

Dear Lakehouse Investor,

August was a relatively quiet month for the Fund in terms of fundamental news flow having rolled off July's busy reporting season. However, there continues to be no shortage of volatility for global markets as investors weigh the uncertain geopolitical and economic environment, including the implications of recent interest rate increases. That said, it was business as usual for our long-term-driven process, though, and the Fund's 13.6% cash position leaves us well positioned to capitalise on further volatility.

Fund Metrics	
Fund Net Asset Value	\$236.5 million
Net Asset Value per Unit (mid)	\$1.3832
Cash Allocation	13.6%
Top 10 Portfolio Holdings	61.1%
Companies Held	20
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

More broadly, we continue to take a balanced view of the current economic backdrop and remain focused on finding and backing businesses that we believe have the potential to thrive even whilst macro challenges persist.

The Fund returned -1.9% net of fees and expenses for the month compared to -2.0% for its benchmark. Over the past 12 months, the Fund has returned -34.4% compared to -10.3% for its benchmark. Since its inception at the start of December 2017, the Fund has returned 70.1% compared to 46.3% for its benchmark. In annualised terms, the Fund has returned 11.8% since inception compared to 8.3% for its benchmark.

	1 Month	3 Month	1 Year	3 Year (p.a.)	Inception (p.a.)
Lakehouse Global Growth Fund	-1.9%	3.2%	-34.4%	7.1%	11.8%
Benchmark	-2.0%	-1.3%	-10.3%	7.4%	8.3%
Excess Return	0.1%	4.5%	-24.1%	-0.3%	3.5%

*\*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 August were to information technology (31.8%), consumer discretionary (20.4%), and communication services (19.9%). 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 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>
Amazon	USA	Loyalty, Networks, IP
CoStar Group	USA	IP, Loyalty, Networks
Avalara	USA	Loyalty, IP
Alphabet	USA	IP, Networks
Visa	USA	Networks, IP, Loyalty
MercadoLibre	Argentina	Networks, Loyalty
Tencent	China	Networks, IP, Loyalty
LVMH	France	IP
ServiceNow	USA	Loyalty, Networks
Sansan	Japan	Loyalty, Networks

## Portfolio News

At the portfolio level, the biggest contributor to performance during the month was **Paypal** (+11.9%), which performed well on the back of 'better-than-feared' quarterly results. We used this recent strength to sell our remaining position in the business - more on that decision below. Meanwhile, the largest detractor was **Amazon** (-4.4%), which pulled back modestly after experiencing a strong run-up in July.

Buenos Aires-based e-commerce leader **MercadoLibre** delivered another standout result in August, with net revenue growing 53% year-on-year in U.S. dollar terms despite rolling over a tough comparable period of 90%-plus growth from a year ago. The marketplace business grew across all major regions and total gross merchandise volume (GMV) increased to US\$8.6 billion, up 26% year-on-year. The platform's core metrics

remained healthy with GMV per buyer increasing, the number of unique buyers ticking above the seasonal fourth-quarter high to 40.8 million, whilst item counts remained steady. Although management acknowledged that the macro environment is challenging, we remain impressed by the company's ability to outperform and continue to gain market share.

Over the last few years management has made logistics a key priority in order to support growth and the end result has been a meaningful improvement in shipping times: 80% of volumes are now delivered in less than 48 hours equating to an approximate 30 percentage point improvement compared to pre-pandemic levels. In our view, building and owning a first-class logistics network is critical for the company's success as it will ultimately help protect its market share and profits from competitors over the long-term. We also note that faster shipping accelerates sales growth, which in turn, fosters wider selection, better prices, and greater investment in logistics, all part of a virtuous cycle.

The company's fintech business also continues to grow at a rapid clip, with total payment volume (TPV) growing 72% year on year to US\$30.2 billion. Growth outside of the core MercadoLibre marketplace has been particularly strong and off-platform TPV now represents 70% of total volume. This is pleasing to see as it improves the potential success of other financial products in the future, such as their asset management product which already boasts over 22 million investment accounts. Overall, as the largest e-commerce player in LATAM, we believe MercadoLibre is in an ideal position to capitalise on the significant opportunities ahead, especially given the relatively nascent penetration of e-commerce in the region and the size of the underbanked population.

Lastly, we'll wrap things up with a comment on our decision to exit our remaining stake in [Paypal](#), which we had already meaningfully reduced throughout the year. We had owned PayPal since the Fund's inception as we believed it was well placed to continue gobbling up share in online payments, which in turn, was gaining share from the total payments pie. The company also possessed numerous opportunities to grow beyond its core platform, with the ability to add new tools and functionality (crypto offerings, Pay with Venmo, and Buy Now Pay Later etc) and enjoyed significant competitive advantages from its large two-sided network. The company had been performing well and business momentum accelerated during the pandemic. This led management to provide some ambitious growth targets at its investor day in 2021 calling for 15% user growth and 20% revenue growth on an annualised basis over the next five years.

However, business momentum slowed faster than management anticipated as economies reopened and the platform experienced elevated levels of user attrition. This forced management to withdraw significant elements of their long-term guidance, which was seemingly confirmed throughout 2021, and it's safe to say this was not well received by the market. Such missteps, along with recent executive departures (namely CFO John Rainey), have led us to lose confidence in management and ultimately, when combined with the increasing competitive intensity around PayPal's core online checkout (from Shopify, Apple Pay, and Amazon Pay), we concluded there are more attractive places for the Funds capital.

## Looking ahead

We continue to follow markets and our companies closely and should market volatility continue, we will be looking to put additional cash to work. We're also gearing up for our Annual Process Review whereby

all our analysts come to the table with ideas on how to incrementally refine and enhance the sound, repeatable process that our team has executed since the inception of the Fund.

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

Best Regards,

[Lakehouse Capital](#)

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Lakehouse Global Growth Fund's Target Market Determination is available here – [www.lakehousecapital.com.au/lggf/](http://www.lakehousecapital.com.au/lggf/). It describes who this financial product is likely to be appropriate for (i.e., the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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