LAKEHOUSE SMALL COMPANIES FUND

MONTHLY LETTER

31 July 2024

Dear Lakehouse Investor,

The Fund returned 3.0% net of fees and expenses for the month compared to 3.5% return for the benchmark. Since inception in mid-November 2016, the Fund has produced a net total return of 152.9% compared to 65.5% for the benchmark.

In annualised terms, the Fund has returned 12.8% per year, net of fees and expenses, since inception compared to 6.8% per year for the benchmark.

The Fund's largest sector allocations as of the end of July were to information technology (40.4%), financials (20.4%) and healthcare (17.4%) while the benchmark's largest allocations are to materials (23.5%), consumer discretionary (17.1%), and real estate (13.8%).

Fund Metrics	
Companies Held	22
Cash Allocation	3.9%
Top 5 Portfolio Holdings	41.0%
Fund Net Asset Value (NAV)	$249.2 million
NAV per Unit (mid)	$1.7315
Benchmark	S&P/ASX Small Ordinaries Accumulation Index

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.

	1 Month	1 Year	3 Year (p.a.)	5 Year (p.a.)	Inception (p.a.)
Lakehouse Small Companies Fund*	3.0%	23.3%	-3.4%	5.2%	12.8%
Benchmark**	3.5%	9.3%	-0.6%	3.5%	6.8%
Excess Return	-0.5%	14.0%	-2.8%	1.7%	6.0%

** 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.*

Company News

At the portfolio level, the Fund's five largest holdings at month end accounted for 39.2% of the portfolio and are named in order of allocation: Pinnacle Investment Management, Netwealth, SiteMinder, Pro Medicus, and Xero.

The Fund's most significant contributor to performance during the month was Pinnacle Investment Management (+15.7%), as the market anticipated a strong full year result. More on that shortly. Audinate was the biggest detractor (-6.1%) on no news.

Pinnacle released its full year results the day after month end, with net profit growing +18% to $90 million and coming in ahead of consensus. Fund-raising efforts across the business were strong, with net inflows of $10 billion delivered for the year. Combining these solid inflows with positive investment returns saw aggregate funds under management (FUM) grow +20% to $110 billion, setting the group up for a strong start to the new financial year. Even more pleasing, was that the higher-profit-margin segments of retail and international led the growth, up 27% and 77%, respectively.

The business has a very strong long-term capital allocation track record, steeped in patience and discipline. With $186 million of firepower, Pinnacle is well positioned to take advantage if a compelling opportunity were to arise. In the meantime, we're excited to see their latest listed equity venture – to be named Life Cycle Partners – get off the ground given the reputation of the former-Royal-London team. It's very early days for Life Cycle Partners, though many of the hallmarks are present for this to be one of their best partnerships yet. Not only that, it will help the business accelerate expansion of its international institutional and retail distribution capability, and attract other high calibre investment teams to the Pinnacle stable.

Turning to Netwealth, which provided its final quarterly update for the financial year during July. The business delivered a strong quarter with net flows up 20%, and total funds under administration up 25% to $88 billion. The number of accounts across the business grew at a healthy 12.3% and now number over 143,000. The platform continues to gobble up market share and stands to benefit from increasing scale and widening margins following a period of heavier investment in recent years. We look forward to a comprehensive update on the business when it reports full year results later in August.

SiteMinder delivered a positive quarterly result which was mostly expected. The company reached the important milestone of free cash flow breakeven, reporting an underlying free cash flow margin of 4.9%, a 17-percentage point increase compared to last year. It's good to see management execute on their profitability commitments while also investing in new products and growing the business. We continue to see progress towards winning larger hotels, increasing room count in the Americas and EMEA by 70% year-on-year. This sets up positively for the release of the imminent new transaction-based products. Moving forward, we believe the company is in a good position to re-accelerate revenue growth.

Thank you

Finally, thank-you to all our investors' for your trust in investing alongside us for the long term. We are grateful for your loyalty and support.

Best regards,

Lakehouse Capital

For more information call us on +61 2 8294 9800, email investorsupport@lakehousecapital.com.au or visit www.lakehousecapital.com.au

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