

LAKEHOUSE GLOBAL GROWTH FUND

MONTHLY LETTER

31 December 2021



Dear Lakehouse Investor,

December was a relatively quiet month for the Fund in terms of fundamental newsflow as most companies avoid making important announcements over the holidays. That said, there was no shortage of volatility as inflation remained elevated, the US Federal Reserve further positioned for inflation-fighting mode, and the Omicron variant continued its out-of-control march across most of Australia and many parts of the world.

There's some irony to the COVID-19 spread in the current 'inflationary' environment as it weighs heavily on parts of the economy. This slowing economic impact, combined with the recent stumbling of Biden's cornerstone US\$2 trillion

infrastructure package, has the potential to moderate the Federal Reserve's inflation-fighting stance. Recent events serve to highlight how fraught predicting the macro landscape can be, and underscores our focus on long-term investing principles. To that end, we have continued to take advantage of the volatility over the last few months and have added to a number of positions where the risk-reward setup has become increasingly attractive.

Turning to performance, the Fund returned -0.7% net of fees and expenses for the month compared to 1.4% for its benchmark. Over the last 12 months, the Fund has returned 13.0% compared to 25.8% for its benchmark. Since inception at the start of December 2017, the Fund has returned a total of 133.6% compared to 67.7% for its benchmark. In annualised terms, the Fund has returned 23.1% since inception compared to 13.5% for its benchmark.

We talked about a number of specific stocks and addressed many investor questions in the recent investor webinar. [Here's the recording](#) for anyone that missed it. Our concentrated, high-conviction investment strategy means that at times the portfolio will experience significant moves due to broader market flows and short-term company news, and we've certainly seen that over the past 6 months. Our focus remains on generating long-term outperformance through consistent execution of a process that focuses on businesses with superior economics and bright long-term prospects that offer asymmetric outcomes to our high-conviction portfolio. So far, we are pleased with the progress made toward this goal.

Fund Metrics	
Companies Held	20
Cash Allocation	8.9%
Top 10 Portfolio Holdings	60.1%
Net Asset Value per Unit (mid)	\$2.1701
Fund Net Asset Value	\$391.8 million
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	-0.7%	-4.7%	13.0%	30.7%	23.1%
Benchmark	1.4%	6.0%	25.8%	19.1%	13.5%
Excess Return	-2.1%	-10.7%	-12.8%	11.6%	9.6%

**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 (30.9%), consumer discretionary (21.8%), and communication services (21.1%). 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 the month, the ten largest of which are listed below:

Company	Headquarters	Lakehouse Investing Fascination
Amazon	USA	Loyalty, Networks, IP
Visa	USA	Networks, IP, Loyalty
MercadoLibre	Argentina	Networks, Loyalty
Meta (formerly Facebook)	USA	Networks, IP
Alphabet	USA	IP, Networks
Sansan	Japan	Loyalty, Networks
CoStar Group	USA	IP, Loyalty, Networks
Paypal	USA	Networks, Loyalty, IP
Monster Beverage	USA	IP
MarketAxess	USA	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 isn't as US-heavy as it might look at first blush, though, with 58% 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

The biggest contributor to portfolio performance during the month was **MercadoLibre** (+10.7%), which had a strong rebound after being under considerable pressure over the last few months. Meanwhile, the largest detractor to performance was **Sansan** (-23.0%), as growth companies in Japan sold off across the board.

We remain upbeat about our investment in Sansan despite the recent weakness in share price. Unlike some other software companies, Sansan is well positioned to benefit from the reopening as more business cards are exchanged face-to-face and the world decides to live with COVID-19. The company has already shown early positive signs, with revenue growth accelerating by 5 percentage points to 25.4% in its most recent quarter. Further, we've seen decreasing customer churn and good progress in initiatives such as Bill One. Sansan reports its next quarterly result in January, so we will get another update on the company's progress then. For now we remain patient investors, optimistic about the long term opportunity.

What's Next

January will be a busier period for the Fund as businesses gear up after the holiday period and many of our portfolio companies report their quarterly results.

As always, thanks to all our investors for your time, trust, and support.

Best Regards,

[Lakehouse Capital](#)

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