Companies Held:	21
Cash Allocation:	13.2%
Top 10 Portfolio Holdings:	57.8%
Net Asset Value per Unit (mid):	$1.3261
Fund Net Asset Value:	$133.3 million
Benchmark:	MSCI All Country World Index Net Total Returns (AUD)

Dear Lakehouse Investor,

October was a busy month for the Lakehouse Global Growth Fund as a number of the Fund's holdings reported earnings. The team also made the decision to exit our long-held position in **Interactive Brokers** and initiate a new position in **ServiceNow**, a market leader within the IT Service Management space. More on those decisions shortly.

The Fund returned -1.0% net of fees and expenses for the month compared to 0.6% for its benchmark. Thus far in fiscal 2020, the Fund has returned 0.2% compared to 4.6% for the benchmark. Since inception at the start of December 2017, the Fund has returned 34.2% compared to 21.1% for its benchmark.

We are pleased with the Fund's early progress towards our objective of long-term outperformance. However, 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 the month, the ten largest of which are listed below:

Company	Headquarters	Industry
Facebook	USA	Interactive Media and Services
Alphabet	USA	Interactive Media and Services
PayPal	USA	Data Processing and Outsourced Services
Visa	USA	Data Processing and Outsourced Services
Amazon	USA	Internet and Direct Marketing Retail
LVMH	France	Apparel, Accessories and Luxury Goods
Adyen	Netherlands	Data Processing and Outsourced Services
Booking Holdings	USA	Internet and Direct Marketing Retail
MercadoLibre	Argentina	Internet and Direct Marketing Retail
Monster Beverage	USA	Soft Drinks

Zooming out to the sector level, the Fund's largest allocations at month end were to information technology (31.0%), consumer discretionary (19.4%) and communication services (18.6%). The Fund is larger than the benchmark in all three sectors and we expect that will consistently be the case over time as Lakehouse views these sectors, or at least subsets of them, as having superior economics and long-term prospects. Also, our team does not feel a great compulsion to allocate capital to sectors that are notoriously cyclical, competitive, or capital-hungry, and thus we expect to remain underweight the likes of materials, energy, and utilities.

Portfolio Company Activity

At the portfolio level, the biggest contributor to performance during the month was **Facebook** (+8.7%), which reported yet another strong set of results. Meanwhile, the largest detractor to performance was Interactive Brokers (-13.4%), which as mentioned, the Fund exited during the month. Many of the Fund's holdings also reported earnings in October, and while it would be tempting to comment on all of them, we will restrict our commentary to substantive news on key positions.

Interactive Brokers is a business I (Joe here) have long owned and followed, so exiting our position was not done lightly. Ultimately, though, we think the company's recent decision to push ahead with a new service offering free trades for US equities and ETFs is an ill-conceived, off-brand distraction. We expect the new service, IBKR Lite, will have limited mass-market appeal given the company's lack of retail brand relevance, relatively small marketing budget, and intense competition from fellow Fund portfolio company and market leader **Charles Schwab**, which followed Interactive Brokers' lead by making the trading of US stocks, ETFs, and options commission-free. The above decision, combined with the progressive stepping back by founder and Chairman Thomas Peterffy, and yet another distraction in the form of a new-ish sports betting offering, has reduced our conviction in the thesis such that we no longer think it makes sense to remain invested.

Facebook reported yet another strong set of results with revenue growing 31% year-on-year in constant currency terms, supported by broad-based growth in its user base. For the core Facebook platform, which has been widely lambasted, daily and monthly active users increased 9% and 8% year-on-year to 1.6 billion and 2.4 billion, respectively. More broadly, the number of daily average users who use at least one of Facebook, Instagram, WhatsApp, or Messenger increased roughly 10% to 2.2 billion individuals. We were also pleased to see that Facebook still remains firmly focused on product innovation, with the company launching numerous new features and offerings in the last few months including Facebook Dating, Threads for Instagram, Facebook News, and Facebook Horizon. Whilst it is still early days, management noted that initial traction had been positive and we like the consistent focus on improving the user experience.

In general, we continue to believe that the durability of Facebook's business is underestimated by the market and remain confident in the strength of the core usage trends and long-term opportunities from new monetization channels. Whilst we acknowledge that there is a degree of regulatory overhang on the stock, we believe that 22 times forward consensus earnings is simply too cheap for a business of Facebook's quality and also take comfort in the company's net cash position which sits at 8% of its market capitalisation.

Alphabet reported revenues of $40.5 billion for the quarter, up 22% year-over-year in constant currency terms, which was slightly ahead of expectations. Whilst earnings missed consensus due to mark-to-market losses on the company's equity portfolio, the key long-term story in our mind was that revenue and margin trends continue to remain very consistent. The company's ability to grow at 20%-plus for more than nine years now is remarkable, especially considering its current scale. Alphabet continues to invest heavily and does not manage the company for quarterly performance, something that we are very supportive of. In particular, management highlighted some key areas for investment, including AI techniques in Google search to better understand user queries, as well as its push into quantum computing. We're pleased to see these investments and continue to think that the parent of YouTube, Android, Chrome, Google Maps and Search, among other properties, continues to be overlooked by investors who do not share our long-time horizon even though the business is hiding in plain sight.

