LAKEHOUSE GLOBAL GROWTH FUND
MONTHLY LETTER
30 NOVEMBER 2018

Dear Lakehouse Investor,

Companies Held:	21
Cash Allocation:	8.5%
Top 5 Portfolio Holdings:	35.4%
Net Asset Value per Unit:	$1.0739
Fund Net Asset Value:	$88.5 million
Benchmark:	MSCI All Country World Index Net Total Returns (AUD)

The end of November marked a milestone for the Lakehouse Global Growth Fund as it wrapped up its first year. The year was marked by peaks and valleys in volatility with our approach alternating between patiently waiting for opportunities to come our way and aggressively building positions in companies we expect to own for the long-term. Indeed, speaking to our temperament and long-term approach, the Fund did not sell a single share during its first year.

November was yet another volatile month in global markets. The prospects of slowing global growth and escalating trade tensions between the US and China continued to rattle investors with short time horizons. For the Fund's part, its cash position shrunk from 11.6% to 8.5% as we increased some of the Fund's existing holdings and opened a new position in **Okta**.

The Fund returned -0.2% net of fees and expenses in November compared to -1.5% for its benchmark. Thus far in a 5-month-old fiscal year, the Fund has returned a net -1.1% compared to -1.0% for the benchmark. Since inception at the start of December 2017, the Fund has returned 7.2% compared to 2.9% for its benchmark.

We are pleased with the Fund's early progress towards our objective of long-term outperformance, particularly since we were patient in putting the Fund's capital to work and had a cash balance north of 20% for most of the first year. It is still early days, though, and we do not read much into early performance -- and neither should investors who embrace our long-term, high-conviction strategy.

The Fund held 21 positions as of the end of November, the 5 largest of which in order of sizing were **Facebook, Alphabet, PayPal, Visa** and **Monster Beverage.** Zooming out to sector-level allocations, the Fund's largest allocations as of the end of November were to information technology (30.4%), consumer discretionary (21.1%), communication services (20.5%), and consumer staples (10.4%). As usual, we remain tilted towards sectors that we think have bright long-term prospects and away from those that are historically more cyclical (e.g. energy and materials) and capital hungry (e.g. utilities and real estate).

Portfolio Company Activity

Let’s zoom back in for a discussion on the portfolio’s most impactful positions. The biggest contributor to performance during the month was **Monster Beverage** (+9.2%), which reported strong quarterly results that we’ll discuss shortly. Meanwhile, the largest detractor to performance during the month was **Facebook** (-10.4%), which has stumbled from one PR mess to another. We remain investors in both companies.

Monster Beverage reported yet another strong quarter with overall sales increasing 11% in constant currency terms, and sales of its Monster Energy drinks segment up nearly 13%. The stock did not react positively to this news, though, as during its conference call Monster announced it is in arbitration with Coca-Cola over Coke launching its own brand of energy drinks. Some background here is probably worthwhile: Coke owns about 18.5% of Monster, worth approximately US$6 billion. The two companies entered into a strategic distribution agreement in mid-2015, a key feature of which was that Coke would not compete with Monster in the energy drinks category. Coke now plans to test-launch an energy drink under the Coca-Cola brand in April 2019, which it believes falls under an exception to the agreement -- Monster, obviously, disagrees.

It is hard to say what the results of arbitration will be, and we note that Coke has a robust balance sheet, iconic brand, and a proven distribution network. Then again, despite launching 500 new products in 2017, Coke only managed to grow volumes 2% against Monster’s volume growth of 12.8%. That’s to say, even if Coke has a go, there is no guarantee of success.

For that matter, we note that Monster is hardly a sitting duck. Its core demographic of young male consumers are quite loyal to their green cans as the brand has been steadily gaining share in practically every market in which it operates. Judging by comments made by both companies, we think it is possible that Coke’s product may fall under the ‘sparkling’ category as opposed to energy drinks and thus, may even be a materially different product targeted at a different market segment, which would have less of an impact on Monster. To summarise, while this development is not good news and merits keeping a watch on, we’re doubtful it will destroy the investment case underlying Monster.

