

To our Fellow Investors,

AI-related anxieties continued to dominate headlines throughout February with many businesses caught up in a broad sell-off. The rapid evolution of AI is undeniably a disruptive force that will challenge legacy business models; however, our mandate is to objectively assess underlying business fundamentals rather than getting swept up in thematic panic. To that end, this month's letter covers some key portfolio holdings that reported during the month, covering their financial results and how we view their specific strategic exposure to AI.

Fund Metrics	
Companies Held	21
Cash Allocation	4.1%
Top 5 Portfolio Holdings	40.0%
Fund Net Asset Value (NAV)	\$213.7 million
NAV per Unit (mid)	\$1.6517
Benchmark	S&P/ASX Small Ordinaries Accumulation Index

Unsurprisingly, AI dominated Q&A sessions for almost every company we tracked through the ASX reporting season. In a predictable reaction to the market's topic *du jour*, virtually every management team touted AI as an internal efficiency tool that is already driving productivity across their business. If we are to take these executives at their word, successfully adopting AI has become table stakes.

We believe, however, that the reality of AI and its subsequent economic impact is far more nuanced. The dispersion in fundamental performance is likely to widen significantly in the years ahead. As the dust settles, a line will be drawn between the structural winners -- those leveraging AI to deepen existing competitive moats -- and the losers whose software offerings are ultimately commoditized by it.

The Fund declined -6.4% in February. Notably, half of the decline came from a single stock; SiteMinder. More on that shortly. Since inception in mid-November 2016 the Fund has produced a net total return of 162.5% compared to 111.0% for the benchmark. On an annualised basis, the Fund has returned 10.9% per year (net of fees and expenses), compared to 8.4% per year for the benchmark.

	1 Month	1 Year	3 Year (p.a.)	5 Year (p.a.)	Inception (p.a.)
Lakehouse Small Companies Fund*	-6.4%	-9.5%	12.8%	-0.2%	10.9%
Benchmark**	-2.6%	23.0%	12.5%	6.6%	8.4%
Excess Return	-3.8%	-32.5%	0.3%	-6.8%	2.5%

* 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: **Fineos**, **Cogstate**, **SiteMinder**, **Catapult** and **Pinnacle Investment Management**.

The Fund's most significant contributor to performance during the month was Fineos (+15.7%), reversing its position as our largest detractor in January. This month-to-month round trip in the share price serves as a microcosm of the current market environment. Against a backdrop of evolving AI narratives, the market is exhibiting a short-term inability to rationally price software businesses -- we view the current divergence between price and fundamentals as a rare opportunity for long term investors.

Conversely, and as previously noted, SiteMinder (-29.1%) was the portfolio's heaviest detractor during the month, caught in the broader software sector multiple compression despite delivering accelerating underlying revenue growth and improving unit economics.

SiteMinder recently reported its half-year results, delivering a print that reaffirmed our core thesis, even if top-line revenue growth landed slightly below market expectations. Positively, the underlying rate of revenue growth continues to accelerate -- progressing from 17.2% in the prior corresponding period, to 21.0% last half, and now reaching 23.0%. This trajectory is steadily narrowing the gap with Annualised Recurring Revenue (ARR), which saw its growth accelerate to 27.4% (from 22.0% last year).

The underlying engine of the business remains robust: the company is winning new properties and increasing the adoption rate of new products across an expanding ecosystem. Total properties on the platform grew at a healthy 12% clip, now surpassing 53,000, while Average Revenue Per User (ARPU) expanded 11.3%. We are particularly encouraged that this ARPU growth was entirely product-led -- driven by rising adoption of their Smart Platform suite -- rather than price increases. Furthermore, unit economics continue to improve with LTV/CAC reaching 6.7x, signalling a clear path toward higher profitability as the business scales.

Looking further out, the market continues to debate the long-term impact of AI on software business models. When we analyse SiteMinder's right to exist and thrive five years from now, our conviction rests on a few structural realities.

First, the company's business model is inherently resilient to AI-driven "seat" displacement, as it is priced on a per-property and transaction-based model rather than by user count. This means SiteMinder generates the same revenue, or more as transaction volumes grow, regardless of how many employee users a hotel has.

Second, distribution channels are unlikely to consolidate into a single platform, as accommodation providers are fiercely protective of their margins and have zero desire to be beholden to a distribution monopoly. This is not a new dynamic; both hotels (to avoid OTAs) and OTAs (to avoid Google) have long prioritised loyalty programs, channel diversification, and direct booking strategies. As long as hotels avoid being trapped by a single distribution monopoly, the process of selling rooms will remain fragmented and complex, ensuring they always need a neutral, high-tech partner like SiteMinder to manage that complexity.

Finally, SiteMinder serves as the essential backend infrastructure required for generative AI platforms to function effectively. For AI-driven travel assistants to be useful, they require a deterministic layer that delivers timely and accurate inventory, rates, and availability, a role SiteMinder uniquely fulfils across its vast network. Instead of facing disruption, we believe SiteMinder is strategically positioned to capitalise on the structural shifts currently reshaping the travel distribution landscape.

