LAKEHOUSE SMALL COMPANIES FUND

ANNUAL LETTER

30 June 2025

Companies Held:	19
Cash Allocation:	5.0% ^
Top 5 Portfolio Holdings:	38.9% ^
Net Asset Value per Unit:	$1.9419 ^
Fund Net Asset Value:	$267.0 million ^
Benchmark:	S&P/ASX Small Ordinaries Accumulation Index

^ Note: figures are net of the 30 June 2025 distribution; equal to $0.1707 per Unit, or $7.66 million total net at the Fund level.

Equity markets (again) showed their capacity as remarkable wealth compounders for patient investors in fiscal 2025. The Lakehouse Small Companies Fund returned 25.7% net of fees and expenses, compared to 12.3% return for its benchmark. Whilst these returns are pleasing, we do not judge ourselves over such short time periods, and nor should investors who share our appetite for long-term compounding.

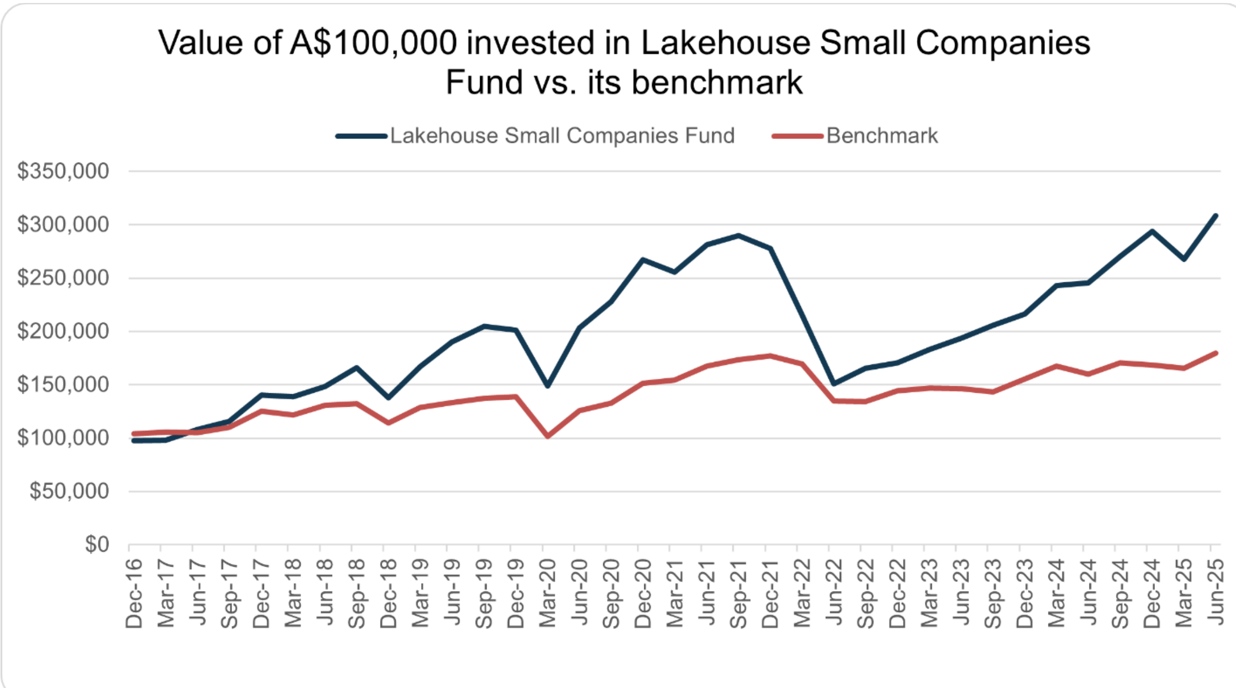
Lakehouse is into its ninth year of operation, and since inception in mid-November 2016, the Fund has delivered a net total return of 208.6%, compared to 79.6% return for its benchmark over the same period. In annualised terms, the Fund has returned a net 14.0% since inception compared to 7.0% for its benchmark. To contextualise in dollar terms in this world dominated by passive index investing: an investor who placed $100,000 in the Fund at inception would have earned the benchmark return of $79,550 on their initial capital, plus an extra $129,050 on top. Passive index investing certainly has its place, though, we'd argue active management does as well.

