LAKEHOUSE GLOBAL GROWTH FUND

MONTHLY LETTER

31 March 2023

LAKEHOUSECAPITAL

Dear Lakehouse Investor,

Fund Metrics	
Fund Net Asset Value	$261.2 million
Net Asset Value per Unit (mid)	$1.5957
Cash Allocation	7.3%
Top 10 Portfolio Holdings	59.8%
Companies Held	20
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

March was a volatile month for global equity markets as liquidity issues within the US regional banking system triggered widespread panic amongst investors. These issues led to several casualties, including Silicon Valley Bank (‘SVB’), Signature Bank, First Republic and ultimaltely, Credit Suisse - none of which the Fund had any direct exposure to. In response, the US authorities moved quickly to guarantee deposits (beyond the usual US$250,000 covered by deposit insurance) and the Federal Reserve unveiled a Term Funding Facility to provide liquidity to banks to ensure they have the ability to meet the needs of all their depositors.

Whilst we are continuing to watch the banking situation closely, we remain composed and believe the response from the authorities will prove sufficient and that the risk of a systemic financial crisis is low. Furthermore, recent events will likely slow broader credit growth in the global economy and take some pressure off the Federal Reserve with respect to interest rates. This has already been, and should continue to be, a net positive for high quality long duration equities as macroeconomic pressures ease and investors turn their focus back to fundamentals.

The Fund returned 6.9% net of fees and expenses for the month compared to 3.8% for its benchmark. Over the past 12 months, the Fund has returned 5.1% compared to 3.8% for its benchmark. Since its inception at the start of December 2017, the Fund has returned 96.2% compared to 59.4% for its benchmark. In annualised terms, the Fund has returned 13.5% since inception compared to 9.1% for its benchmark.

	1 Month	3 Month	1 Year	3 Year (p.a.)	5 Year (p.a.)	Inception (p.a.)
Lakehouse Global Growth Fund	6.9%	20.0%	5.1%	10.8%	14.4%	13.5%

Benchmark	3.8%	8.7%	3.8%	11.9%	9.9%	9.1%
Excess Return	3.1%	11.3%	1.3%	-1.1%	4.5%	4.4%

**Performance calculations are based on exit price with distributions reinvested, after fees and expenses, since inception on 30 November 2017. Returns greater than one-year are annualised. 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 March were to information technology (31.4%), communication services (23.3%), and consumer discretionary (19.6%). 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**	Lakehouse Investing Fascination
Amazon	USA	Loyalty, Networks, IP
MercadoLibre	Argentina	Networks, Loyalty
ServiceNow	USA	Loyalty
Constellation Software	Canada	Loyalty, IP
Alphabet	USA	IP, Networks
Visa	USA	Networks, IP, Loyalty
CoStar Group	USA	IP, Loyalty, Networks
MarketAxess	USA	Networks, Loyalty
LVMH	France	IP
Microsoft	USA	Loyalty, Networks, 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 Netherlands, Canada, Argentina, China, Japan, Singapore and Sweden.

Company News & Results

At the portfolio level, the biggest contributor to performance during the month was Alphabet (+16.0%), which bounced back after a tough start to the year as near-term fears around the displacement of search abated. Meanwhile, the largest detractor was Charles Schwab (-32.3%), which underperformed along with many other financials as it was caught up in the recent banking chaos. More on that below.

On the back of the collapse of SVB on March 10 investors became increasingly concerned about what other potential risks might be lurking in the US banking system. Equity market anxiety is contagious and financials were sold off across the board. For the most part, the Fund avoided the turmoil with the exception of portfolio holding Charles Schwab, which came under pressure as some speculated that it too could experience a run on deposits, like SVB. In our view, we thought this potential scenario was very unlikely for several reasons.

Firstly, Schwab has a much more heterogeneous client mix of individual retail investors and advisors compared to SVB, which was heavily concentrated in one geographic region and sector: Silicon Valley and venture capital. This made the latter much more vulnerable to industry specific shocks and the rapid downturn in venture capital over the last 18 months was a key element in their failure.

Second, Schwab's deposit base was much less "at-risk" than SVB's, as more than 80% of total bank deposits were within the FDIC insurance limits, compared with only 6% at SVB. This means the potential for a significant run on deposits was far more limited. In fact, post the FDIC's announcement that they were willing to backstop all deposits, both insured and uninsured, it's safe to say that the potential for bank runs based on a loss of confidence has been significantly de-risked if not eliminated.

Lastly, it's worth noting that historically Schwab has been considered a haven during times of increased market risk. And to that end, Schwab recently released some data that indicated it has been a beneficiary of a flight to safety during the most recent banking crisis as well. The company indicated weekly flows for the week ended March 16 were $16.5 billion, about 60% greater than what we should expect in the typical week.

Big picture, we continue to believe Schwab is a high-quality franchise that has a deeply entrenched competitive position and a long runway for growth. We viewed the most recent drawdown in the stock price as an overreaction, and as such, used it to modestly add to our position as the risk/reward became increasingly compelling.

Looking Ahead

Our portfolio companies will begin reporting their quarterly results from April onwards which we look forward to updating investors on in next month's letter.

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

Best Regards,

Lakehouse Capital

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