

LAKEHOUSE GLOBAL GROWTH FUND

MONTHLY LETTER

31 August 2020



Dear Lakehouse Investor,

August was a relatively quiet month for the Fund, or at least for what passes for quiet given a pandemic, protests, a divisive US Presidential campaign, and economic instability all in the backdrop. The Fund returned 2.0% net of fees and expenses for the month compared to 2.9% for its benchmark. Over the past 12 months the Fund has returned 37.7% compared to 6.2% for its benchmark. Since inception at the start of December 2017, the Fund has returned 90.5% compared to 25.3% for its benchmark. In annualised terms, the Fund has returned 26.4% since inception compared to 8.5% for its benchmark.

	1 Month	3 Month	1 Year	2 Year (p.a.)	Inception (p.a.)
Lakehouse Global Growth Fund	2.0%	8.6%	37.7%	27.1%	26.4%
Benchmark*	2.9%	3.5%	6.2%	6.6%	8.5%
Excess Return	-0.9%	5.1%	31.5%	20.5%	17.9%

We continue to take a balanced view of the economic backdrop and market opportunity set. The human and economic costs of COVID-19 are real, however, so is the structural pull-forward in adoption of business models we've embraced including ecommerce, digital payments, social media, cloud computing, and electronic trading platforms. It makes perfect sense that such companies, which have been able to grow at impressive rates despite shocking contractions in broader economic activity, would be re-rated higher given the acceleration in growth and de-risking of the odds that these companies successfully scale.

We won't pretend to know where markets will head over the short-term, as usual, and remain resolutely focused on long-term outperformance. In the meantime, we take comfort owning a portfolio of cashed-up companies with strong competitive positions and tailwinds that we expect will continue to gain market share regardless of whether the economic recovery is shaped like a V, W, or &.

The Fund's largest sector allocations at month end were to information technology (40.7%), communication services (17.0%) and consumer discretionary (15.6%). 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	12.4%
Top 10 Portfolio Holdings	62.2%
Net Asset Value per Unit (mid)	\$1.8092
Fund Net Asset Value	\$211.6 million
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

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

Company	Headquarters	Lakehouse Investing Fascination
Facebook	USA	Networks, IP
PayPal	USA	Networks, Loyalty, IP
Amazon	USA	Loyalty, Networks, IP
Adyen	Netherlands	Loyalty, IP
Charles Schwab	USA	Loyalty, IP, Networks
Alphabet	USA	IP, Networks
MercadoLibre	Argentina	Networks, Loyalty
Visa	USA	Networks, IP, Loyalty
Avalara	USA	Loyalty, IP
Monster Beverage	USA	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 50% of portfolio company revenue flows from outside the US.

Let's zoom back in for a discussion on the portfolio's most impactful positions. There's less ground than usual to cover here this month as the bulk of our portfolio companies reported prior to last month's letter. The biggest contributor to performance during the month was **Facebook** (+12.1%),

which performed well after the company announced the introduction of a number of new e-commerce features both within the main Facebook app and on Instagram, the introduction of Instagram Reels, and the US and China both pushing back against local adoption of Chinese social media companies. Meanwhile, the largest detractor to performance was **MarketAxess** (-8.8%), which reported strong but slowing monthly volume numbers following a few months of record volume growth due to market volatility.

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

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