

# LAKEHOUSE SMALL COMPANIES FUND

## MONTHLY LETTER

31 March 2024



Dear Lakehouse Investor,

March was another busy month for the team as we continued analysing half year results and meeting with company leaders. Reporting season can at times feel like we're drinking from the proverbial firehose, but we wouldn't want it any other way.

Our focus is on distilling the meaningful changes in businesses and their competitive landscape, understanding the risks and opportunities that will play out over a 5+ year investment horizon, and then patiently positioning the portfolio to profit over the long-term.

The Fund returned 3.0% net of fees and expenses

for the month compared to 4.8% return for the benchmark. Since inception in mid-November 2016, the Fund has produced a net total return of 143.1% compared to 67.4% for the benchmark. In annualised terms, the Fund has returned 12.8% per year, net of fees and expenses, since inception compared to 7.2% per year for the benchmark.

Fund Metrics	
Companies Held	22
Cash Allocation	7.5%
Top 5 Portfolio Holdings	40.2%
Fund Net Asset Value (NAV)	\$252.4 million
NAV per Unit (mid)	\$1.6941
Benchmark	S&P/ASX Small Ordinaries Accumulation Index

	1 Month	1 Year	3 Year (p.a.)	5 Year (p.a.)	Inception (p.a.)
Lakehouse Small Companies Fund*	3.0%	32.7%	-1.7%	7.8%	12.8%
Benchmark**	4.8%	13.8%	2.7%	5.4%	7.2%
Excess Return	-1.8%	18.9%	-4.4%	2.4%	5.6%

\* 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.

The Fund's largest sector allocations as of the end of March were to information technology (37.5%), financials (19.2%) and healthcare (16.9%) while the benchmark's largest allocations are to materials (24.4%), consumer discretionary (16.7%), and real estate (13.2%). We expect to have material allocations to these sectors over time as the sectors, or at least subsets of them, are overweight business models that

lend themselves to strong long-term performance, namely intellectual property, network effects, and loyalty.

## Company News

At the portfolio level, the Fund's five largest holdings as of the end of the month accounted for 40.2% of the portfolio and are named in order of the Fund's allocation: **Netwealth**, **Audinate**, **SiteMinder**, **Pinnacle Investment Management** and **Xero**.

The Fund's most significant contributor to performance during the month was **Netwealth** (+11.1%), as the shares continued to appreciate following pleasing half year results. We don't have anything to add to what we said in last month's letter:

*Netwealth reported healthy growth over the half with revenue and net profits up 20% and 28%, to \$123 million and \$39 million, respectively. Net profit margins widened 2.6% to 31.9% as the business rolled past a period of heavier investment. Potential remains for profitability to further improve in the second half off the back of a strong pipeline of new business and slower growth in headcount. Big picture, Netwealth continues to take share from the much larger legacy platforms, growing its scale and efficiency while continuing to invest and innovate. Netwealth has around 8% market share against almost 40% share of incremental flows and remains well positioned to benefit from long-term structural growth.*

**Audinate** swung from being the Fund's biggest contributor [last month](#) (+40.4%) to the biggest detractor this month (-9.7%). The share price pulled back following heightened demand for liquidity in February as the company graduated to the ASX200. Our long-term view of the business and opportunity over the next decade remains unchanged.

## Looking Ahead

We are grateful to all our investors' support and trust in investing alongside us for the long term.

Best regards,

[Lakehouse Capital](#)

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For more information call us on +61 2 8294 9800, email [investorsupport@lakehousecapital.com.au](mailto:investorsupport@lakehousecapital.com.au) or visit [www.lakehousecapital.com.au](http://www.lakehousecapital.com.au)

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Lakehouse Small Companies Fund's Target Market Determination is available here - <https://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.

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.