Lastly, we’ll tie things up with a brief introduction to Okta. Okta is a founder-led, software-as-a-service provider of identity solutions. The proliferation of cloud-based services has moved computing outside the physical premises of a business. As a result of that shift, the physical perimeter in security has been rendered insufficient, elevating the importance of identity to a separate platform, where security needs to be managed at the user level. One of Okta’s key selling points is that it integrates seamlessly with various applications, infrastructure and devices, both on-premise and in the cloud. We’re quite familiar with the value proposition as we are customers.

All of these integrations create a powerful network which provides superior insight into potential security threats and breaches. In addition, Okta benefits from strong customer loyalty, with net revenue retention rates north of 120%. We believe Okta, which is at the forefront of what is potentially an US$18 billion market opportunity, is poised to grow revenue at very high rates for a very long time. We thought the recent market volatility was an opportune time for us to initiate a starter stake, which we nudged up slightly subsequent to month end after Okta reported an impressive quarter that featured increasing customer lifetime value despite falling customer acquisition costs.

Looking Ahead

As always, thanks to all our investors for your time and trust. It's still early days for the Fund but our team, which has grown, has enjoyed piecing together the portfolio. We've also been happy to put cash to work during these recent bursts of volatility and will continue to do so if opportunities present themselves.

Lastly, we're pleased to share that Kerra McDonough has joined the board of directors at Lakehouse Capital. Kerra has served our parent company, The Motley Fool, for more than 18 years and was appointed Chief Financial Officer in February. She also sits on the board of directors of The Motley Fool. Kerra stepped into both the CFO role and Lakehouse board seat left open by Ollen Douglass, who recently took on the role of Managing Partner for the newly-created and US-based Motley Fool Ventures. We thank Ollen for his service, wish him all the best with the new Foolish venture, and look forward to working more closely with Kerra.

Best Regards,

Joe Magyer, CFA
Chief Investment Officer

Sole use and confidentiality: This report has been prepared by Lakehouse Capital Pty Limited (ABN 30 614 957 603, authorised representative of AFSL 400691) and by its officers, employees and agents (collectively "Lakehouse") for the sole use of its clients as a record of the performance of their investment. The contents of this report are confidential, and the client may only disclose such contents to its officers, employees or advisers on a need to know basis, or with the prior written consent of Lakehouse.

Disclaimer: The responsible entity for the Lakehouse Global Growth Fund (ARSN 621 899 367) is One Managed Investment Funds Limited (ACN 117 400 987) (AFSL 297042) ("OMIFL"). The information contained in this document was not prepared by OMIFL but prepared by other parties. All of the commentary, statements of opinion and recommendations contain only general advice and have not taken into account your personal circumstances. This report contains general financial product advice only. Any investment in Lakehouse or OMIFL products need to be made in accordance with and after reading the Product Disclosure Statement (PDS) and Additional Information

Booklet (AIB) dated 11 December 2017, and investors should consider the PDS before deciding whether to invest in the Fund or continue to hold units in the Fund. The opinions, advice, recommendations and other information contained in this report, whether express or implied, are published or made by Lakehouse in good faith in relation to the facts known at the time of preparation. Information is current as at the date of the letter, unless otherwise noted. Past performance is not indicative of future performance. The PDS and AIB can be obtained by visiting www.oneinvestment.com.au/lakehouse

Limitation of liability: Whilst all care has been taken in preparation of this report, to the maximum extent permitted by law, neither Lakehouse or OMIFL will be liable in any way for any loss or damage suffered by you through use or reliance on this information. Lakehouse and OMIFL's liability for negligence, breach of contract or contravention of any law, which cannot be lawfully excluded, is limited, at Lakehouse's option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you.

Disclosure: Lakehouse, its directors, employees and affiliates, may, and likely do, hold units in the Lakehouse Global Growth Fund and securities in entities that are the subject of this report. Copyright: Lakehouse owns the copyright to this publication. Its contents may be used for your own personal use, but you must not (without Lakehouse's consent) alter, reproduce or distribute any part of this publication, transmit it to any other person or incorporate the information into any other document.