

LAKEHOUSE SMALL COMPANIES FUND

MONTHLY LETTER

31 December 2024



Dear Lakehouse Investor,

December was a very quiet month in terms of fundamental news flow for our portfolio companies, and as such, this month's letter will be on the lighter side. The next few months will see a pickup in news flow as quarterly and half-yearly trading updates are released by many of our portfolio businesses.

While 2024 held many macroeconomic and geopolitical concerns, the more optimistic mood of markets -- particularly following a decisive US election result -- saw many developed equity markets finish in positive territory. On our doorstep, the S&P/ASX Small Ordinaries Accumulation Index returned 8.4% for the calendar year, while the Fund returned 36.0% (after fees).

We made several changes to the portfolio throughout December, most notably reducing several positions that had run hard, reallocating more capital to businesses we are most optimistic about at current prices and increasing our cash allocation to above 10.6% to increase the Fund's optionality as we enter the half year reporting season.

The Fund returned -2.8% net of fees and expenses for the month compared to -3.1% for the benchmark. Since inception in mid-November 2016, the Fund has produced a net total return of 193.9% compared to 68.7% for the benchmark. In annualised terms, the Fund has returned 14.2% per year, net of fees and expenses, since inception compared to 6.6% per year for the benchmark.

Fund Metrics

Companies Held	20
Cash Allocation	10.6%
Top 5 Portfolio Holdings	41.3%
Fund Net Asset Value (NAV)	\$277.2 million
NAV per Unit (mid)	\$2.0123
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*	-2.8%	36.0%	1.9%	7.8%	14.2%
Benchmark**	-3.1%	8.4%	-1.6%	4.0%	6.6%
Excess Return	0.3%	27.6%	3.5%	3.8%	7.6%

* 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.

Company News

At the portfolio level, the Fund's five largest holdings at month end accounted for 41.3% of the portfolio and are named in order of allocation: **Catapult**, **Pinnacle**, **SiteMinder**, **Xero**, and **Netwealth**.

The Fund's most significant contributor to performance during the month was **Redox** (+13.7%) which moved higher on no news. SiteMinder was the biggest detractor (-8.6%), also on no substantive news.

Pinnacle wrapped up its share purchase plan (SPP) during December. After receiving applications for more than triple the \$25 million SPP target, the company scaled back applications by a third, ending up with an additional \$50 million in the bank. After factoring in the [recent acquisitions, institutional placement](#) and SPP, the business is holding around \$250 million in dry powder to pursue growth opportunities.

As we said last month:

The Pinnacle team have a strong track record of capital allocation and demonstrated capability to add substantial value to businesses it owns. Given our already large portfolio sizing, the Fund did not participate in the capital raise but was pleased to see an acceleration of the investment thesis after a period of discipline and patience by the management team.

Considering new affiliates launching, some recent acquisitions with more in the hopper and plenty of funding to support continued growth, 2025 is shaping up as a marquee year for the business.

Looking ahead & thank you

January and February should be filled with trading updates from most of the portfolio businesses as they report on the December half year. We look forward to catching up with the management teams of current and prospective portfolio holdings in the coming months.

Thank you to all our investors for your support and trust. We hope 2025 is a healthy and prosperous year for you and your family.

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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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.