	1 Year	**3 Years (p.a.)**	**5 Years (p.a.)**	**7 Years (p.a)**	**Inceptio n (p.a.)**
Lakehouse Small Companies Fund	25.7%	27.0%	8.7%	16.9%	14.0%
Benchmark	12.3%	10.0%	7.4%	11.7%	7.0%
Excess Return	13.4%	17.0%	1.3%	5.2%	7.0%

Performance calculations are based on the month end exit price with distributions reinvested, after fees and expenses, since inception in mid-November 2016. Benchmark: S&P/ASX Small Ordinaries Accumulation Index. Returns greater than one-year are annualised. Past performance is not indicative of future returns.

It's worth stepping back to remind ourselves of the investing backdrop over the past 12 months. There was much concern around the US election and tariffs, plus the global macroeconomic environment and rising geopolitical risks. And there's little reason to expect next year, 2027, 2028, or any other year in the future, will be void of its own market noise and concerns because, as we often remind investors: *there's always something to worry about in equity markets*.

The below chart illustrates that long-term compounding can occur despite a volatile backdrop.



Performance calculations are based on the month end exit price with distributions reinvested, after fees and expenses, since inception in mid-November 2016. Benchmark: S&P/ASX Small Ordinaries Accumulation Index. Past performance is not indicative of future returns.

There have been some notable market gyrations in recent years: the COVID pull-forward of returns as the world experimented with zero interest rates, followed by the post-COVID recovery with rampant inflation and ratcheting interest rates that hammered long-duration assets. This period highlights the importance of patience and a long investment horizon for investors wanting to reap the benefits of compounding.

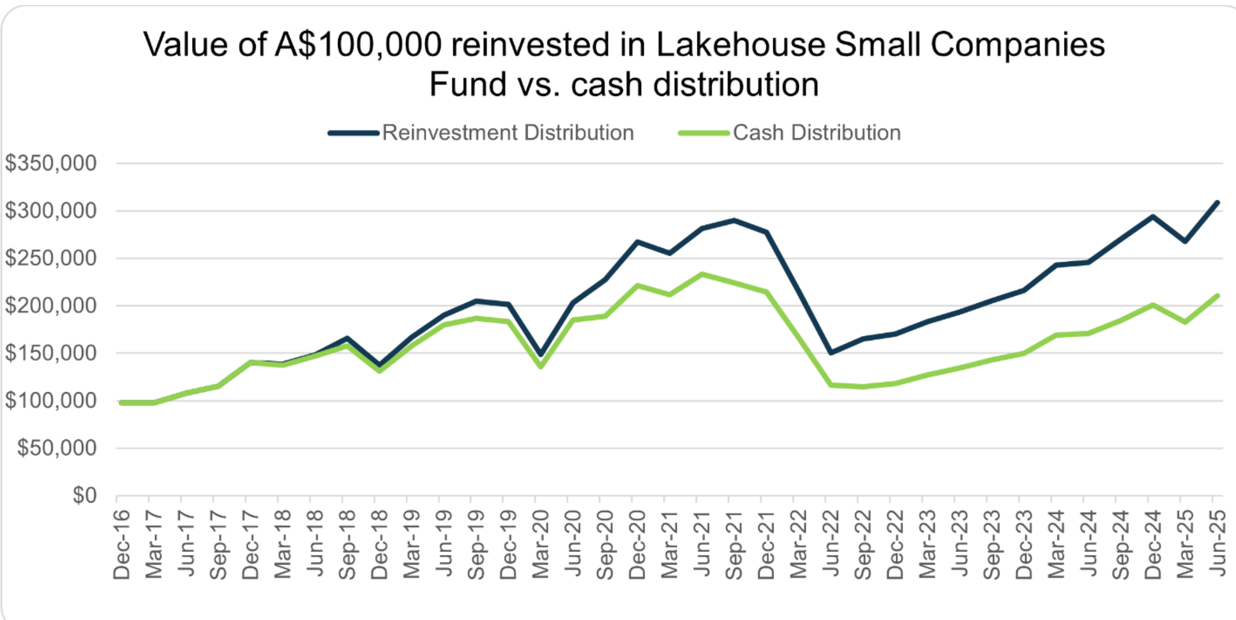
Distributions and the power of compounding

One more thing before we move to discuss performance in more detail: distributions. This year the Fund paid a distribution of 17.07 cents per unit, plus 0.53 cents per unit in franking credits.

This takes total distributions paid to unitholders since inception to 78.75 cents per unit, plus franking credits of 2.96 cents per unit.

We're pleased for these distributions to have been paid out to those investors who elected not to reinvest; however, we wanted to take a moment to illustrate the impact removing cash from the compounding equation has on investors' long-term returns.

