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|---------------------------------|---|
| Companies Held: | 20 |
| Cash Allocation: | 7.4% |
| Top 10 Portfolio Holdings: | 66.1% |
| Net Asset Value per Unit (mid): | \$1.5572 |
| Fund Net Asset Value: | \$160.4 million |
| Benchmark: | MSCI All Country World Index Net Total Returns (AUD) |

Dear Lakehouse Investor,

April saw a rapid rebound in global equity markets on the heels of the market's steepest ever drawdown. Having already made changes around the edges of our positioning beginning in late January, we were less focused on trading during the month and more focused on tracking data points indicating whether our view regarding the pull forward of demand for digital-first companies was accurate. Fortunately, as our performance reflects, our broader view on this point looks to have been very much on the mark.

The Fund returned 9.2% net of fees and expenses for the month compared to 3.5% for its benchmark. Over the past 12 months the Fund has returned 20.7% compared to 2.2% for its benchmark. Since inception at the start of December 2017, the Fund has returned 57.6% compared to 17.6% for its benchmark. In annualised terms, the Fund has returned 20.7% since inception compared to 7.0% for its benchmark.

We remain confident about our balanced positioning which acknowledges significant risks and unknowns while also appreciating that patience and a long-term perspective are usually rewarded by markets. For that matter, as we underscored in the [March letter](#), markets are forward looking and care far more about where the economy is headed rather than where it is right now. This crucial point, which is not intuitive to most, explains much of why the market has rallied so hard while economic data has gotten worse.

The market's forward-looking nature isn't the only contributor to the rebound. While we did not predict such a sharp recovery, we also are not surprised that the market's steepest ever drawdown preceded the market's steepest ever bull market.

Also, as we have banged the drum about, the aggressive fiscal and monetary response from governments and central banks has gone a long way towards improving liquidity and asset prices. To that end, we do not view it as a coincidence that global markets bottomed the same day that the U.S. Federal Reserve signalled it would do practically anything within its considerable power to support markets and the world's largest economy.

We see other reasons for optimism as well. Namely, that the curve has flattened in most countries, mortality rates appear far lower than initially feared, testing capacity and accuracy has improved, production of key medical equipment and supplies has accelerated, and numerous trials for treatments and vaccines are underway.

All that said, markets, economies, and people are not out of the woods and the Fund's positioning reflects as much. We expect new case counts to increase in a rolling-wave fashion as countries begin to reopen, which could lead to intermittent rounds of openings and closures, and we are still learning about the odds and risks of reinfection. We also cannot trivialise the economic costs of the crisis and acknowledge we are in uncharted territory.

The confluence of the above, along with validation of our expectation of the pulling forward of adoption curves for digital-first business models, supports our current strategy of leaning even more into our usual style of companies. The Fund's largest sector allocations at month end were to information technology (46.5%), communication services (19.0%) and consumer discretionary (13.8%).

Our general preference to shy away from cyclical, capital-heavy sectors and companies has rewarded us particularly well over the past couple of months. To that end, given the strong balance sheets of our companies and how well they have fundamentally performed relative to most other businesses during this crisis, our view is they will grow increasingly stronger on the other side of this crisis the longer social distancing and a weak economy drags on. If the world economy recovers quickly, great! If not, we can tolerate short-term pain for long-term gain.

The Fund held 20 positions as of the end of April, ten largest positions are listed below:

| Company | Headquarters | Industry |
|------------------------|--------------|---|
| Paypal | USA | Data Processing and Outsourced Services |
| Facebook | USA | Interactive Media and Services |
| Adyen | Netherlands | Data Processing and Outsourced Services |
| Amazon | USA | Internet and Direct Marketing Retail |
| Alphabet | USA | Interactive Media and Services |
| Visa | USA | Data Processing and Outsourced Services |
| Avalara | USA | Application Software |
| MarketAxess | USA | Financial Exchanges and Data |
| Constellation Software | Canada | Application Software |
| MercadoLibre | Argentina | Internet and Direct Marketing Retail |

The Fund has a good-sized U.S. presence, which shouldn't be surprising given the U.S. is far and away the largest source of quality growth companies and comprises around 56% of our benchmark, but the Fund also now has stakes in companies headquartered in the Netherlands, Canada, Argentina, France, China, Japan, Australia, and a new position in Norway. It's also worth noting that 12 out of the Fund's 13 U.S.-based holdings have operations outside their home countries, thus understating the global flavour of the portfolio.

