LAKEHOUSE SMALL COMPANIES FUND

MONTHLY LETTER

31 March 2025

Dear Lakehouse Investor,

Fund Metrics	
Companies Held	19
Cash Allocation	5.4%
Top 5 Portfolio Holdings	40.0%
Fund Net Asset Value (NAV)	$240.0 million
NAV per Unit (mid)	$1.8335
Benchmark	S&P/ASX Small Ordinaries Accumulation Index

Equity market volatility was elevated in March driven by uncertainty around Trump's trade policy. Markets despise uncertainty, and prevailing events triggered a broad-based selloff meaning our growth focused strategy had a challenging month.

Whilst we're cognisant of the *potential* risks of a drawn-out trade war – namely that of higher inflation and a slowdown in growth – we also acknowledge the *potential* for the Trump administration to negotiate, or even pivot, in short order. Nevertheless, we believe our portfolio is well placed to navigate various scenarios, as overall, we have limited exposure to businesses manufacturing goods in international markets (such as Canada, Mexico or China) and exporting back into the US.

In our view, our portfolio represents a collection of businesses which exhibit robust market positions, strong underlying economics and growth potential, and conservative balance sheets. From a fundamental perspective, operating momentum remains strong as of the most recent half year results.

While extreme bouts of volatility are unsettling, it's important to remember; they are commonplace in equity market investing, and for the long-term investor, volatility can provide opportunity to increase ownership in businesses at reduced prices.

At a portfolio level, we were more active than usual, getting set in a new position that we've been following for several years, topping up in other positions, and completing the exit of two small positions. We will cover the exits in our annual letter and discuss the new position after the portfolio is fully set.

The Fund returned -7.7% net of fees and expenses for the month compared to -3.6% for the benchmark. Since inception in mid-November 2016, the Fund has produced a net total return of 167.8% compared to 65.3% for the benchmark, or in annualised term, the Fund has returned 12.5% per year (net of fees and expenses) compared to 6.2% per year for the benchmark.

	1 Month	1 Year	3 Year (p.a.)	5 Year (p.a.)	Inception (p.a.)
Lakehouse Small Companies Fund*	-7.7%	10.1%	7.6%	12.5%	12.5%
Benchmark**	-3.6%	-1.3%	-0.8%	10.2%	6.2%
Excess Return	-4.1%	11.4%	8.4%	2.3%	6.3%

** 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 40.0% of the portfolio and are named in order of allocation: **Catapult, SiteMinder, Nanosonics, Pinnacle** and **RPM Global.**

The Fund's most significant contributor to performance during the month was **FINEOS Corporation** (+17.4%). This is the first time disclosing our FINEOS investment, as such we will share key points of the investment thesis.

FINEOS is a leading provider of core software systems for the global life, accident, and health insurance industry. The company serves seven of the ten largest group life and health insurers in the U.S. and six of the largest life insurers in Australia. Founded in 1993, FINEOS is headquartered in Dublin (Ireland) and led by its founder, Michael Kelly, who retains a majority stake of over 50%.

The insurance software industry is highly entrenched, with many companies still reliant on outdated mainframe systems – leaving a large legacy issue to solve. Given past challenges with costly and failed implementations, insurers tend to be cautious and slow-moving when adopting new critical workflow platforms. Similarly, FINEOS listed on the ASX in 2019 and has had a bumpy ride due to long sales cycles, and multiple capital raisings; for product development and the failed acquisition of Limelight in the heady days of 2020.

We have followed FINEOS since IPO, however it hasn't presented as an attractive investment opportunity until more recently.

Despite numerous hurdles, the business made meaningful progress. It has remained focused on improving its product offering and successfully completed major implementations with New York Life and Guardian Life -- key wins that we believe will serve as strong reference points for future deals. As the company moves beyond a heavy product-driven investment phase, adds large and successful implementations to its resume, and works with an expanded partnership network, we have a clearer view toward profitable growth.

The company's financials reflect a tough few years due to its heavy investment, combined with the revenue churn following the poor Limelight acquisition. Currently, FINEOS trades at 2.7x forward Enterprise Value to Revenue, an attractive valuation for a business with strong retention and improving operating metrics. Notably, FINEOS is becoming a higher quality business as revenues increasingly shift to subscription, which are higher margin and recurring in nature.

With its past issues in the rear-view mirror, we see a more efficient, product-led organisation poised to inflect past free cash flow breakeven. FINEOS can now focus on self-funding growth and expanding earnings for shareholders. With an aligned founder and an improving business outlook, we are excited for the future of this investment.

The biggest detractor this month was Pinnacle (-21.8%) as negative market sentiment disproportionately weighed on the diversified investment manager, as is often the case. Gloomy press around Pinnacle's private credit business, Metrics Credit Partners, also cast a long shadow and warrants.