The chart below shows the difference in cumulative returns for Fund investors on reinvestment vs investors receiving annual cash distributions. (Note: the overwhelming majority of Fund investors are on reinvestment as that is the default option.)



Performance calculations are based on the month end exit price with distributions reinvested, after fees and expenses, since inception in mid-November 2016. The cash distribution line assumes no incremental return on cash distributions once paid out. Past performance is not indicative of future returns.

We'd like to remind investors that the Fund's low turnover and emphasis on capital appreciation can make for a lumpy income stream, and distributions are an outcome, not a target, of the way we invest. For example, realised gains on managing position sizing of our investments in **Catapult**, **Pro Medicus** and **Pinnacle** were the primary driver of this year's distribution -- more on each shortly. We will always manage toward long-term total returns as we have a strong bias toward the long-term compounding of our investors' capital.

Portfolio overview

Let's get back to our favourite subject: the businesses we own.

The Fund's five largest holdings to finish the year, which made up 38.9% of the portfolio, were Catapult, **SiteMinder,** Pinnacle, **Objective Corporation** and **Nanosonics.** These businesses should look familiar to investors as we've discussed each of them many times in previous investor letters.

The Fund still owns 16 of the 22 companies it owned twelve months ago, making for a position-level implied holding period in excess of five years. This aligns with our long-term holding orientation but is not to say we have been static in those names.

We regularly reassess opportunities in absolute terms and relative to the portfolio as we actively manage our exposures based on; new information, business fundamentals relative to our investment thesis, and prevailing prices compared to our view of value.

Exited positions

The Fund exited 6 of the 22 holdings with which it started the year, and opened stakes in 3 new ones, thus ending with 19 holdings. The positions exited during the year were **Bapcor, Domain, Tyro, Frontier Digital Ventures (FDV), ARB Corporation** and **Technology One**. We would categorise these exits in three buckets.

Firstly, things don't always work out in investing. And Bapcor, Domain, Tyro, and FDV are examples of investments where our original investment theses did not play out as intended. Bapcor encountered leadership issues, mounting competitive pressures and a series of strategic missteps that, in our view, undermined its long-term positioning. Domain maintained its standing as the second-largest property portal but ceded ground to REA Group as agents consolidated their advertising spend in the tougher real estate market of early FY25 prior to interest rate cuts, and the CoStar takeover bid. Tyro, despite benefiting from a sticky customer base, struggled to scale in the face of ongoing competition and a shifting regulatory environment. At FDV, the reduced involvement of the founder, and a rolling 'strategic review', altered the thesis we had initially backed.

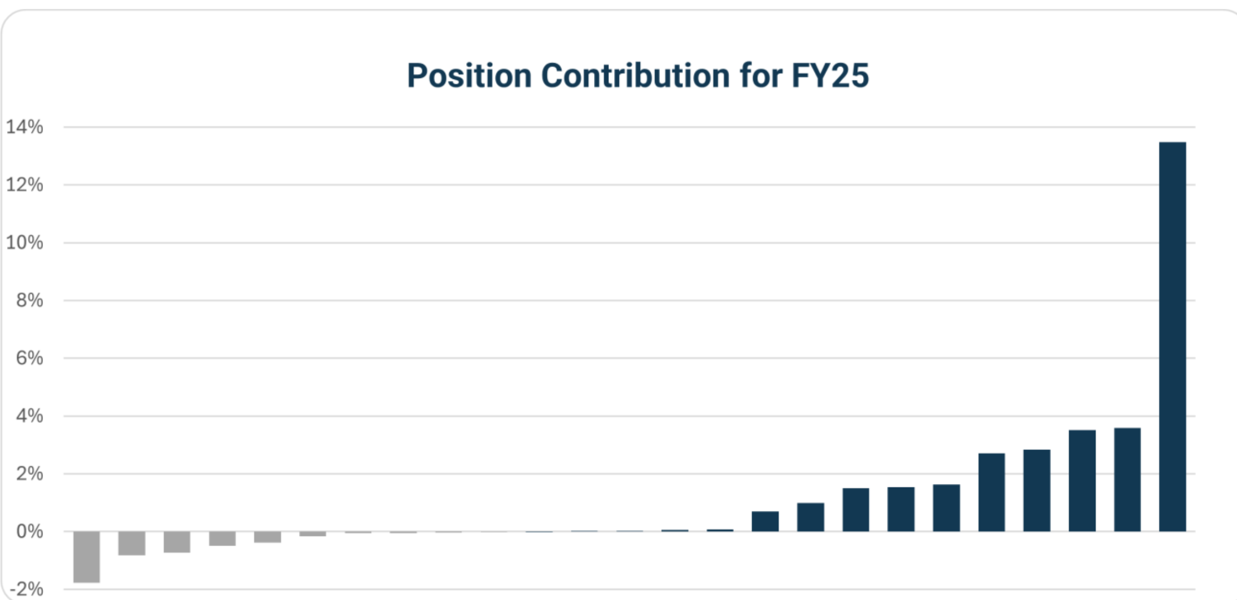
As our conviction in these businesses declined, we reduced our exposure and ultimately chose to fully reallocate capital to higher-conviction opportunities that better align with our long-term investment objectives. Between their small sizing to start the period, and subsequent full exit in the first third of the financial year (for three of the four positions) they collectively had a negligible impact on the portfolio.

