Companies Held:	21
Cash Allocation:	13.9%
Top 10 Portfolio Holdings:	57.8%
Net Asset Value per Unit (mid):	$1.5063
Fund Net Asset Value:	$156.8 million
Benchmark:	MSCI All Country World Index Net Total Returns (AUD)

Dear Lakehouse Investor,

January was a lively month for the Fund and global equity markets given fresh earnings results on display, falling interest rates, and the rapid spread of the coronavirus within and outside of China. We're watching the coronavirus situation closely, including potential impacts to supply chains, but we are more relaxed about the risks given our long-time horizon, the Fund's sizable cash position, tilt towards digital commerce, and an underweight allocation to China.

The Fund returned 7.9% net of fees and expenses for the month compared to 3.8% for its benchmark. Over the past 12 months the Fund has returned 36.7% compared to 26.4% for its benchmark. Since inception at the start of December 2017, the Fund has returned 52.4% compared to 30.7% for its benchmark. In annualised terms, the Fund has returned 21.4% since inception compared to 13.1% 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
Adyen	Netherlands	Data Processing and Outsourced Services
PayPal	USA	Data Processing and Outsourced Services
Visa	USA	Data Processing and Outsourced Services
Amazon	USA	Internet and Direct Marketing Retail
MercadoLibre	Argentina	Internet and Direct Marketing Retail
LVMH	France	Apparel, Accessories and Luxury Goods
Monster Beverage	USA	Soft Drinks
M3 Inc	Japan	Healthcare Technology

Zooming out to the sector level, the Fund's largest allocations at month end were to information technology (34.4%), communication services (17.9%) and consumer discretionary (17.2%). 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.

Let's zoom back in for a discussion on the portfolio's most impactful positions. The biggest contributor to performance during the month was **Adyen** (+18.0%), which recently landed payment processing deals with fast food giants, McDonald's and Subway. We're impressed with Adyen's continued success at winning large, valuable reference clients, particularly those where customers transact in-store.

Meanwhile, the largest detractor to performance was **FeverTree Drinks** (-31.3%), which delivered solid but not spectacular growth during the second half of 2019. To be fair, the ongoing Brexit uncertainty probably did not help business in the key UK market and investments into the large and growing US market are suppressing current profitability. We can tolerate both, as long-term investors, but note that the position is the Fund's smallest and we have not rushed to grow our position on this weakness.

The Fund's largest position, **Facebook**, reported yet another strong result as revenue growth continues to be supported by consistent growth in users and engagement. Fourth quarter revenue grew 26% year-on-year in constant currency terms to US$21.1 billion, which was slightly ahead of investors' expectations. The number of monthly active users across Facebook's family of products -- Facebook, Instagram, WhatsApp and Messenger -- grew 9% year on year to 2.89 billion. For context, that represents about 78% of the world's internet users outside of China.

The business isn't without its challenges, a key one being that top-line growth has been moderating as the company continues to face headwinds on the ad targeting front from new regulatory schemes like GDPR in Europe and CCPA in California. These issues will likely persist for some time, however, an increasing compliance burden is a double-edged sword as the mounting challenges also make for higher barriers to entry. We believe that Facebook has a number of catalysts to offset these headwinds including increased monetisation of Stories, the expanding use of Instagram Checkout, and significant potential around payments. Furthermore, the company trades on an attractive valuation at 23 times consensus forward earnings and holds roughly 7% of its market capitalisation in net cash. As it stands, we think the risk/reward is very attractive and we remain patient long-term holders.

Another large holding, **PayPal**, had yet another good quarter. Operational metrics continue to be strong, with active accounts up 14% year-on-year and total payment volume up 22% in constant currency terms. Customer engagement, measured in average transactions per account, continued its long ascent with growth accelerating to 10% year-on-year. The average active PayPal user transacts roughly 41 times a year, up from 37 the year before, as PayPal and Venmo continue to widen their use cases and count of accepting merchants. We expect engagement metrics to continue to point upward given those trends plus additional functionality from the recently acquired Honey and the expansion of in-store payment capabilities.

We are excited to see new partnerships on the horizon, such as the ones with China UnionPay and fellow fund holding MercadoLibre, which will significantly increase PayPal's acceptance across merchants in China and Latin America. The business continues to keep costs relatively steady, with non-transaction related expenses growing by only 7%, increasing the operating margin by more than 2 percentage points. We continue to be patient investors as we appreciate the large and growing market opportunity, the new partnerships that will unfold, and the operating leverage that will bring higher profitability.

Visa continued its long run of steady growth with revenue and earnings per share increasing 10% and 12%, respectively, in year-on-year terms. The company hit a milestone of US$3 trillion (with a T) in total network volume and we are pleased to see the near-triple-digit growth rate in transactions for Visa Direct, which is the company's real-time payment solution. Also notable is that Visa recently acquired Plaid, a network that connects fintech developers, financial institutions and consumers. The acquisition significantly expands the already massive total addressable market, improves the overall technology offering, and accelerates the development of Visa's 'network of networks' strategy. We remain long-term holders and look forward to the company's upcoming investor day to learn more about the company's plans for the next decade.

Following on from last month's letter, we have welcoming news to share for our growing number of existing and prospective financial adviser partners: The Fund was recently issued a Superior Rating of 4.25 out of 5.00 stars from SQM Research. We invite advisers to contact our Distribution team to request a copy of SQM's independent research report, discuss platform availability, and learn more about Lakehouse and the Fund.

Oh, and one last thing. It has been standard practice for me (Joe Magyer here) to personally sign off on all our investor letters since we started back in December 2017. Our team has swelled since then, though, and while my role hasn't changed and I'm just as accountable for the performance of the Fund and the content of these letters as ever, we've grown to a point that I think it is more appropriate for our monthly letters to be signed off by the team, not just one person.

Thanks again to all our investors for your time and trust. It means a great deal to us, especially those of you who backed us early, and we'll continue to do our best for you.

Best Regards,
Lakehouse Capital

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