LAKEHOUSE GLOBAL GROWTH FUND
MONTHLY LETTER
30 April 2022

Dear Lakehouse Investor,

Fund Metrics	
Fund Net Asset Value	$263.1 million
Net Asset Value per Unit (mid)	$1.5791
Cash Allocation	4.6%
Top 10 Portfolio Holdings	60.2%
Companies Held	22
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

The selloff in global equity markets continued through April as simmering worries around elevated inflation, rising interest rates, and a slowing global economy culminated in the S&P 500 declining 8.8%. The losses were even more pronounced among shares of technology companies with the tech-heavy Nasdaq posting a 13.3% loss for the month, marking its worst monthly return since the Global Financial Crisis in 2008. Not surprisingly, our growth focused strategy also had a challenging month. However, it's important to remember that while extreme bouts of volatility might unnerve short-term speculators, for the long-term investor, periods of panic provide opportunity.

To that end, we have been considerably active taking advantage of share price weakness, adding to a number of our existing high-conviction holdings as valuations have become increasingly attractive. We have also established three new positions since the start of the year and note that the Fund's cash position has decreased from 11.6% to 4.6% over the last seven months. Our portfolio represents a collection of businesses which exhibit clear market leadership, superior underlying economics and growth potential, and clean balance sheets. In our view, these businesses are in a very strong position relative to the majority of other businesses, whether they be considered 'growth' or 'value' style, and we believe they will continue to thrive regardless of whether the global economy races or stumbles forward.

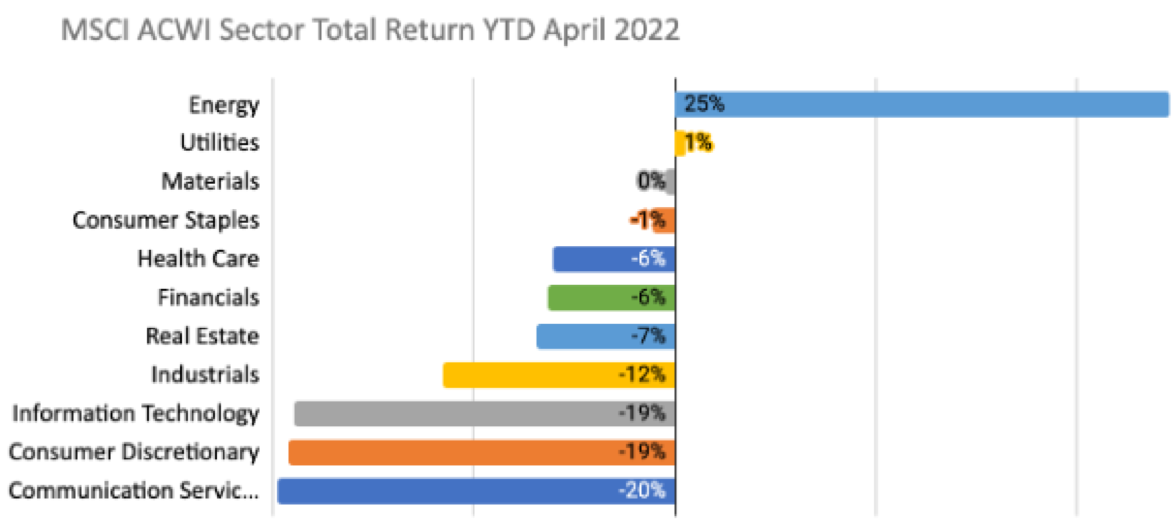
The team's primary focus for the month was on a number of portfolio companies that reported earnings. We'll speak more about results from key holdings shortly but, big picture, we continue to be pleased with the collective fundamental performance of our businesses as they continue to affirm our long-term theses. Despite all the headlines of doom and gloom, we note that the Fund's portfolio companies still managed to grow revenue at 24.8% year-on-year on a weighted-average basis through the latest reporting period. This points to the fundamental strength and growth of the portfolio's holdings but has certainly not been reflected in valuations and price movements of late.