We also exited our position in ARB during the year. While we continue to admire the company's strong brand, capable management team, long-term capital allocation track record and considered approach to international growth, we see the business facing a tougher macroeconomic environment and ongoing uncertainty around the impact of global tariffs given they are moving physical goods across borders. To management's credit, they have navigated these challenges well to date. However, we ultimately did not find the risk-reward compelling enough to continue holding the position and chose to reallocate capital to other higher-conviction opportunities.

Our exit from TechnologyOne was different from the other positions we sold during the year. In this case, the business had performed well and our investment thesis largely played out as expected. However, the valuation had become stretched. While we are generally reluctant to exit high-quality businesses on valuation grounds alone, we felt the capital could be better deployed in other opportunities. TechnologyOne remains a well-run, resilient business, and we will continue to closely follow its progress relative to the prevailing share price.

Best performers

Of the 16 positions held over the entire year, 63% made a positive contribution, with our highest conviction positions making the largest contribution.



Note: the chart above shows the total returns contributed to the portfolio by position, which reflect total returns and average position sizing during the year.

The biggest contributors to performance were, in order of contribution; Catapult, Pro Medicus, and Pinnacle. We'll discuss each in turn.

Catapult had a standout year on a number of fronts, and as our highest weighted position for seven months of the year, it contributed heavily to the Fund's return. We covered Catapult's full-year financial results in our recent May letter. To recap, Catapult delivered a step change in profitability; annual contract revenue grew 18% to exceed US$100 million, while operating margins tripled to 13%, as incremental profit margins reached 65%, propelling the company into its second consecutive year of free cash flow positivity.

These widening jaws of profitability, coupled with market-leading product suite, leaves Catapult well placed to integrate complementary technologies, as demonstrated by its recent acquisition of Perch Technologies. Its existing global customer base and distribution network remains a key strategic asset, providing a platform to attract and efficiently scale new technologies to capture a greater share of the US$40 billion professional sports technology market.

Reflecting on the past year, Catapult's strategy hasn't changed, but it's increasingly apparent that it's working. Adoption of its wearables continues to grow as more teams familiarise themselves with the technology, while video is scaling even faster as teams embrace both solutions. The technology is now a core part of elite sport and has become indispensable for many professional teams. That growing reliance is reflected in the numbers, with Catapult retaining 96% of its annual contract revenue – a figure that increases to 99% for customers using both wearables and video. Customers that stick around are spending around 15% more on average each year, and closer to 22% for multi-product users.

Encouraging as that is, with only 18% market penetration amongst professional sporting teams, the new generation of Vector 8 products in their infancy, and just 20% of existing customers using more than one product, a long runway for growth lays ahead. The business is selling for 7.5x enterprise value to sales, which is undemanding against the growth, high retention and strong incremental profitability of the business. Whilst we remain true to our mantra of 'letting winners run', the strong price performance and improvement in liquidity saw us reduce our portfolio sizing by 40% from the 15% position it grew to – contributing to the larger-than-usual distribution for the Fund – though, it remains one of the largest holdings.

Our investment in Pinnacle Investment Management delivered strong results over FY25, underpinned by growth in multiple areas. The company has been attracting strong net inflows (27% organic growth at the half year) and generating strong returns within many existing affiliates (net profit was up 151% at the half year), but it was the acceleration of new businesses that stood out.

Standing up new affiliates with proven teams has been the leading playbook for much of Pinnacle's success to date, and the launch of Life Cycle Investment Partners in the UK during the year has shown similar early success. By our numbers, Life Cycle surpassed $2 billion in funds under management in under six months, and considering the same team previously managed 10x that amount, it's fair to assume there's more runway ahead. In terms of acquisitions, the company has historically been more conservative in pulling the trigger, but after years of patience and discipline, Pinnacle raised $450 million in late 2024 and simultaneously acquired stakes in VSS Capital Partners in New York, and Pacific Asset Management in the U.K.

