LAKEHOUSE GLOBAL GROWTH FUND

MONTHLY LETTER

31 May 2022

Dear Lakehouse Investor,

Fund Metrics	
Fund Net Asset Value	$244.2 million
Net Asset Value per Unit (mid)	$1.5303
Cash Allocation	4.4%
Top 10 Portfolio Holdings	60.9%
Companies Held	22
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

Global equity markets remained volatile throughout May as macroeconomic and geopolitical concerns continued to weigh on sentiment. As we have stressed over recent months, while such periods can often be nerve-racking, particularly for short-term speculators, it's important to remember that volatility is not risk. For discerning and patient long-term investors, indiscriminate sell-offs can provide some great opportunities and we view the current market as a very attractive set up for future investment returns for long-term, growth-focused investors.

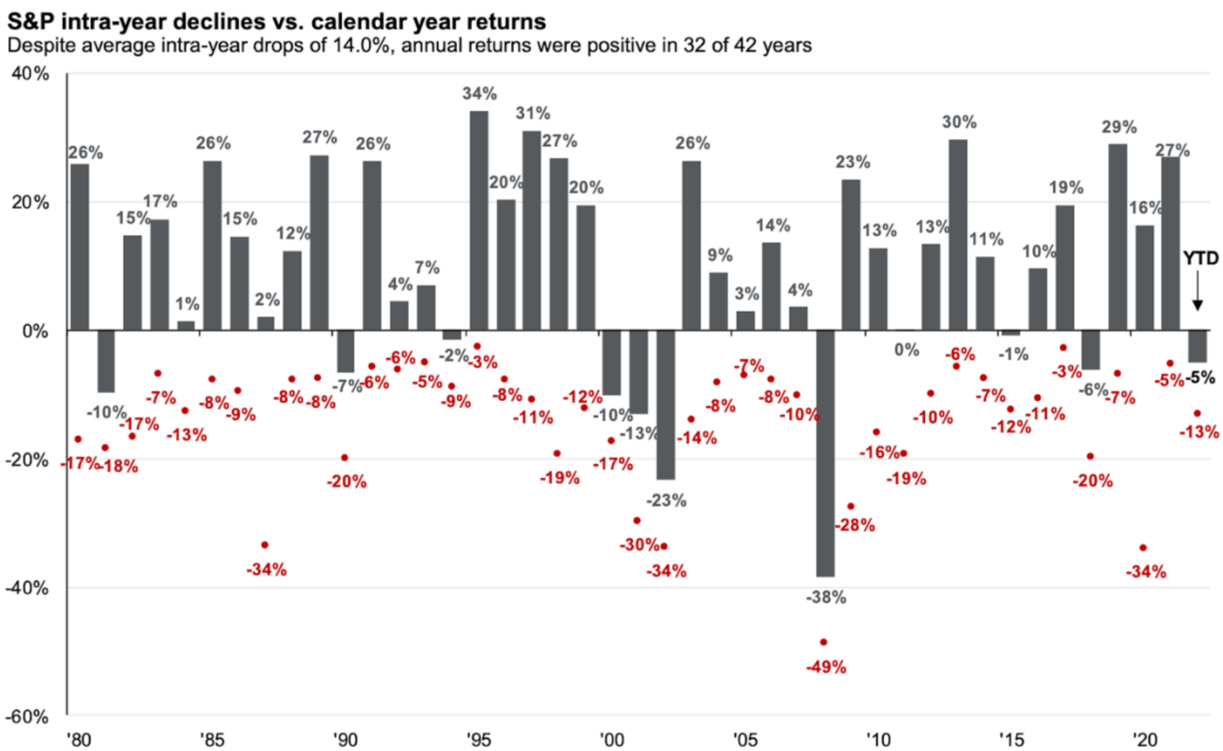
As always, our investment process is focused on finding and owning a concentrated collection of high-quality, competitively advantaged businesses with long and attractive reinvestment runways. Despite our growth style of investing being out of favour resulting in recent underperformance, we continue to be pleased with the collective fundamental performance of our businesses as they continue to affirm our long-term theses. We note that the Fund's portfolio companies still managed to grow revenue at 23.0% year-on-year on a weighted-average basis through the latest reporting period. This highlights the fundamental strength and growth of the portfolio's holdings, which has not been reflected in share price movements of late.

