

# LAKEHOUSE GLOBAL GROWTH FUND

## MONTHLY LETTER

30 April 2021



Dear Lakehouse Investor,

April was a solid month for the Fund as reporting season for international companies kicked into gear. We'll speak more to results from key holdings shortly but, big picture, we've been very pleased with the collective performance of our businesses and that global economic activity is gaining steam.

The Fund returned 5.4% net of fees and expenses for the month compared to 2.9% for its benchmark. Over the last 12 months, the Fund has returned 43.0% compared to 23.5% for its benchmark. Since inception at the start of December 2017, the Fund has returned a total of 125.3% compared to 45.3% for its benchmark. In annualised terms, the Fund has returned 26.8% since inception compared to 11.6% for its benchmark.

Fund Metrics	
Fund Net Asset Value	\$341.5 million
Net Asset Value per Unit (mid)	\$2.1395
Cash Allocation	7.3%
Top 10 Portfolio Holdings	61.2%
Companies Held	20
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

	1 Month	3 Month	1 Year	3 Year (p.a.)	Inception (p.a.)
Lakehouse Global Growth Fund	5.4%	9.4%	43.0%	29.8%	26.8%
Benchmark	2.9%	8.9%	23.5%	12.5%	11.6%
Excess Return	2.5%	0.5%	19.5%	17.3%	15.2%

The Fund's largest sector allocations at month end were to information technology (33.6%), communication services (23.3%) and consumer discretionary (18.1%). We expect to have material allocations to these sectors over time as the sectors, or at least subsets of them, are overweight business models that lend themselves to strong long-term performance, namely intellectual property, network effects, and loyalty.

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

<b>Company</b>	<b>Headquarters</b>	<b><a href="#">Lakehouse Investing Fascination</a></b>
Facebook	USA	Networks, IP
PayPal	USA	Networks, Loyalty, IP
Adyen	Netherlands	Loyalty, IP
Sansan	Japan	Loyalty, Networks
Adevinta	Norway	Networks, Loyalty
Monster Beverage	USA	IP
Visa	USA	Networks, IP, Loyalty
Alphabet	USA	IP, Networks
Amazon	USA	Loyalty, Networks, IP
MercadoLibre	Argentina	Networks, Loyalty

The Fund has a good-sized U.S. presence as that market continues to offer access to the largest source of quality growth companies. The Fund has become increasingly geographically diverse, though, and now holds stakes in companies headquartered in the UK, Netherlands, Canada, Argentina, France, China, Japan, and Norway.

## **Company News & Results**

We were very pleased overall with the results of the Fund's portfolio companies during the quarter as they consistently affirmed our long-term theses. The biggest contributor to performance during the month was **Adevinta** (+22.7%), as the company addressed the issues raised by the UK's Competition and Markets Authority (CMA) regarding the acquisition of eBay's Classifieds business. Meanwhile, the largest detractor to performance was **Sansan** (-5.6%), as Japan declared its third state of emergency due to a rapid rise in COVID-19 cases. More on that later.

Facebook's first quarter results were very impressive. The number of people using at least one of Facebook's platforms (Facebook, Instagram, WhatsApp, and Messenger) increased 15.4% to 3.5 billion. For context, that's the equivalent of around 18 Australias worth of new users. Revenue grew even faster at 44% in constant currency terms and the company's bottom line dwarfed expectations. Indeed, earnings per share of \$3.30 was about 22% above consensus for next year's first quarter earnings.

User growth and consistently strong usage played important roles in this result but the biggest contributor to this strong set of results was a 30% year-on-year increase in average price per ad. We were not entirely surprised -- we flagged in our [January letter](#) that we think the market might have overlooked what looked to us as an inflection point in ad prices -- but are nonetheless pleased. We view this uplift in ad prices as

more structural than cyclical as the number of businesses with a Facebook presence increased from 140 million at the start of 2020 to more than 200 million at the end of March.

The business has headwinds. Regulatory headaches are an ever-present challenge and Apple's recent moves to limit tracking software on iPhones should marginally reduce Facebook's ability to provide relevant, targeted advertisements to users. That said, Facebook still has incredibly rich first-party data with which to target relevant ads, which ultimately means that Apple's changes should lead to Facebook and fellow fund holding **Alphabet** gaining market share from competitors who aren't able to target as well. We're also optimistic about Facebook's progress towards becoming a commercial platform via shopping on Facebook and Instagram, the expansion of payments and business utilities on WhatsApp, the rapid growth of the Oculus ecosystem, and the company's US\$62 billion in cash. We continue to follow risks to the business closely but remain confident long-term holders.

Tokyo-based contact management software company **Sansan**, which we first purchased and [profiled](#) late last year, reported a good set of quarterly results. Revenue grew 21.5% thanks to subscriber growth of 14.2%, average monthly churn remained consistent at 0.67%, and there was strong growth at professional networking subsidiary Eight as the company onboarded more premium subscribers. We were also pleased to see that Bill One, the company's recently introduced invoice digitisation service, grew subscribers by 86% from the end of December. Bill One looks to be gaining strong traction and the company is aiming for more than one thousand subscribers by May.

The above makes for a strong showing in any environment but especially in the midst of a third Covid-driven lockdown in Japan. If Sansan can grow faster than 20% in one of the worst possible selling environments imaginable for their software, we look forward to seeing what happens when Japan gets back to normal. To that end, the company is stepping up the pace of investment to capitalise on the eventual reopening, which we're happy to hear given the company's long and attractive reinvestment runway. It's early days for this holding in the Fund but we're pleased with its progress and long-term potential.

## **Good News, and Thank You**

One last thing: we're pleased to share that the Fund is a Finalist for the Money Management Fund Manager of the Year award for Global Equities. We're happy to have been nominated for the award, which is based on performance as well as a manager's philosophy and process, but more so that we've been able to deliver for you, our clients, during such a turbulent period. As ever, thanks again to all our investors for your time, trust, and support.

Best Regards,

Lakehouse Capital

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