The combination of these new affiliates increases Pinnacle's scale in the UK region and provide a toehold in the very large US market. Alongside this, Pinnacle added to their distribution team in both regions. With growing global reach and a cashed-up balance sheet, Pinnacle has the scale and funding to support global distribution across a large, diversified product and client set. We remain positive on the outlook given the company's capital allocation and execution track record.

Pro Medicus delivered another strong year as it further cemented its leadership in radiology imaging through best-in-class cloud-enabled technology, disciplined execution, and a premium product that continues to capture a healthy share of the value it's adding. The company continued its run of exceptional financial performance; over the past five years, it has grown revenues at an average rate of 26%, and earnings at an average annual rate of 31%, per year. For the most recent half year, the business generated net profit margins at a very impressive 53%.

Add to this, the growing optionality in the platform exemplified by the landmark A$170 million, 10-year contract signed with UCHealth in July 2025. Beyond its scale, the agreement's inclusion of cardiology reflects Pro Medicus' expanding capabilities and its evolution into a comprehensive enterprise imaging platform. And there further optionality; it has a large and growing platform in the world's largest healthcare market that is well suited to the distribution of AI-algorithms, should their adoption proliferate. The shift toward longer 10-year contracts, compared to the historical 5–7 year norm, underscores deepening customer loyalty. These extended commitments not only reinforce its market leadership but also highlight the long-term confidence clients place in its platform and delivery.

The Fund has held Pro Medicus since its inception, trimming along the way as it has grown to become one of the highest quality businesses on the ASX -- and is now priced as such. We heavily reduced our position during the year as the market pulled forward many years of expected strong growth into the prevailing share price. We continue to manage the position size in light of the elevated market price, balancing it with our mantra to 'let winners run'.

Worst performers

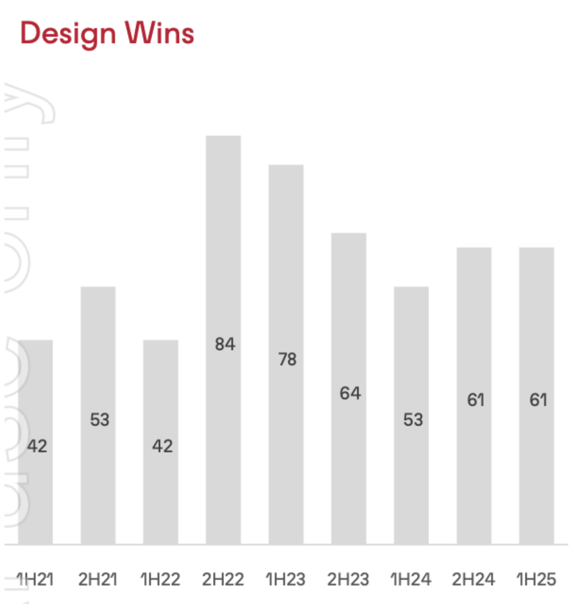
The biggest detractors to performance, in order of impact, were **Audinate**, SiteMinder and **Redox**. We'll discuss each in turn.

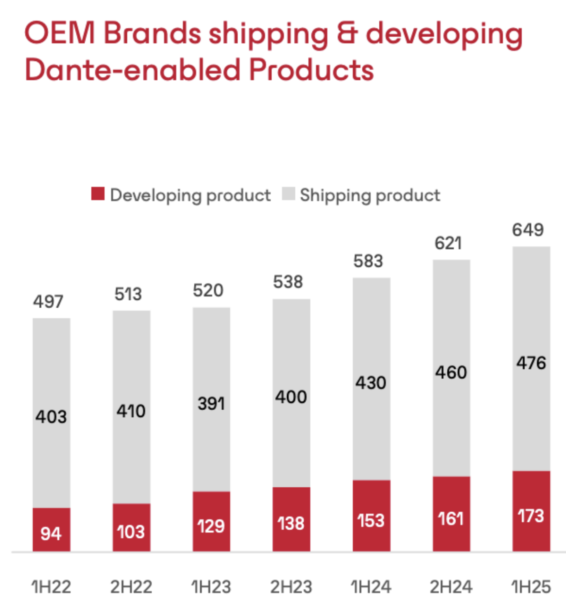
Audinate moved from being a top three contributor in FY24 to our largest detractor in FY25. In hindsight, we weren't nearly aggressive enough in reducing our position size when Audinate joined the ASX300 in March 2024, when the price and liquidity markedly improved.

