

Dear Lakehouse Investor,

September was another volatile month for global equity markets as macroeconomic and geopolitical concerns continued to weigh on investor sentiment. The uncertain path of interest rates has been the primary driver of recent volatility, however, the new worry now surfacing for investors is that the aggressive ‘pivot’ in monetary policy by central banks may send the global economy into a recession in 2023. As always, we don’t pretend to know where markets or the economy are heading in the near term but take comfort in owning a portfolio of cashed-up companies with strong competitive positions and tailwinds that we believe have the potential to thrive despite the macro challenges.

Fund Metrics	
Fund Net Asset Value	\$230.9 million
Net Asset Value per Unit (mid)	\$1.3556
Cash Allocation	12.8%
Top 10 Portfolio Holdings	60.1%
Companies Held	20
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

That said, there is a silver lining in the indiscriminate equity market sell-off we have seen this year as it has created some compelling opportunities. The Funds’ elevated cash balance has served us well and we have been taking advantage of share price weakness, adding to a number of our existing high-conviction holdings (ServiceNow, Constellation Software and Spotify, to name a few) as valuations have become increasingly attractive. We also established a new position in Microsoft - more on that later - and sold our position in Avalara as the company is being acquired and taken private by Vista Equity Partners.

The Fund returned -2.0% net of fees and expenses for the month compared to -3.6% for its benchmark. Over the past 12 months, the Fund has returned -32.0% compared to -10.9% for its benchmark. Since its inception at the start of December 2017, the Fund has returned 66.7% compared to 41.0% for its benchmark. In annualised terms, the Fund has returned 11.1% since inception compared to 7.4% for its benchmark.

	1 Month	3 Month	1 Year	3 Year (p.a.)	Inception (p.a.)
Lakehouse Global Growth Fund	-2.0%	6.8%	-32.0%	7.1%	11.1%
Benchmark	-3.6%	-0.3%	-10.9%	5.4%	7.4%
Excess Return	1.6%	7.1%	-21.1%	1.7%	3.7%

*\*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 September were to information technology (31.1%), consumer discretionary (20.6%), and communication services (20.2%). 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
MercadoLibre	Argentina	Networks, Loyalty
ServiceNow	USA	Loyalty, Networks
Alphabet	USA	IP, Networks
Visa	USA	Networks, IP, Loyalty
Constellation Software	Canada	Loyalty, IP
Microsoft	USA	Loyalty
LVMH	France	IP
Tencent	China	Networks, IP, Loyalty

## Portfolio News

Zooming back into the portfolio level, the biggest contributor to performance during the month was **Costar Group** (+6.6%), which continues to benefit as the ultra-low vacancy headwinds experienced over the last year continue to ease. Meanwhile, the largest detractor was **Tencent** (-13.2%), which remained under pressure along with Chinese equities more broadly.

## New Position: Microsoft

During the month, the Fund initiated a new position in Microsoft, a name that is no doubt familiar to our investors. The company was founded by Bill Gates and Paul Allen in a friend's garage in 1975 and began dominating the operating system market with MS-DOS by the mid-1980s. The company has come a long way since then and is now widely considered the most critical and indispensable IT mega-vendor for businesses globally. In addition to its well-known Windows operating systems and Office productivity suite, the company has a broad portfolio of strategic products, including a rapidly growing public cloud business in Azure and a sizeable gaming presence.

Microsoft's foundational products, Office365 and Windows365, are ubiquitous and highly penetrated with circa 90% and 80% market share, respectively. These solutions are deeply ingrained in commercial and personal use globally and across all industry sectors. They serve as stable, high-margin cash flow generators for Microsoft whilst they expand and invest in other growth areas of the business. One particular growth area, which is the most exciting part of Microsoft's business in our view, is their public cloud service, Azure.

Azure has grown at a rapid clip over the past decade to cement itself as the second-largest cloud service provider globally, behind Amazon Web Services. The business benefits from strong secular tailwinds as cloud adoption continues unabated and there is considerable runway ahead - it's currently estimated that less than 20% of global IT spend is currently in the cloud. Research indicates that 80% of enterprises use Azure and its market share has grown to 21%, up from 13% five years ago. The mission-critical nature of the product, which is similar to many of Microsoft's other solutions, is incredibly attractive as it leads to sticky, recurring revenue streams. Something we love to see.

Microsoft's financials are also incredibly impressive. Over the past five years, the company has more than doubled its revenue to roughly \$200 billion and compounded earnings per share at 20% per annum over the same time period. While we don't anticipate this level of growth going forward, we do believe the business is capable of delivering healthy mid-teens growth as it continues to be supported by numerous secular tailwinds (cloud computing, security, gaming, artificial intelligence, data analytics etc). Despite its scale, Microsoft has continued to grow from strength to strength, with multiple strategic avenues that facilitate its well-rounded business for growth, profitability, and stability. We are excited for the opportunity ahead.

## Thank You

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.

**Disclosure:** Lakehouse, its directors, employees and affiliates, may, and likely do, hold units in the Fund and securities in entities that are the subject of this report.