Fundamentally, the business has reached a critical inflection point where accelerating revenue growth is meeting sustained free cash flow profitability. Management's guidance toward the Rule of 40 is a direct reflection of this balance between top-line expansion and cash generation. We also see significant value in the company's improving unit economics, as the business captures higher incremental margins through the Smart Platform products, which drove a 1.9 percentage point year-on-year increase in gross margins. Despite these robust fundamentals, the shares are trading at an all-time low of 3x EV/Sales since the company listed on the ASX. While the war in the Middle East presents a near-term headwind, history suggests that such conflicts do not permanently impair the long-term human desire to travel. Consequently, we view this as an opportunity for long-term investors.

Turning back to Fineos, which reported solid full-year results during the month, underscoring its successful transition past a heavy investment phase to accelerating profitability. In constant currency, total revenue grew 6.3% while subscription revenue rose 8.2% to €75.6 million. Subscription revenue now exceeds half of total revenue -- a positive milestone for future earnings quality.

Profitability improvements were the standout. Gross margins widened 80 basis points to 76.2%, and operating margins expanded 6.7% to 21.9%. Driven by disciplined cost management, operating profit surged 50.1% to €30.4 million. While we expect these jaws to continue widening, our expectations are more moderate than management's 40% margin target for 2029. Importantly, the business delivered on its commitment to inflect to positive free cash flow generating €6.4 million for the year.

Operationally, Fineos continues to execute complex, enterprise-wide transitions. A prime example is Guardian Life. After successfully scaling AdminSuite for new business in 2025, Guardian launched Phase 2 in January 2026, pivoting to process all new business through Fineos while beginning the heavy lifting of migrating its legacy book. This phased, de-risked approach mirrors the successful playbook at New York Life (NYL), where Fineos replaced six legacy systems. For NYL, modernization provided the agile infrastructure required to launch new segments like voluntary benefits.

We anticipate Guardian will realize similar strategic advantages, further entrenching Fineos as a sticky, mission-critical partner whose revenue scales alongside its clients' success. Additionally, the strategic shift toward system integrator partnerships continues to expand the pipeline and share implementation risk, driving a concentration toward higher-quality subscription revenue for Fineos.

This modern, cloud-native architecture also underpins Fineos's AI strategy. Rather than a disconnected bolt-on, management is embedding generative AI and machine learning directly into daily workflows; automating document summaries, flagging complex cases, and intelligently triaging claims. This practical approach drives tangible client ROI and deepens platform stickiness. While some market chatter suggests AI coding agents might eventually allow insurers to build bespoke core systems cheaply, the life, accident, and health sector's strict regulatory burdens and complex legacy data make this highly improbable. Adopting a proven, compliant platform with embedded AI remains significantly less risky than a DIY build.

Looking ahead, legacy mainframes were not designed for real time data access, automation or AI-driven workflows and industry feedback suggests the push toward AI is increasing the urgency for insurers to modernise legacy systems. Whether or not industry modernisation accelerates, Fineos has material revenue step-ups locked in until the end of 2027. Alongside this visibility, the company remains debt-free, cash-generative, and trades at an undemanding 3x EV/Sales. By comparison, US-listed property and casualty peer Guidewire trades at 8.7x. Given this disparity, we view the current valuation as attractive and would not rule out Fineos becoming a logical acquisition target for larger peers seeking a foothold in the life, accident, and health software market.

Moving to Cogstate which also delivered a strong first-half result during the period, highlighted by a surge in clinical trial contract sales, which rose 105% to US\$41.7 million. This marks the company's second-best half on record, supported by the strongest opportunity pipeline we have seen over the past six quarters. Because roughly one-third of these contracts were signed late in the period, revenue recognition naturally lagged the strength of new signings. Consequently, total revenue rose a respectable 12% to US\$26.9 million, with the bulk of newly contracted work flowing directly into the backlog, which returned to healthy growth -- a feature that drives future earnings visibility.

On the profitability front, the business remained robust despite an active investment phase. Ongoing investments in delivery capacity and scientific capabilities -- necessary to support a broader range of trial indications -- weighed modestly on near-term margins. Despite this, operating profit still grew 5% to US\$6.5 million. We anticipate sequential margin improvement as recent pipeline wins convert into recognized revenue and operational leverage takes effect.

Operationally, demand across central nervous system (CNS) trials continues to accelerate, and Cogstate's strategic channel partners are playing an increasingly vital role in capturing this growth. These partners generated roughly 70% of new opportunities and 62% of executed contracts during the December quarter. This effectively extends Cogstate's reach into historically difficult-to-access customer segments, and importantly, they are achieving this without diluting profit margins. Pleasingly, the mix of these signings continues to broaden as Cogstate is increasingly securing work across a wider range of CNS indications. As their partner ecosystem continues to mature, we expect this to support even higher conversion rates from their growing pipeline.

Looking ahead, as one of the few global providers capable of supporting complex, large-scale Phase 3 CNS trials, the company remains well-placed to capture an outsized share of this expanding market, reinforcing our conviction and its position as one of the larger holdings in the Fund.

Thank You

As always, thank you to all our investors for your time, trust, and support. While we don't know when the broader market narrative may turn, we can promise that we will continue to hustle and stay true to our long-term, high-conviction approach.

Best regards,

Donny, Erwin, Nick, and the Lakehouse Team.

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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