Turning to performance, the Fund returned -3.1% net of fees and expenses for the month compared to -0.8% for its benchmark. Over the last 12 months, the Fund has returned -25.8% compared to 0.6% for its benchmark. Since inception at the start of December 2017, the Fund has returned a total of 64.8% compared to 48.1% for its benchmark. In annualised terms, the Fund has returned 11.7% since inception compared to 9.1% for its benchmark.

	1 Month	3 Month	1 Year	3 Year (p.a.)	Inception (p.a.)
Lakehouse Global Growth Fund	-3.1%	-14.8%	-25.8%	8.4%	11.7%
Benchmark	-0.8%	-4.8%	0.6%	10.4%	9.1%
Excess Return	-2.3%	-10.0%	-26.4%	-2.0%	2.6%

**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.*

In times of heightened uncertainty, it can be easy to get lost in the headlines predicting hyperinflation or the next market crash. However, if history is any guide, an investors' ability to consistently predict and profit from macroeconomic events is not only questionable but atypical of long-term outperformance. In fact, reacting to such headlines, often at the worst possible times, can be extremely detrimental to an investor's ability to compound wealth in the equity market. To that end, consider the below chart which shows that over the last 42 years the average intra-year decline for the S&P 500 has been 14%. Despite these consistent drawdowns, the S&P 500 has delivered positive annual returns in 32 of the last 42 years. As famed mutual fund manager Peter Lynch observed "*The real key to making money in stocks is not to get scared out of them*."



The Fund's largest sector allocations as of the end of May were to information technology (33.9%), communication services (24.1%), and consumer discretionary (21.5%). 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
Alphabet	USA	IP, Networks
CoStar Group	USA	IP, Loyalty, Networks
Avalara	USA	Loyalty, IP
MercadoLibre	Argentina	Networks, Loyalty
Tencent	China	Networks, IP, Loyalty
MarketAxess	USA	Networks, Loyalty
LVMH	France	IP
ServiceNow	USA	Loyalty, Networks

Portfolio News

The biggest contributor to portfolio performance during the month was **Avalara** (+10.3%), which rallied on the back of results that were well received by investors. Meanwhile, the largest detractor was **MercadoLibre** (-20.0%), which sold off despite delivering results that beat expectations - which is a good example of the disconnect between sentiment, actual company fundamentals, and share price behaviour that we have alluded to in recent letters. More on both below.

Avalara delivered an impressive quarterly result that came in ahead of expectations and prompted management to increase their full year revenue guidance for 2022. Revenue grew 33% (29% organic) year-on-year and the company's core metrics remained healthy. Customers increased 22% to 19,160 and net revenue retention held firm at 115%, indicating the company is currently growing revenue 15% year-on-year before the addition of a single new customer. Management again reiterated that they believe their value proposition and competitive edge has never been stronger, especially as more and more businesses shift to omni-channel and seek a single-tax compliance platform that can integrate into multiple disparate systems. The Avalara platform now has over 1,200 signed partner integrations, up from 1,000 a year ago. We were very pleased with the result and note that we have grown the Fund's position over the last few months in recognition of our conviction and what we believe is an increasingly attractive valuation.

Buenos Aires based e-commerce leader MercadoLibre posted another strong quarterly result. Net revenue grew 63% year-on-year in U.S. dollar terms which was particularly impressive considering the company is currently lapping a tough Covid-fuelled comparison period from a year ago, where net revenue **surged**

111%. Its marketplace business experienced solid growth across all markets and generated $7.7 billion in gross merchandise value, up 27% year-on-year. It was pleasing to see that buyer engagement remains sticky with items per buyer reaching an all-time high for the period, following a seasonal peak in Q4. The company's fintech business also performed well, with growth accelerating again and total payment volume (TPV) increasing 72% year-on-year to US$25.3 billion. The payments business outside of its core marketplace continues to flourish and the company now has almost 23 million investment accounts, which comprise users of its asset management product.

As always, MercadoLibre continues to invest in its logistics capabilities and is now able to deliver 79% of all items sold within 48 hours and 55% same or next day. Shipping costs per order are down roughly 50% from 24 months ago and the company is now providing 'pick up in-store' options for buyers, using what were collection points for sellers that did not have enough scale. Overall, we believe the combination of relatively nascent penetration of e-commerce and a large underbanked population in Latin America provide an excellent foundation to enable MercadoLibre to leverage its market leading position and continue winning for many years to come.

Looking Ahead

As we head into June financial year end we will begin preparing our annual letter and annual investor statements, both of which we anticipate will be available towards the end of July.

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

Best Regards,

Lakehouse Capital

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