PayPal posted another strong quarter as revenue growth accelerated to 19%. PayPal's operational metrics continue to be resilient, with growth in total payment volume (up 27% year-on-year in constant currency terms), active accounts (+16%) and average transactions per account (+9%). Venmo continues to deliver solid results, with total payment volume growing by 64%, now at an annual run rate of more than US$100 billion. The business also continues to demonstrate considerable operating leverage with EBITDA margins increasing by 200 basis points as non-transaction related costs were kept stable (+1.9%) and Venmo started to become profitable.

Signs point positive for the business heading into 2020. We continue to be excited for PayPal's future growth opportunities through new partnerships with ecommerce marketplaces and traditional financial institutions, and services by offering new functionality acquired from iZettle and Hyperwallet, along with a promising opportunity to enter the Chinese market through a 70% stake in GoPay. We remain patient investors, considering the growth runway and operating leverage in the business.

Visa was again business as usual. Revenues grew at more than double digits, despite concerns in the overall global macroeconomic environment, as Visa strategically opens its network to drive deeper partnerships with traditional clients, expand access to a growing number of fintechs, improve value-added capabilities, and enable new money flow within their network of networks. Tap to pay in the US continues to see traction, with 100 million contactless cards now issued, which the company forecasts to increase to 300 million by the end of calendar 2020. We continue to believe that Visa is very well situated in the digital payment ecosystem and await what the company will present at its upcoming investor event in February.

It was an interesting quarter for **Amazon** with net sales growing 24% year-on-year, which was at the high end of the company's guidance range and ahead of consensus. However, operating profit failed to impress, declining 14% as the costs of shifting from two-day to one-day delivery ate into operating margins. Notably, shipping and fulfillment costs jumped nearly 50% year-on-year. While the increased investment is likely to be costly in the short term, we believe it will ultimately turn out to be a smart move, as advancing their one-day Prime shipping efforts will delight customers, increase demand, spin the flywheel faster allowing even further reinvestment, and prove incredibly difficult for competitors to match. Initial evidence already seems to support the move with worldwide unit growth accelerating to 22% year-on-year from 15% in the prior year despite the ongoing mix-shift towards subscription sales and that one-day shipping is not available for all markets or products. Amazon has a long history of investing in its business at the expense of short-term profitability, and in most cases these investments tend to pay off, eventually. We expect the expansion of one-day shipping will be no different and that the longer-term benefits of greater wallet share should outweigh any short-term costs.

Lastly, we'll wrap things up with a brief introduction to the Fund's newest position, ServiceNow. ServiceNow has rapidly risen to become the category leader in IT service management (ITSM), whereby they provide cloud-based applications to enterprises that help them plan, deliver, operate and control IT services to end users. A key advantage of the company's offering is its rich customisation, which enables organisations to automate a wide variety of workloads and have the ServiceNow platform serve as a single system of record for the IT function within the enterprise. Whilst ServiceNows rise within the ITSM space is very impressive, having established a leading 40% market share, it is the platforms applicability outside of ITSM that gets us particularly excited. The company has effectively leveraged its existing customer base and first mover advantage to develop additional solutions that automate a wider variety of corporate workflows across not only IT, but also human resources and customer service.

The company now counts 883 of the largest 2,000 enterprises in the world as its customers and has more than 75% of these customers using more than one solution. We believe that the company's platform model and multi-product offering can sustain high growth rates for many years to come, as there remains a significant opportunity to cross sell existing products and develop new solutions. Furthermore, the more touch points across an organisation ServiceNow has, the harder it is for a customer to leave. In fact, ServiceNow boasts an industry leading customer retention rate of 99%, which is up from 97% in 2014. This is incredible and speaks to the mission critical nature of the company's applications as customers are increasingly finding the solution indispensable. The strength of ServiceNows offering is also evident from its financials as the company has an impressive track record of growth and profitability -- consistently growing revenue at 30%-plus whilst maintaining 20%-plus FCF margins.

Accordingly, we used the recent correction in high growth names as an opportunity to establish a starter position in what we believe is a high-quality business with a deeply entrenched competitive position and a very long growth runway. As one final point, it would be remiss not to mention that the current CEO of ServiceNow, John Donahoe, did recently announce that he would be stepping down to take on the top role at Nike. While we do acknowledge that this presents some degree of leadership transition risk, we take comfort in the fact that Bill McDermott, the former CEO of SAP for nearly ten years, has already confirmed that he will take over from Donahoe. In our mind, Bill is a very worthy successor and we are excited to see where he takes the company.

Thank You

As always, thanks to all our investors for your time and trust. It's still early days for the Fund but we're pleased with our start and feel good about the long-term prospects of the portfolio of companies we've assembled.

Best Regards,

Joe Magyer, CFA
Portfolio Manager, Lakehouse Global Growth Fund
Chief Investment Officer, Lakehouse Capital

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