Turning to performance, the Fund returned -9.0% net of fees and expenses for the month compared to -2.8% for its benchmark. Over the last 12 months, the Fund has returned -24.5% compared to 2.8% for its benchmark. Since inception at the start of December 2017, the Fund has returned a total of 70.0% compared to 49.4% for its benchmark. In annualised terms, the Fund has returned 12.8% since inception compared to 9.5% for its benchmark.

	1 Month	3 Month	1 Year	3 Year (p.a.)	Inception (p.a.)
Lakehouse Global Growth Fund	-9.0%	-20.8%	-24.5%	9.2%	12.8%
Benchmark	-2.8%	-9.2%	2.8%	9.1%	9.5%
Excess Return	-6.2%	-11.6%	-27.3%	0.1%	3.3%

**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 as of the end of April were to information technology (33.7%), communication services (23.3%), and consumer discretionary (22.3%). 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. Given our strategy, 2022 has been challenging when considering relative performance to the benchmark, particularly as the energy sector has outperformed on the back of the Russia-Ukraine war; a situation we don't believe will have a meaningful long-term impact on the companies we own. The chart below shows the degree of energy's outperformance year to date, which is in stark contrast to the mediocre 5% per annum return delivered over the past 5 years (inclusive of its most recent boom).



Source: MSCI, Lakehouse Capital

As concerning as it is to see the value of the Fund fall – and we acknowledge that our growth investing style is deeply out of favour at present – we view the current market as a very attractive set up for future investment returns for long-term, growth-focused investors. We have fielded questions from a few investors about whether we should be changing our investing approach. To that, our answer is consistently:

“no” and not without good reason. We have conviction that our focus on quality growth companies is the best way to compound wealth over the long-term. No investment style leads over every short-term period, but we remain confident that our strategy will outperform over rolling 5-year periods.

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
Visa	USA	Networks, IP, Loyalty
Amazon	USA	Loyalty, Networks, IP
Alphabet	USA	IP, Networks
CoStar Group	USA	IP, Loyalty, Networks
MercadoLibre	Argentina	Networks, Loyalty
Tencent	China	Networks, IP, Loyalty
Monster Beverage	USA	IP
LVMH	France	IP
MarketAxess	USA	Networks, Loyalty
Sansan	Japan	Loyalty, Networks

Portfolio News

The biggest contributor to portfolio performance during the month was Monster Beverage (+13.3%), which continues to perform well despite the challenging macroeconomic environment. Meanwhile, the largest detractor was Amazon (-19.4%), which sold off following its first quarter earnings. More on that shortly.

Visa delivered another impressive result with revenue increasing 25% to $7.2 billion and net income up 21% to $3.6 billion. The primary driver continues to be the broad-based recovery of economies around the world and the acceleration in international travel. Payments volume grew 17% and cross-border transactions rose 38% (47% excluding intra-Europe). As always, the company remained focused on building out its network. On the consumer side, card credentials increased 9% to more than 3.9 billion cards, and on the merchant side, more than 100 million merchant locations now accept Visa cards (including small businesses using platforms such as Stripe and Square).

Management also highlighted two key competitive opportunities. First, in cash displacement, where year-over-year debit and credit payment transactions increased by 7.9 billion and cash transactions decreased by 16 million. Second, in the crypto space, as management called out that Visa's specialised global crypto advisory practice, launched in the first quarter, now boasts committed engagements with 30 clients. Furthermore, Visa is working with global governments to enable new ways to pay with cryptocurrencies through potential Central Bank Digital Currencies. Despite its already dominant position, Visa continues to grow at an accelerated pace and we remain optimistic about its long-term potential.

Amazon's first quarter results were largely in line with expectations, however management's forward guidance left investors underwhelmed. Net sales increased 7% year-on-year to $116 billion, while operating profit declined 58% to $3.7 billion as the company continued to work through ongoing inflationary and supply chain pressures. While the 7% top line growth number may seem somewhat low, it's important to remember Amazon is currently lapping a tough comparison period from a year ago where revenues were up 44% year-on-year. Our expectation is that as the e-commerce market normalises post pandemic and comparison periods get easier from here, revenue growth will re-accelerate in the back half of 2022.