In terms of the business fundamentals, audio-visual (AV) manufacturers continued to work through elevated inventory levels during the second half of FY24 and first half of FY25, with customer ordering patterns reverting toward pre-pandemic norms. Additional pressure came from a top-10 customer over-ordering a higher-value chip for a product where end sales fell short of their expectations, as well as Audinate's wind-down of a legacy product.

While near-term financial performance has been poor -- gross profit declined 29% in the first half of FY25 -- sentiment has also been weighed down by ongoing macroeconomic uncertainty and the potential impacts of tariffs. However, we continue to see a bright future ahead for the business.

Dante's position as the leading digital audio protocol continues to strengthen, with the number of products on Dante now at 12.7x the nearest competitor. This dominance is underpinned by more original equipment manufacturers (OEMs) designing, developing and shipping Dante-enabled products.





Source: Audinate first half FY25 investor presentation

Audinate's ecosystem for this once-in-a-generation shift from analogue to digital AV routing is continuing to show healthy fundamental growth despite more volatile end markets. Add to this the early traction in video -- with over 60 OEMs and 116 products -- and encouraging progress in software, and we see multiple avenues for the business' long-term growth.

The recent acquisition of Iris Studio -- an AI-powered, cloud-based camera control platform -- alongside key hires with deep domain expertise, has emphasised a strategic push into these emerging opportunities. With 14% of its market capitalisation in cash post-acquisition, we believe the business is well placed to navigate the current environment, while continuing to invest in proliferating the Dante network, and grow at healthy long-term rates as ordering patterns normalise and new products come to market. All while the business is selling at its cheapest multiple since listing, despite being more entrenched and at greater scale.

SiteMinder was a drag on the portfolio in FY25, largely due to uncertainty around the travel environment and the business not yet reaching sustained profitability. Concurrently, the company continued to invest and shift up-market, focusing on larger hotel groups that offer greater long-term value through higher transaction volumes. While strategically sound, this move required temporary upfront discounting to incentivise adoption and weighed on top-line growth, which came in at 22%.

Despite these short-term challenges, SiteMinder exits FY25 in a stronger operational and financial position compared to a year ago. The company has delivered a meaningful improvement in free cash flow margins, reflecting disciplined cost management and growing operating leverage. Unit economics continued to strengthen, with the LTV/CAC ratio improving to 6.1x, indicating the business is achieving a 6x return on the sales and marketing dollars put into attracting new customers. This set up has echos of Xero circa 2015, when that business was generating heavy accounting losses, while building underlying fundamental value with similar unit economics.

New products such as Channels Plus and Smart Distribution have shown early traction and are expected to underpin the next phase of revenue growth. With half of the workforce now based in lower-cost regions, future revenue expansion is increasingly poised to translate into improved margin performance and stronger bottom-line results.

From a valuation perspective, we believe SiteMinder is very attractively positioned. Shares are trading at 4.4x forward enterprise value to sales, the lower end of its historical range, despite meaningful progress in margins and overall unit economics, new products entering broader adoption phases, and short-term discounting beginning to roll off. We took the opportunity to top up our investment during share price weakness after the half year results.

Redox was another detractor for the period, delivering mixed results amid a challenging operating backdrop. Encouragingly, volumes grew 13% in the first half despite softer macroeconomic conditions, reflecting continued market share gains. That said, profitability came under pressure due to higher employee and transport costs, while the US operations -- still in their early phase -- remain somewhat uneven, with larger customer orders contributing to lumpiness. The founding family-led management continues to execute well, strengthening supplier relationships with the likes of Dow and Viva Energy, while selectively pursuing bolt-on acquisitions, such as Molekulis, to broaden its addressable market.

Looking forward, we believe Redox is well positioned following what we view as a one-off cost reset. With a clearer view of the full-year cost base, we expect operating leverage to improve over time. Importantly, the pricing environment has stabilised, providing a better platform for volume growth to drive top-line momentum. At 14.3x forward earnings and with 10% of its market capitalisation in net cash, the valuation is undemanding. With expectations now more balanced, we’ve taken the opportunity to modestly increase our holding.

Thank you

Thank you to all our investors for your time and trust investing alongside us. We are pleased with the Fund’s progress toward long term outperformance and are excited to watch the investment cases of our portfolio businesses unfold in the years to come.

Best regards,
The Lakehouse Capital Team

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