

LAKEHOUSE GLOBAL GROWTH FUND

MONTHLY LETTER

31 August 2021



Dear Lakehouse Investor,

August was a quiet month for the Fund having rolled off July's busy reporting season. The team hasn't sat still, though, and used the respite to catch up with portfolio companies including **Facebook**, **Amazon**, and **LVMH**. We're also gearing up for our annual Process Fest whereby all our analysts come to the table with ideas on how to refine and enhance the sound, repeatable process that our team has executed upon for the last few years.

The Fund returned 5.8% net of fees and expenses for the month compared to 3.1% for its benchmark. Over the last 12 months, the Fund has returned 36.1% compared to 30.2% for its benchmark. Since inception at the start of December 2017, the Fund has returned a total of 159.3% compared to 63.1% for its benchmark. In annualised terms, the Fund has returned 28.9% since inception compared to 13.9% for its benchmark.

Fund Metrics	
Fund Net Asset Value	\$432.5 million
Net Asset Value per Unit (mid)	\$2.4082
Cash Allocation	8.6%
Top 10 Portfolio Holdings	60.9%
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**	5.8%	16.7%	36.1%	30.0%	28.9%
Benchmark*	3.1%	10.8%	30.2%	13.9%	13.9%
Excess Return	2.7%	5.9%	5.9%	16.1%	15.0%

***Performance calculations are based on exit price with distributions reinvested, after fees and expenses, since inception on 30 November 2017. *Benchmark: MSCI All Country World Index net total returns (AUD). Past performance is not indicative of future returns*

The Fund's largest sector allocations at month end were to information technology (33.3%), communication services (23.9%), and consumer discretionary (19.0%). 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 the month, the ten largest of which are listed below:

Company	Headquarters	Lakehouse Investing Fascination
Facebook	USA	Networks, IP
Sansan	Japan	Loyalty, Networks
Paypal	USA	Networks, Loyalty, IP
Amazon	USA	Loyalty, Networks, IP
Alphabet	USA	IP, Networks
Adevinta	Norway	Networks, Loyalty
MercadoLibre	Argentina	Networks, Loyalty
Visa	USA	Networks, IP, Loyalty
Monster Beverage	USA	IP
Adyen	Netherlands	Loyalty, IP

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 isn't as US-heavy as it might look at first blush, though, with 60% of the revenue from the Fund's portfolio companies coming from outside the US and holdings 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 **Sansan** (+31.7%), as the company announced contract wins for its Bill One service. The Fund's largest

detractor during the month was **Visa** (-6.4%), which flagged as investors grew a touch more concerned about the strength of the US recovery. We continue to feel very positive about Visa's long-term trajectory and the natural inflation protection it brings to the portfolio.

A standout result in August was from Buenos Aires-based ecommerce leader **MercadoLibre**, which grew net revenue 94% year-on-year in U.S. dollar terms despite having a tough comparable period in 2020. The marketplace business grew gross merchandise volume (GMV) to US\$7 billion during the quarter, up 39%. Growth was robust across the board but was led by strong results from its Brazil operations even with that being an extremely competitive market. There were also strong early signs in the Chilean operation where GMV grew 230% in constant currency terms. Supporting growth has been a focus on logistics and improving shipping times: 77% of volume was delivered in less than 48 hours, a 28 percentage point improvement compared to the previous year. Faster shipping accelerates sales growth, which, in turn, fosters wider selection, better prices, and greater investment in logistics, all part of a virtuous cycle.

The fintech business continues to fly with total payment volume (TPV) of US\$17.5 billion (up 54%) and 730 million total payment transactions (up 61%). The payments business continues to gain traction outside of the core MercadoLibre marketplace with off-platform TPV now representing 61% of total volume. The company has reached 39 million payers and 13.6m sellers off-platform. In addition to the payments business, the company continues to offer adjacent services such as investment accounts and asset management products. In the long run, we think the odds are good that MercadoLibre follows eBay's playbook of spinning off PayPal, a decision which has worked out very well for shareholders.

We see significant opportunities ahead given the relatively nascent penetration of e-commerce and the size of the underbanked population in Latin America. Overall, we remain supportive and impressed with the company's execution.

Thank You

Thanks to all our investors for your time, trust, and support.

Best Regards,

Lakehouse Capital

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