

Dear Lakehouse Investor,

September was a quiet month for the Fund as it marks a lull between reporting seasons. Meanwhile, our team continues to turn over rocks and we look forward to another quarterly reporting season that will begin later in October.

The Fund returned -1.9% net of fees and expenses in September compared to 0.4% for its benchmark. Thus far in a 3-month-old fiscal year, the Fund has returned a net 6.8% compared to 6.5% for the benchmark. Since inception at the start of December 2017, the Fund has returned 15.7% compared to 10.7% for its benchmark.

Companies Held:	19
Cash Allocation:	17.0%
Top 5 Portfolio Holdings:	34.2%
Net Asset Value per Unit:	\$1.1590
Fund Net Asset Value:	\$94.3 million
Benchmark:	MSCI All Country World Index Net Total Returns (AUD)

We're pleased that the Fund is off to a good start towards its objective of long-term outperformance, particularly given our outsized cash position. We do not read much into early performance, though, and neither should investors who embrace our long-term, high-conviction strategy.

The Fund held 19 positions as of the end of September, which is one shy of our typical range of 20 to 40, though we expect to soon shift into a normal range. In terms of the Fund's most meaningful holdings, the Fund's 5 largest positions in order of sizing at the end of September were **Facebook, Alphabet, PayPal, Visa** and **Monster Beverage**.

Meanwhile, the Fund's position in cash, which is held mainly in US dollars, Aussie dollars and Euros decreased slightly from 17.6% to 17.0% as we put more money to work into existing holdings. Similar to the Fund's position count, the Fund's cash balance is outside of its typical range of 5% to 15%. We similarly expect it will be within a typical range soon, however, investors should expect us to remain patient stewards of the Fund's capital.

Zooming out to sector-level allocations, the Fund's largest sector allocations as of the end of September were to information technology (26.5%), communication services (19.8%), consumer discretionary (19.7%), and consumer staples (10.7%). Our investors will recall these sector allocations look a fair bit different versus those as of the end of August on account of changes to the Global Industry Classification Standard (GICS). As we've said previously, our strategy and holdings have not changed based on this reclassification as it is simply a regrouping of companies under a different industry name.

## Impactful Movers

Let's zoom back in for a discussion on the month's most impactful positions. The biggest contributor to performance during the month was **Atlassian** (+6.2%), which drifted higher on no material news of note. Meanwhile, the largest detractor to performance during the month was **Facebook** (-6.9%), which suffered the ignominy of revealing another security breach.

Suffice to say we were underwhelmed to hear of Facebook's latest breach, which exposed data of 50 million users, but it is important to keep this issue in perspective. Facebook has fixed the vulnerability, had already committed to aggressively invest in greater platform security, and around only 2% of monthly average users were affected.

Then there's the valuation. We think a good deal of cynicism is priced into Facebook's shares at a valuation of just 22 times forward earnings estimates despite consensus expectations of 37% top-line growth over that stretch. For context, the median company in the S&P 500 whose forward earnings multiple hovers around 20 to 24 times is only expected to grow its top-line by around 7% over the coming year. Combine that with Facebook's having just over 9% of its market capitalisation in net cash and it seems apparent to us that the market has already significantly discounted Facebook's future prospects.

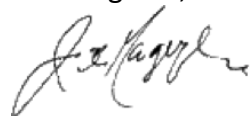
All in all, while we were not thrilled to learn of this latest breach, we think the business is headed down the right track in terms of platform security and integrity. Also, given the valuation context above and the multiple call options that we think the business has across its four major platforms -- Facebook, Instagram, WhatsApp, and Messenger -- we're comfortable with the range of outcomes. We'll have more to say on the business in our next letter as Facebook should report quarterly earnings later this month.

## Looking Ahead

We are pleased with how the Fund is pacing, however, it is still early days. Rather than obsessing over short-term performance, our priorities right now are on uncovering promising new opportunities and tracking the early progress of our portfolio companies against our long-term investment theses.

We thank you for your time and trust, and look forward to updating you again next month on our progress.

Best Regards,



**Joe Magyer, CFA**

## Chief Investment Officer

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