

Dear Lakehouse Investor,

Firstly, our thoughts go out to everyone impacted by the recent flooding across Queensland and New South Wales. We know some of our fellow investors were directly impacted: we hope that you and your families are safe, and our thoughts are with you for the recovery ahead.

Global equity markets remained volatile throughout February as ongoing concerns around elevated inflation were compounded by the Russia-Ukraine crisis.

Against this backdrop, growth companies remained under pressure, which continued to be a headwind for our high-conviction, growth-oriented strategy. That said, we remain confident in our investment strategy and our ability to deliver superior long-term performance for our investors.

Challenging conditions like these are a good reminder of the virtue of a long-term time horizon. Over the span of a few months, it is short-term company news and various macro developments that tend to shape the Fund's returns. Over the measure of years, though, we take comfort in the fact that the performance of the Fund will track the fundamental performance of its portfolio companies, which has broadly continued to be pleasing despite the volatility. For our part, we remain focused on finding and owning high-quality, competitively advantaged businesses that we believe have the potential to thrive regardless of the macro and geopolitical concerns of the day.

Furthermore, as discussed in our recent webinar, we have been taking advantage of recent market volatility as compelling opportunities have been served up. Since the start of the year, we have exited two positions and deployed the cash into three new positions. We look forward to sharing more about the new positions in coming months as, or when, they grow into the top ten.

The Fund returned -10.0% net of fees and expenses for the month compared to -5.4% for its benchmark. Over the last 12 months, the Fund has returned -8.2% compared to 15.0% for its benchmark. Since inception at the start of December 2017, the Fund has returned a total of 93.3% compared to 55.6% for its benchmark. In annualised terms, the Fund has returned 16.8% since inception compared to 11.0% for its benchmark.

Fund Metrics	
Fund Net Asset Value	\$313.3 million
Net Asset Value per Unit (mid)	\$1.7957
Cash Allocation	6.1%
Top 10 Portfolio Holdings	57.6%
Companies Held	22
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	-10.0%	-17.9%	-8.2%	17.2%	16.8%
Benchmark	-5.4%	-5.9%	15.0%	12.7%	11.0%
Excess Return	-4.6%	-12.0%	-23.2%	4.5%	5.8%

**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 (32.5%), communication services (24.4%) and consumer discretionary (21.9%). 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 22 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
Alphabet	USA	IP, Networks
MarketAxess	USA	Networks, Loyalty
CoStar Group	USA	IP, Loyalty, Networks
Avalara	USA	Loyalty, IP
Tencent	China	Networks, IP, Loyalty
LVMH	France	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 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 **MarketAxess** (+7.7%), which continued to benefit from credit market volatility increasing back to more normalised levels. Meanwhile, the largest detractor to performance was **Paypal** (-36.8%), which sold off meaningfully after a relatively disappointing quarterly update that we covered in [last month's letter](#).

Buenos Aires-based e-commerce leader **MercadoLibre** posted a strong quarterly result, with net revenue growing 61% year-on-year in U.S. dollar terms despite having a tough comparable period from 2021. The marketplace business generated US\$8 billion in gross merchandise volume (GMV), up 21% year-on-year. Notably, buyer retention continues to improve, driven by an increase in assortment of products and categories, favourable shipping rates, and the success of the company's loyalty program. The company's fintech business also performed well, with growth re-accelerating and total payment volume (TPV) growing 52% year-on-year to US\$24.2 billion. The payments business outside of its core marketplace continues to grow and is now roughly twice the size of the in-platform payments business. In our view, this is pleasing to see as it improves the potential success of other financial products in the future.

On the logistics side, MercadoLibre's average delivery times decreased during the quarter, lowering average shipping cost per order. This suggests that the company has reached a level of scale where logistics can begin to contribute to the company's margin improvement over time. Overall, we see significant opportunities ahead given the relatively nascent penetration of e-commerce and the size of the underbanked population in Latin America and remain supportive and impressed with the company's execution to date.

CoStar Group delivered another solid result with revenue and EBITDA growing 14% and 16% year-on-year, respectively. The company's core business, the CoStar Suite, continues to recover from the pandemic faster than management anticipated, with revenue growth accelerating to 13% year-on-year compared to 5% a year ago. Other positive developments included renewal rates holding firm at an impressive 94% and the return of annual price increases, which had been temporarily put on hold during the pandemic. When it comes to the company's online marketplaces, namely Apartments.com and LoopNet, core metrics remained strong and unique monthly visitors grew 17% and 22% year-on-year, respectively.

Despite strong fundamental performance, the company's share price has been under pressure recently due to management's decision to reinvest an incremental \$200m back into the business for the residential

opportunity. Whilst such a move will depress margins in the near term, we don't view it as a negative. In fact, 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.

Thank You

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

Best Regards,

[Lakehouse Capital](#)

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