

LAKEHOUSE GLOBAL GROWTH FUND LETTER

31 MARCH 2018

Companies Held:	12
Cash Allocation:	52.8%
Top 5 Portfolio Holdings:	27.5%
Net Asset Value per Unit:	\$1.0023
Fund Net Asset Value:	\$71.2 million
Benchmark:	MSCI All Country World Index Net Total Returns (AUD)

Dear Lakehouse Investor,

March was another lively month in global equities. Shares of higher-growth companies bounced up and down, sometimes within the same day and often on no news. For our parts, we continued to put the Fund's cash to work by increasing existing positions and opening new ones in **Facebook** and **Monster Beverage**.

For all the volatility throughout the month, the Fund and its benchmark both ended near where they started. The Fund returned 0.5% net of fees and expenses in March compared to -0.6% for its benchmark. Since inception at the start of December, the Fund has returned 0.2% compared to -0.4% for the benchmark.

The Fund's 5 largest positions in order of sizing at the end of the month were in **Alphabet**, Facebook, **Visa**, Monster Beverage and **Booking Holdings**. Meanwhile, the Fund's position in cash, which is held in US dollars, Aussie dollars, and euros, decreased from 65.0% to 52.8%. We continue to march towards putting at least 75% of the Fund's capital to work by the end of May.

Back to our latest additions. Monster Beverage, which makes energy drinks of the same name, is gaining share of a global energy drinks market that is growing at least 2 to 3 times faster than the markets for soft drinks and bottled water. The company is also at different stages of entering new countries, sacrificing short-term margin for long-term potential. It can easily afford the efforts, though, as the business is debt free and significantly profitable. It doesn't hurt either that the shares are selling for around 20% below their January highs.

And then there's Facebook, a business I have long underestimated but finally pulled the trigger on following a spate of what strike us as short-term issues. Facebook has taken a lashing in the press for issues ranging from election meddling to not trying hard enough to stop the spread of user data, and not unfairly. After all, this is a company that touted the mantra "move fast and break things" in its prospectus.

All that said, while Mark Zuckerberg is probably now out of the running for a Nobel Peace Prize, he deserves a great deal of credit for building a wildly profitable business that connects more than 2.1 billion users each month on the Facebook platform. Growth has been remarkable: The company has bested top and bottom line consensus estimates for 11 straight quarters and, in the latest, revenue increased by 47.1% year on year basis. Even in what was widely considered a slow fourth quarter the global number of daily active users on the Facebook platform increased at a 10% annualised run-rate.

Some have suggested that pressure to Facebook's business model could diminish its powerful status in the advertising ecosystem or even turn Facebook into the next MySpace. While we don't deny risk has increased, the company could ironically end up in a stronger position if it further tightens its grip on the trove of user data that it possesses.

The comparisons to MySpace also fall flat as MySpace is reported to have peaked at 76 million monthly active users, which is a fraction of the 269 million Facebook added in just the past year. Facebook users are almost certainly far more engaged with the platform as the total number of potential connections on the platform today is almost 800 times as large on Facebook than Myspace boasted in 2008. For that matter, let's not forget that Facebook also owns two of the other major social networks, Instagram and WhatsApp, that are last reported to have 800 million and 1.5 billion monthly active users, respectively.

Facebook also scores points for having pristine financials, including no debt and US\$41.7 billion in cash. Will the company's margins come under pressure as a result of competitive forces, increased compliance costs, or higher taxes? Perhaps. Still, even if we retroactively adjusted 2017 results by increasing selling, general, and administrative expenses by 10%, stuck all of

Facebook's European operations with the 3% tax on revenue that has been bandied about for high-margin tech leaders operating in the Eurozone, and applied a marginally higher tax rate than the mid-teens rate management guided for in 2018, the shares are still only selling for around 29 times adjusted trailing net earnings.

We don't know how Facebook will pan out, however, we think 29 times a conservatively adjusted trailing earnings figure is a valuation that is out of step with a business that just delivered 47% top-line growth, has 8.5% of its market cap in net cash, has consistently crushed expectations, and has three growing and wildly popular social platforms at different stages of monetisation. We look forward to seeing how this all plays out in the coming years.

Looking Ahead

It's been a fun time for us as we deploy the Fund's capital into an increasingly volatile environment. We continue to search for and find new opportunities to back, and we look forward to updating you again next month on our progress.

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
 - 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)

LAKEHOUSECAPITAL
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Registry Services

<p>Mr Adam Surpliss 170 CLAREMONT RD MILLERS POINT NSW 1585</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Date of Issue</td> <td>11/01/2018</td> </tr> <tr> <td>Period Start Date</td> <td>01/12/2017</td> </tr> <tr> <td>Period End Date</td> <td>31/12/2017</td> </tr> <tr> <td>Fund ID</td> <td>LGGF</td> </tr> <tr style="border: 2px solid red;"> <td>Investment Profile ID</td> <td>201000000000</td> </tr> </table>	Date of Issue	11/01/2018	Period Start Date	01/12/2017	Period End Date	31/12/2017	Fund ID	LGGF	Investment Profile ID	201000000000
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MARKET VALUE STATEMENT

Lakehouse Global Growth Fund

Account Name: ~~Mr Adam Surpliss~~

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

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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