

LAKEHOUSE GLOBAL GROWTH FUND LETTER

31 JANUARY 2018

Companies Held:	4
Cash Allocation:	82.6%
Top 5 Portfolio Holdings:	17.4%
Net Asset Value per Unit:	\$0.9601
Fund Net Asset Value:	\$66.3 million
Benchmark:	MSCI All Country World Index Net Total Returns (AUD)

Dear Lakehouse Investor,

January was a quiet but productive month at the Lakehouse Global Growth Fund. We opened two new positions in companies I have long owned and followed, **PayPal** and **Interactive Brokers**, and continued chipping away in search of great companies selling at good prices.

And then came February. You may recall that we highlighted in [last month's letter](#) that share markets had been on a tear and that *"Volatility is also startingly low with the CBOE Volatility Index, better known as the VIX, at the lowest level in the 27-plus years of the measure's existence."*

Lo and behold, like a mercenary whose thieving brother was dropped from the 30th floor of Nakatomi Plaza, volatility is back with a vengeance. The drop was not huge in the big scheme of

things, and certainly not for those of us who invested through the GFC, but the magnitude of the volatility really yanked the rug out from under investors lacking long memories or experience. Indeed, this chart of the VIX says it all:



Normally, we would take time in our monthly letter to profile a recent purchase or discuss significant portfolio company news. One of the many lessons I gleaned from the GFC, however, is that an investment team should play offense during volatile times, not defense, and focus its efforts on identifying promising opportunities rather than writing about positions they already own.

Indeed, our team has already taken advantage of the recent volatility to initiate 3 new positions since the end of January. We look forward to telling you more about the Fund's recent purchases, and perhaps even further ones, in next month's letter. In the meantime, we'll be on the hunt.

Before parting, though, we will of course discuss the Fund's performance. The Lakehouse Global Growth Fund returned -1.4% net of fees and expenses in January compared to a 2.0% return for the benchmark. Since inception, the Fund has returned -4.0% compared to 0.6% for the benchmark.

A steady headwind against the Fund since inception has been the rising Aussie dollar, whose strength means a relative weakening of the Fund's foreign holdings. In particular, the Aussie dollar increased about 3.1% against the US dollar during January, which reduced the value of the Fund's large US dollar position and US-listed holdings in Aussie dollar terms.

As ever, we continue to have no short-term view on which way currencies will move against one another, though, during a volatile time, we sleep well knowing the majority of the Fund's sizeable cash allocation is parked in the world's reserve currency.

It's also worth underscoring again that currency swings come with the territory of global investing and, at different points along the way, a strong or weak Aussie dollar will hamper or enhance the absolute performance of the Fund. Over the long run, though, we expect the impact of shifting exchange rates will be dwarfed by the impacts of our team's stock selection, position sizing, and the fundamental performance of our portfolio companies.

Speaking of fundamentals and portfolio companies, it is time for me to get back to playing offense.

Best Regards,

A handwritten signature in black ink, appearing to read 'Joe Magyer', with a stylized flourish at the end.

Joe Magyer, CFA

Chief Investment Officer

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