

Dear Lakehouse Investor,

September was a quiet month for the Lakehouse Global Growth Fund in terms of fundamental news flow, however, there was no shortage of volatility for global markets as investors continued to weigh the sustainability of the ongoing economic recovery and the implications of the Federal Reserve's anticipated announcement around tapering its asset purchases.

It was business as usual for our long-term-driven process, though, and the Fund's 11.6% cash position leaves the Fund well positioned to capitalise on further volatility. More broadly, we

continue to take a fairly balanced view of the current economic backdrop and remain focused on finding and backing businesses that we think have the potential to thrive no matter whether the Federal Reserve ends up tapering its asset purchases this year or next.

The Fund returned -5.5% net of fees and expenses for the month compared to -3.0% for its benchmark. Over the last 12 months, the Fund has returned 29.7% compared to 26.4% for its benchmark. Since inception at the start of December 2017, the Fund has returned a total of 145.1% compared to 58.2% for its benchmark. In annualised terms, the Fund has returned 26.3% since inception compared to 12.7% for its benchmark.

Fund Metrics	
Fund Net Asset Value	\$420.9 million
Net Asset Value per Unit (mid)	\$2.2766
Cash Allocation	11.6%
Top 10 Portfolio Holdings	58.0%
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**	-5.5%	3.2%	29.7%	28.4%	26.3%
Benchmark*	-3.0%	2.8%	26.4%	12.6%	12.7%
Excess Return	-2.5%	0.4%	3.3%	15.8%	13.6%

*\*\*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 (31.9%), communication services (22.4%), and consumer discretionary (18.4%). 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	<a href="#">Lakehouse Investing Fascination</a>
Facebook	USA	Networks, IP
Sansan	Japan	Loyalty, Networks
Amazon	USA	Networks, Networks, IP
Paypal	USA	Networks, Loyalty, IP
Visa	USA	Networks, IP, Loyalty
Alphabet	USA	IP, Networks
MercadoLibre	Argentina	Networks, Loyalty
CoStar Group	USA	IP, Loyalty, Networks
Adevinta	Norway	Networks, Loyalty
Monster Beverage	USA	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 59% 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.

## Portfolio News

Overall we are very pleased with the performance of the Fund's portfolio companies as they continue to consistently affirm our long-term theses. As mentioned, September was a quiet month in terms of fundamental news flow and as such, we will limit our commentary to the portfolio's most impactful positions. The biggest contributor to performance during the month was **CoStar** (+2.8%), which performed relatively well despite a tough market environment, particularly for high-growth companies. More on CoStar shortly.

Meanwhile, the largest detractor to performance was **Facebook** (-9.5%), which sold off in response to various negative media headlines. Unflattering coverage in the press is nothing new for Facebook and it's worth noting that even for all the headlines and the most recent pullback, the business continues to gain users across all of its platforms and the stock is still up roughly 25% calendar year to date.

Back to CoStar Group, which is one of the more recent additions to the portfolio that we first [profiled](#) earlier this year. The company was founded by current CEO, Andrew Florance, over three decades ago and has grown to become the leading provider of information services and marketplaces to the commercial real estate industry in the United States. Whilst it's still very much early days for our investment, we are particularly excited about the opportunity as the business continues to execute well and has consistently exceeded our expectations. The company's core business, the CoStar Suite, is recovering from the pandemic much faster than management anticipated with renewal rates ticking up almost five percentage points year-on-year to 94.5%. In another positive sign, management also flagged that price increases will be reinstated from Q4 this year after being put on hold during the pandemic.

When it comes to CoStar's online marketplaces, namely Apartment.com and LoopNet, core metrics continue to accelerate and both platforms are further cementing their leadership positions. Network visitors and traffic are growing at a very healthy 30%-plus rate across the board. CoStar's aspirations to move into residential space are also becoming a reality with the company recently acquiring two residential listing platforms, Homesnap and Homes.com. Whilst such a move will depress margins in the near term, we welcome the investment and take comfort in the fact that management has an exceptional track record of successfully acquiring, integrating and scaling numerous properties over the last 10 years. Ultimately, we remain excited about CoStar's future and believe that the company's scale and market leadership will drive growth for many years to come.

## What's Next

We continue to follow markets and our companies closely. And, should market volatility continue, we'd be happy to put additional cash to work.

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

Best Regards,

[Lakehouse Capital](#)

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