LAKEHOUSE SMALL COMPANIES FUND

MONTHLY LETTER

31 January 2025

Dear Lakehouse Investor,

Trump officially commenced his second presidential term during the month, and you probably noticed he's been quick to shake things up.

In the first few weeks, he passed executive orders affecting everything from immigration, climate change and oil exploration to health and medical research, as well as eliminating federal programs and entire government departments. One of the big changes with potential sweeping macroeconomic impacts, are the on-and-off tariffs placed on America's largest trading partners; Canada, Mexico and China.

Fund Metrics	
Companies Held	20
Cash Allocation	9.2%
Top 5 Portfolio Holdings	42.6%
Fund Net Asset Value (NAV)	$286.0 million
NAV per Unit (mid)	$2.0846
Benchmark	S&P/ASX Small Ordinaries Accumulation Index

Only time will reveal the impact of these changes and whether some – like the tariffs -- amount to brinkmanship, change or a combination. Amongst all the noise, we will remain focused on seeking out businesses that are well placed to succeed over the long-term regardless of the short-term environment.

The Fund returned 3.6% net of fees and expenses for the month compared to 4.6% for the benchmark. Since inception in mid-November 2016, the Fund has produced a net total return of 204.5% compared to 76.4% for the benchmark, or in annualised term, the Fund has returned 14.5% per year (net of fees and expenses) compared to 7.2% per year for the benchmark.

	1 Month	1 Year	3 Year (p.a.)	5 Year (p.a.)	Inception (p.a.)
Lakehouse Small Companies Fund*	3.6%	44.1%	8.5%	7.6%	14.5%
Benchmark**	4.6%	12.3%	3.1%	4.3%	7.2%
Excess Return	-1.0%	31.8%	5.4%	3.3%	7.3%

** 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 42.6% 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 Pinnacle (+12.0%) as several of its affiliates had a strong finish to calendar 2024 – more on this business shortly. RPM Global was the biggest detractor (-9.2%) on no news.

Pinnacle has long been front of the queue when it comes to ASX reporting, and this half was no different. So, we'll stick with our tradition of sharing thoughts on Pinnacle's results – even though they fell outside January -- given next month's letter will be on the longer side with many other company's results.

At a high level, Pinnacle's business is firing on all cylinders: attracting strong net fund inflows and generating strong performance across existing affiliates, while also continuing to expand these product offerings, plus, standing up new affiliates and acquiring additional ones in a measured and positively diversifying way.

It is a potent combination, and the team's strong execution is playing out in the numbers with net profit growing 151%, to $76 million for the half, 20% ahead of consensus estimates. Similarly, organic fund inflows were up 27%, and 42% ahead of consensus -- which has total funds under management (FUM) starting the second half 12% ahead of market expectations.

The thesis when the Fund first invested five years ago was relatively simple. We had observed the business executing well and diversifying its revenue base; into other asset classes, toward higher margin retail and international FUM, and further into performance fee optionality, while also adding affiliates -- and expanding its search for affiliates -- into much bigger markets offshore.

Combining this growth platform with a very capable management team, prudent capital allocation, and the extraordinary operating leverage inherent in their business, led us to take an ownership stake. It has worked out well so far, but we believe in many ways this business is still early in its growth journey.

Consider for example that $110 billion, or 71%, of Pinnacle's $155 billion under management is sourced domestically, yet Australia accounts for less than 2% of global equity markets and global GDP. Put another way, funds from offshore currently only account for 29% of Pinnacle's total FUM despite that market opportunity being multiple times larger. An immense opportunity lies ahead for their business model.

It was a marquee half for the offshore expansion of Pinnacle's business with the launch of Life Cycle Investment Partners (UK), and acquisition of stakes in Pacific Asset Managment (UK) and VSS (US). Both acquisitions were discussed in our December investor letter.

With a critical mass of local product in the UK and Europe (through Akiya, Life Cycle and now Pacific), it is logical that Pinnacle is prioritising the build out of resourcing in that region in the months, and years, ahead. This investment can help attract new affiliates in that market but also offer a broader opportunity for other existing Pinnacle affiliates to sell into that market.

Pinnacle is similarly working to build scale in North America. It has a foothold through Langdon and VSS, and we expect them to continue pursuing high-quality affiliates in this market -- putting their $440 million of dry powder to work -- to build critical mass and then follow with accelerated investment in resourcing in the years ahead.

Looking ahead & thank you

February will be busy for the team as we digest half year results and meet with management teams of both current and prospective holdings to discuss the long-term plans for their businesses. We look forward to sharing more with our investors in next month's letter.

As always, thank you to all our investors for your support and trust.

Best regards,

Lakehouse Capital

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