When it came to guidance, the company projected second quarter operating income in the range of a $1 billion loss and $3 billion profit, which was well below prior expectations. Management attributed the downgrade not only to external macro factors, such as elevated shipping and fuel costs, but also to lower productivity and efficiency costs as a result of some overcapacity on the back of its recent investment cycle. Whilst the macro pressures and efficiency issues are not optimal, we believe they are manageable and will prove to be shorter-term issues. It's quite remarkable that in response to the unprecedented spike in demand brought on by the pandemic, Amazon was able to effectively double the size of its fulfilment network and workforce in 24 months to ensure continuity. As long-time Amazon investors, we believe that the pandemic and significant reinvestment cycle only served to strengthen the company's competitive position and lay the groundwork to support growth for many years to come.

Alphabet posted another strong quarterly result with revenue and operating income growing by 26% and 22% year-on-year, respectively. Google Search advertising continued to perform well, mainly driven by an increase in retail and travel advertising spend. On the other hand, Youtube advertising growth moderated due to a tough comparison period and its revenue mix tilt towards subscriptions (Music, Premium, and TV). However, engagement on Youtube continues to flourish and management shared that Youtube Shorts now generates 30 billion daily views, up 4 times year-on-year. The cloud business shows no signs of slowing down, growing revenues at 44%. The company also continues to reinvest in the business, growing headcount by 7,400 staff in the quarter, deploying $9.8 billion in capital expenditure, and repurchasing $13.3 billion of stock. Overall, the company continues to execute effectively and remains well placed to take advantage of future growth opportunities in the digital economy.

CoStar Group delivered another solid result with revenue and EBITDA growing 13% and 11% year-on-year, respectively. The company's core business, the CoStar Suite, continues to recover well from the pandemic and track ahead of management's expectations, with revenue growth accelerating to 15% year-on-year compared to low-single-digits a year ago. This strength was driven by multiple factors, including CoStar's upsell program, high renewal rates, new product and information capabilities and the return of annual price increase for renewals, which had been temporarily put on hold during the pandemic. Contract renewal rates held firm at 91% and it was also pleasing to hear that for customers who've been subscribers for five years or longer, renewal rates hit a record high of 98%.

Turning to the company's next largest segment, its online marketplace Apartments.com, and core metrics remained strong with traffic increasing 13% year-on-year and bookings up 36% sequentially for the quarter. While the ultra-low vacancy rate environment in the multifamily sector has been a major headwind for apartments.com over the last 12 months, management noted encouraging signs that suggest the environment is beginning to normalise. These included a month-on-month increase in the number of properties advertising on the platform, a tick up in vacancy rates and improved pricing. Altogether, we remain excited about CoStar's future and believe that the company's scale and market leadership in the online commercial real estate space will drive growth over the long-term.

We are conscious we often refer to being 'pleased' or 'comfortable' with the portfolio, which seems at odds with recent performance. We hope the latest results highlighted above from the Fund's four largest holdings demonstrate the grounds for our long-term confidence. Broadly, the portfolio's holdings continue to execute on their growth opportunities and display robust fundamentals. While markets are challenging, we take comfort in the fact that stock prices, and indeed the performance of the Fund, will come to increasingly reflect the fundamental performance of our portfolio companies over time. The pace of this recognition is unknown, but as claimed by Peter Lynch, where the fundamentals are promising, patience is often rewarded. In the interim, we will continue to seek to take advantage of depressed valuations and track our portfolio companies closely.

Looking Ahead

Over the month of May, the team will continue to receive a number of portfolio company earnings and business updates, which we look forward to updating our investors on in next month's letter. While the economic environment feels uncertain to many investors, our focus remains on executing our investment process and positioning the portfolio for long-term growth.

As always, thank you to our investors for your continued support and trust.

Best Regards,

Lakehouse Capital

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