LAKEHOUSE GLOBAL GROWTH FUND

MONTHLY LETTER

31 July 2020

Dear Lakehouse Investor,

Global equity market volatility continues as investors struggle to wrap their heads around the myriad of human and economic impacts of COVID-19 and social distancing. Meanwhile, against the backdrop of this ongoing saga, many companies provided fresh updates on how they are performing, including many in the Fund's portfolio. Collectively, the data shows that the Fund's portfolio companies are performing very well despite very challenging circumstances.

The Fund returned 4.7% net of fees and expenses for the month compared to 1.1% for its benchmark. Over the past 12 months the Fund has returned 34.4% compared to 3.0% for its benchmark. Since inception at the start of December 2017, the Fund has returned 86.7% compared to 21.8% for its benchmark. In annualised terms, the Fund has returned 26.4% since inception compared to 7.7% for its benchmark.

	1 Month	**3 Month**	**1 Year**	**2 Year (p.a.)**	**Inception (p.a.)**
Lakehouse Global Growth Fund	4.7%	18.5%	34.4%	30.6%	26.4%
Benchmark*	1.1%	3.5%	3.0%	7.0%	7.7%
Excess Return	3.6%	15.0%	31.4%	23.6%	18.7%

We continue to take a balanced view of the economic backdrop and market opportunity set. Economies are struggling and markets have rallied hard from their lows, however, the market's rebound is on the heels of the steepest drawdown ever, markets are forward-looking, and some businesses are net beneficiaries of the dramatic shifts in some of the ways we all live, work, spend, and play.

As it happens, we own many of the companies that have benefited from these changes. We were in the right place, to some extent, but our general bias towards companies with robust balance sheets and leading positions in growing markets is also a deliberate stylistic choice intended to help us compound capital through market cycles.

The Fund's largest sector allocations at month end were to information technology (42.3%), communication services (15.9%) and consumer discretionary (15.9%). The Fund's position is larger than the benchmark in all three sectors and we expect that will consistently be the case over time as we view these sectors, or at least subsets of them, as having superior economics and long-term prospects.

Fund Metrics	
Companies Held	20
Cash Allocation	12.0%
Top 10 Portfolio Holdings	62.0%
Net Asset Value per Unit (mid)	$1.7733
Fund Net Asset Value	$201.0 million
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

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

Company	Headquarters	Lakehouse Investing Fascination
Paypal	USA	Networks, Loyalty, IP
Facebook	USA	Networks, IP
Adyen	Netherlands	Loyalty, IP
Amazon	USA	Loyalty, Networks, IP
MercadoLibre	Argentina	Networks, Loyalty
Alphabet	USA	IP, Networks
Avalara	USA	Loyalty, IP
Charles Schwab	USA	Loyalty, IP, Networks
Visa	USA	Networks, IP, Loyalty
Constellation Software	Canada	Loyalty, IP

The Fund has a good-sized US presence, which shouldn't be surprising given the US is far and away the largest source of quality growth companies and comprises around 58% of our benchmark, but the Fund also has stakes in companies headquartered in the Netherlands, Canada, Argentina, France, China, Japan, Australia, and Norway. It's also worth noting that our U.S.-based companies tend to be very global themselves and only 49% of portfolio company revenues flow from the US.

Let's zoom back in for a discussion on the portfolio's most impactful positions. The biggest contributor to performance during the month was **Adevinta** (+54.6%), as the company won the bid to buy eBay's Classifieds business, including Australia's own Gumtree, making Adevinta the largest online classifieds player in the world. Meanwhile, the largest detractor to performance was

Visa (-5.4%), which reported soft overall quarterly numbers but continued strength in ecommerce outside of travel.

We also had a little bit of fresh news from some of our portfolio companies. The Fund's largest position, **PayPal**, reported its strongest quarter since being a listed company. Travel and cross-border related headwinds brought by COVID-19 were offset by strong e-commerce volume. PayPal's revenue grew 25% year-on-year in constant currency terms, accelerating in the back half of the quarter. Total payment volume was up 30% year-on-year -- a strong result at any time but all the more so considering that US second-quarter GDP fell by 32.9% year-on-year.

The main highlight was the strong user growth as we started moving towards a more digital-first world. PayPal ended the quarter with 346 million active accounts, up 21% year-on-year. The company is also experiencing a flood of demand from merchants who have adapted their business models to include online offerings with PayPal picking up 1.7 million new accepting merchants during the quarter, or about three times the existing quarterly run-rate. It's also worth noting that each of Venmo, Honey, and Xoom all grew strongly as well. All in all, we continue to rate PayPal highly and expect that the majority of users and merchants joining the platform now are here to stay given the strong value proposition of PayPal's suite of products.

Facebook also delivered a strong set of numbers given the circumstances. Revenue grew 12% year-on-year in constant currency terms and the number of monthly active users for at least one of Facebook, Instagram, WhatsApp, and Messenger increased 14% year-on-year to 3.14 billion. Put another way, Facebook added about 380 million new monthly active users to its platform over the past year, more than the total combined populations of Australia and the US. It wasn't just Instagram and WhatsApp carrying the load either -- the core Facebook' blue platform grew its monthly active users by about 8% year-on-year. All that's to say each of the company's core platforms are strong and growing.

We also continue to see significant optionality with Facebook and its core networks. 180 million businesses have a presence on its platforms -- up from 140 million at the end of December -- but only 9 million are paying advertisers today. The launch of Facebook Shops is also promising as it will allow business owners -- a million of whom signed up at launch -- to sell their products directly from within Facebook and Instagram. We're also pleased that WhatsApp's payment offering in India is getting closer to approval and, with US$52 billion in net cash, Facebook has plenty of financial and strategic optionality as well. We remain confident in our core thesis and that the company has multiple avenues for long-term growth.

Amazon's second quarter was incredibly impressive. Net sales increased by 41% year-on-year in constant currency terms and profits swelled despite the company spending over US$4 billion on COVID-19-centric costs. The ecommerce juggernaut was a very clear beneficiary of the sharp uplift in online shopping from new and existing customers alike but we expect much of that incremental growth to stick around as the sales mix had largely normalised by the end of June and Amazon's loyalty-driven, Prime-centric model tends to make for very sticky customers.

We also view Amazon Web Services (AWS) as a clear beneficiary of the distributed, work-from-home wave sweeping across technology companies today. The short-term is challenging, AWS grew revenue by 'only' 29% year-on-year as it proactively worked with customers to reduce costs, but the unit's backlog grew 65% year-on-year, product innovation continues at fast rate, and we expect companies to hasten their ongoing shift towards distributed computing given its flexibility, ability to scale, and low up-front costs. Big picture, we remain confident in the broader company's ability to thrive despite the very difficult and uncertain economic backdrop.

Thank You

Thanks again to all our investors for your time and trust. We appreciate it a great deal and hope you and yours are well during this challenging time.

Best Regards,
Lakehouse Capital

For more information call us on +61 2 8188 1510, email investorsupport@lakehousecapital.com.au or visit www.lakehousecapital.com.au