	Healthcare Technology
Nanosonics	Healthcare
Siteminder	Application Software
Total Percentage	37.3%

## 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 remain information technology (**37.6% of total capital**), financials (**18.2%**), and healthcare (**18.7%**) while the benchmark's largest allocations are to materials (**22.8%**), consumer discretionary (**17.3%**), and real estate (**12.1%**).

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 Letter](#) 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>	5.7
Up Capture Ratio	179.1
Down Capture Ratio	104.0
Batting Average	60.2
Sortino Ratio	0.7
Information Ratio	0.5
Portfolio Turnover*	20.3%

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

## CONTACT US

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Lakehouse Small Companies Fund's Target Market Determination available here - [www.lakehousecapital.com.au/lscf/](http://www.lakehousecapital.com.au/lscf/). It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed. Disclosure: Lakehouse, its directors, employees and affiliates, may, and likely do, hold units in the Fund and securities in entities that are the subject of this report.