Digging back into results, the biggest contributor to performance during the month was **PayPal** (+21.1%), which rebounded after a tough prior month and looks to be benefitting from a pull-forward of the adoption of online shopping. The largest detractor to performance was **LVMH** (-2.5%), whose shares struggled along with those of other luxury stocks. We acknowledge this is a tough environment for LVMH, which is why we right-sized our risk by reducing the position in February and March, but we're exercising some patience given the durability of LVMH's brands.

Now let's turn to news from the Fund's largest holdings. **Facebook** reported a solid set of quarterly results with revenue growing 19% year-on-year in constant currency terms, as the digital advertising market proved more resilient than many expected. Whilst it was true that many industries that are large online ad buyers -- airlines, hotels, restaurants, etc -- were particularly weak, this was partially offset by strength in other sectors, such as direct-to-consumer retail brands, technology, and gaming. We were pleased with the relative strength and

also took comfort in management's comments that they saw signs of stability in ad revenue in the first three weeks of April.

The core metrics of network health, user growth and engagement, were also very impressive. Daily active people across at least one of Facebook, Instagram, WhatsApp, and Messenger grew 12.4% year-on-year to 2.36 billion, which was an acceleration, and engagement increased across all Facebook platforms. Facebook's fortress balance sheet with about US\$50 billion in net cash also affords immense strategic optionality, a point on display with the company investing US\$5.7 billion in fast-growing Indian telco Jio Platforms. We continue to believe that Facebook is well positioned to weather the current crisis far better than most peers and may emerge stronger and perhaps better appreciated by users, advertisers, and governments.

Adyen recently provided a pretty upbeat market update. The company reported processed volumes at €67 billion for the first quarter, up 38% year-on-year. Though the company has been impacted by weakness in the overall travel and accommodation segment, we have seen some strength emerge from e-commerce, which started to pick up in the latter half of March and has accelerated in April. There have been some delays in merchant onboarding but overall it looks like it is business as usual at this fast-growing, highly cash generative business. We believe Adyen is well positioned throughout this scenario and remain content holders.

Amazon had an interesting quarter with net sales growing 27% year-on-year in constant currency terms, which was a marked acceleration from 19% growth in the previous corresponding period. Profits have not followed suit as the company is aggressively reinvesting to ensure employee safety as well as bringing on an additional 175,000 employees to meet the challenge of the online shopping curve being abruptly pulled forward. As long-time Amazon followers, we are more than happy for the company to make such long-view investments and expect the company's competitive position to strengthen in the coming months and years.

Alphabet reported first quarter revenue growth of 15% in constant currency terms. Business was strong in the first two months of the year followed by a sudden slowdown in ad revenue in March. We expect Google's high-ROI advertising services to recover quickly as the economy turns, though, and there were other clear positives during the quarter. For example, the company's secure video conferencing platform saw a 30-fold increase in usage since January. We were also pleased to learn that Google Classrooms is now being used by 100 million students and educators and that G Suite now has more than 6 million paying customers. Meanwhile, on the consumer side, YouTube engagement and subscriber numbers continue to increase. The short-term will remain challenging for the company's advertising business, however, this will eventually turn. In the meantime, the business has many other irons in the fire and more than enough cash to fund all its promising ideas.

Thank You and a Reminder

Thanks again to all our investors for your time and trust. We are grateful for such a loyal, aligned investor base and hope you and yours are traveling well during a challenging environment.

Lastly, as a reminder, in an effort to adapt to the current environment, the Fund is now accepting scanned and faxed applications and redemptions where they meet certain requirements during this COVID-19 period. Investors should read the [notice](#) posted on 20 March 2020 for details. Meanwhile, investors and advisers are still free to top-up their holdings simply by making a BPAY transfer with no further action required. More details are available [here](#).

Best Regards,
Lakehouse Capital

P.S. We recently hosted a 90-minute webinar and live Q&A session with investors which was recorded and is available for viewing on our [website](#).

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