As Australia's ninth largest business lender -- after the big 4 banks, Macquarie and a few offshore banks -- and the tallest poppy in the private credit field, Metrics is a worthy target. Consequently, any problem projects they have tend to be well publicised. On the flipside, as the biggest home-grown and most established private credit provider, Metrics are among the more experienced operators with considerable resourcing to navigate debt workouts. Although some in the market think it is inappropriate for a debt fund to assume equity positions in failed loans -- as Metrics does -- to us this seems measured, and pragmatic, compared to a traditional banking approach.

An external proof point to Metric's worth, and Pinnacle's capital allocation capability, came to light during the month. A consortium including the National Pension Service of Korea, paid $50 million for a 4.17% stake in Metrics – implying a 9x return on Pinnacle's 2018 investment price, excluding follow on investments -- and providing additional capital for the business to continue its growth. We would not be surprised to see Metrics opportunistically hoover up smaller providers, or portfolios, if offered by market conditions.

From a Pinnacle perspective, over 85% of aggregate funds under management sit outside Metrics, spread over another 17 affiliates, and diversified across many different asset classes. Despite its share price being hyper-reactive to listed market sentiment, we remain happy long-term holders.

Catapult hosted an investor day during the month, which attracted strong institutional interest -- unsurprising given the company's strong progress, dominant market position and recent inflection to profitability. CEO Will Lopes and CFO Bob Cruickshank outlined their ambition to scale annual contract revenue from approximately US$100 million today to US$1 billion. Market penetration remains early at around 17%, with a pathway to reach 35–50% as the business expands into new geographies and broadens its presence in collegiate and women's sports. In tandem with growing team numbers, management aims to lift average contract value by 4–6 fold to more than US$100,000 (currently US$26,100) through upselling more-advanced software, cross-selling video solutions, introducing new products, and applying routine price increases.

As part of this, the Chief Product Officer unveiled Catapult's latest wearable, Vector8 -- a next-generation device that captures a deeper data set; enabling faster insights, plus more informed training and in-game coaching decisions. Looking ahead, Catapult reports its full-year results in May, where fiscal 2025 guidance has been reaffirmed. With an undemanding price backed by strong execution, market leadership and significant runway, we believe the business continues to warrant its place among the Fund's largest positions.

Turning to Nanosonics, which received U.S. Food and Drug Administration (FDA) clearance for its CORIS system during March. As a reminder, CORIS is focused on improved cleaning outcomes for flexible endoscopes, in particular as it relates to biofilm build up. We managed to visit the company's Macquarie Park R&D facilities late in the month to learn more about the device, its recent FDA approval, plus see it in real life.

Looking under the hood of a CORIS machine, it's clear many experts across mechanical, electrical and software engineering, plus design, fluid dynamics, and biofilm science have contributed significantly to developing the product over many years. Plenty of work lays ahead on the path to commercialisation, and it's unlikely to be a straight line, but we are more positive on the opportunity and investors should be prepared to hear much more about this product in the years ahead.

In the meantime, there's plenty more to learn about CORIS, its unit economics and market adoption pathway.

One challenge we observed in Trophon's rollout was market education, as not all ultrasound probes are required to undergo high-level disinfection. Conversely for CORIS, education may prove to be less of a barrier, as all reuseable endoscopes are required to be cleaned to a high standard for (internal) re-use across patients. An automated process that delivers superior cleaning outcomes should hold considerable appeal in achieving consistent, improved patient outcomes.

While we size the market for CORIS devices as smaller than Trophon, the high-margin consumable cycle stands to be multiples that of a Trophon. The company's existing sales network and hospital relationships may prove helpful in smoothing the adoption of CORIS. Also, as the c.80% market leader in flexible endoscope manufacturing, we expect Olympus is following along closely as they have much to gain from improved cleaning outcomes that; i) help mitigate FDA patient-infection concerns, and ii) puts single-use endoscope manufacturers further from their market.

And finally, on to RPM Global, which grew into our top 5 positions during the month. Our investment thesis has always centred on the software business. In February, RPM announced the sale of its lower-margin, and more-cyclical, Advisory division -- and for what we think is a heady multiple relative to the business quality. Pleasingly, this leaves us with a pure software business going forward. (Don't worry, we won't bore you with the attractiveness of capital light, sticky enterprise software revenue streams for long-term investors like us.)

We have long been fans of CEO Richard Matthews who has strong commercial acumen and an enviable track record of buying, integrating, and selling software companies. His earlier days at RPM were marked by dutiful cost management, followed by a period of acquisition of complimentary software code to build out the product suite. As that investment slowed, and the business steadily grew, the company's (excess) cash balance swelled. Since mid-2022 (when equity markets were sagging) RPM has steadily bought back stock, having spent over $20 million to acquire 5.3% of shares outstanding at an average level 43% below the closing price at the time of writing. This kind of capital allocation is what we've come to expect from a founder-minded business leader like Richard.

While our investment thesis rests on the continuing steady growth of the software business, we are pleased that as investors we stand to receive a material, and very tax-efficient, return of capital from the Advisory sale proceeds in the coming months. Alongside this, there have been several M&A transactions in recent years that could spread to RPM Global.

Thank You

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

Best regards,

Donny, Erwin, Nick, and the Lakehouse Team.

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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.