

## LAKEHOUSE GLOBAL GROWTH FUND LETTER

### 28 FEBRUARY 2018

Companies Held:	10
Cash Allocation:	65.0%
Top 5 Portfolio Holdings:	25.5%
Net Asset Value per Unit:	\$0.9974
Fund Net Asset Value:	\$69.9 million
Benchmark:	MSCI All Country World Index Net Total Returns (AUD)

Dear Lakehouse Investor,

February was the kind of month that lures people like me into the profession of investment management. Stocks tumbled as volatility ripped higher, as we discussed in our [January letter](#), which pleased us as we'd been patient in putting your capital to work and had plenty of cash at the ready.

We took advantage of the tumult by opening new positions and increasing existing ones. The Fund increased its position count from 4 to 10 during February and deployed more capital in the first 2 weeks of February than it did during its first 2 full months of operations. Meanwhile, the Fund's position in cash, which is held in US dollars, Aussie dollars, and euros, decreased from 82.6% to 65.0%.

For all the volatility and negative headlines, the Fund actually had a pleasing month in terms of performance. The Fund returned 3.9% net of fees and expenses in February compared to -0.5% for its benchmark. Since inception at the start of December, the Fund has returned -0.3% compared to 0.2% for the benchmark. Contributors to the Fund's outperformance during February were gains on the investments we made early in the month and a weaker Aussie dollar.

We are not taking victory laps on investments we've only held for weeks, though, and while exchange rates swung in the Fund's favour this month we have no view as to what they will do next month, or the month after. Indeed, instead of wasting time trying to forecast where the Aussie dollar will go next, our team is focused on identifying and backing promising growth companies from around the world that we think will leave the Fund well placed to meet its objective of long-term outperformance.

We plan to profile individual holdings in detail in future letters but, given our pace of buying, it would be a bit impractical for us to pontificate on each new position. For now, though, we will disclose the Fund's 5 largest positions in order of sizing -- **Alphabet, Visa, PayPal, Booking Holdings, and Paycom Software** -- and provide brief snapshots on our new positions.

**Booking Holdings**, which until recently was known as Priceline, is the world's largest online travel agency. Over 70% of the firm's revenue is derived via the juggernaut that is booking.com, though the company also owns and clips the ticket on other websites such as priceline, agoda, rentalcars, OpenTable, and KAYAK. The business is significantly profitable, cashed up, growing faster than its largest rival, and a leader in a market with a long room to run.

**Paycom Software** provides cloud-based human capital management (HCM) software to firms in the US. The business is focused on the mid-market -- companies with 50 to 2,000 employees -- but it also has smaller clients on board and is progressively encroaching on large enterprise customers. The business has 18,000 customers but no shortage of new opportunities given that it has only captured about 1.2% of its addressable market. We also like that the majority of Paycom's revenue is derived via payroll processing, which has upside to higher interest rates and is a sticky business with 91% annual revenue retention.

**CarMax** is the largest retailer of used cars in the US, with a physical store presence of 185 doors across 39 states. The company has been around since 1993 and sold more than 1 million vehicles last fiscal year, however, the business still has plenty of headroom for steady growth in its highly fragmented market. It also helps that shares of the company, which has an impressive history of execution and whose revenue compounded at just over 10% over the past 5 years, and in our view is conventionally cheap at less than 15 times consensus forward market estimates.

**Amazon** has long been one of the market's most widely discussed companies, however, it has also long been one of its most underestimated because of its long-term focus and the vast scale of its markets. Amazon's core online retail business continues to gain share of its broader category thanks to its remarkable selection, prices, service, and delivery times. And Amazon Web Services, which allows other companies to tap Amazon's tools and computing power on a pay-as-you-use basis, is the clear leader in yet another large, growing market. The business is one of my favourites and I look forward to nerding out on it in the future.

**Atlassian** provides software solutions for teams of employees, most of whom are software developers themselves, to collaborate seamlessly with each other. We're fond of the company's culture -- one of its core values is "open company, no bullshit" -- and even more fond of its remarkably sticky base of diverse customers ranging from Tesla to The Daily Telegraph. Atlassian's revenue has compounded at a 42.3% clip over the past 3 years and the huge ownership stakes of its highly engaged co-founders, each of whom owns around 28% of the company, speaks to a powerful economic engine.

We don't always drink gin and tonic. But when we do, we prefer Fever-Tree tonic water. We must not be the only ones because the brand's parent, **FeverTree Drinks**, has roughly quadrupled its sales over the past 3 years. The London-based producer and marketer of mixer drinks positions itself as a higher-quality rival to Schweppes and supermarket brands of tonic water through the use of premium, natural ingredients sourced from around the world. For instance, Fever-Tree sources quinine from the Congo, lemons from Sicily, and elderflowers from Gloucestershire.

## Looking Ahead

Our team continues to sniff around in search of new opportunities, and we're finding more potential targets now that volatility has picked up. The timing is convenient as we continue onwards with our stated plan to put at least 75% of the Fund's capital to work by the end of May.

As ever, thanks for your time and trust.

Best Regards,



**Joe Magyer, CFA**

Chief Investment Officer

**P.S: Something New!** As an existing investor you are able to make additional payments to top-up your investment in the Fund at any time. We continue to iterate this process and are pleased to advise the following change:

Existing investors who add to their investment via BPAY (using their investor profile ID number as the reference) do NOT need to fill out an application form.

**To add to your investment simply BPAY the payment** and Registry will confirm additional units in the Fund. No further action is required.

The details:

1. Lakehouse Global Growth Fund **biller code: 276428**
2. The BPAY customer reference number (CRN) will be your **investor profile ID** number
  - o It's an 8-digit number starting with "201" and located in the top right corner of your monthly market value statement. (see image below)

<b>LAKEHOUSE</b> CAPITAL A Motley Fool Company	<b>one</b> Registry Services
Mr. Adam Sorption 87-CLARENDON CT WILSONVILLE OR 97148	Date of Issue 11/01/2018 Period Start Date 01/12/2017 Period End Date 31/12/2017 Fund ID LGGF Investment Profile ID 20101111
<b>MARKET VALUE STATEMENT</b>	
<b>Lakehouse Global Growth Fund</b>	
Account Name: Mr. Adam Sorption	

Note: the above process does assume that there are no changes to your original application, including the beneficial owner. The below paragraph spells out the exact legal requirements:

*By paying by BPay using the BPay reference provided to you, you will be deemed to confirm nothing has changed to the original AML / CTF material you provided the Responsible Entity at the time of your initial application. If this is not the case, you will*

*need to complete the additional investment form and attach the changed KYC verification material to the additional investment form.*

For your convenience when topping up your investments, we've compiled this handy guide of quick links and FAQs. A timely reminder that before adding to your investment, please read the [Product Disclosure Statement](#).

Registry are always available to help! Contact details:

- (02) 8188 1510
- [lakehouse@oneregistryservices.com.au](mailto:lakehouse@oneregistryservices.com.au)

### **Can investors make additional payments right now?**

Yes! Existing investors are able to immediately BPAY their payments.

**Can additional BPAY payments now be accepted on a regular recurring basis?** Yes, so long as there have been no changes to the AML/CTF KYC Verification material you have provided.

### **When will Registry confirm additional units?**

The Lakehouse Global Growth Fund is priced weekly. Cut-off is on Wednesday, at 11am. All payments need to be received, and reconciled, by Registry before the Wednesday 11am cut-off. Confirmation notes will be sent within 24-48 hours of the Wednesday cut-off.

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