LAKEHOUSE GLOBAL GROWTH FUND

MONTHLY LETTER

31 July 2023

Dear Lakehouse Investor,

July was a relatively busy month for the Fund given a number of portfolio companies reported earnings. We'll touch on results from a few key holdings shortly but, big picture, we continue to be pleased with the collective fundamental performance of our companies. As we progress further into 2023 the macroeconomic environment continues to improve, with inflation moderating and 10-year bond yields stabilising. Against this backdrop, investors have begun to shift their focus back to fundamentals which, broadly speaking, has been a net positive for long-duration, high-quality growth companies.

Fund Metrics	
Fund Net Asset Value	$277.0 million
Net Asset Value per Unit (mid)	$1.7325
Cash Allocation	10.0%
Top 10 Portfolio Holdings	61.1%
Companies Held	21
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

Turning to performance, the Fund returned 0.8% net of fees and expenses for the month compared to 2.4% for its benchmark. Since its inception at the start of December 2017, the Fund has returned 113.3% compared to 74.4% for its benchmark. In annualised terms, the Fund has returned 14.3% since inception compared to 10.3% for its benchmark.

	1 Month	3 Month	1 Year	3 Year (p.a.)	5 Year (p.a.)	Inception (p.a.)
Lakehouse Global Growth Fund	0.8%	5.8%	23.0%	4.5%	14.3%	14.3%
Benchmark	2.4%	6.4%	16.9%	12.70%	10.4%	10.3%
Excess Return	-1.6%	-0.6%	6.1%	-8.2%	3.9%	4.0%

**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 July were to information technology (22.7%), communication services (22.1%), and consumer discretionary (19.8%). 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 21 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
ServiceNow	USA	Loyalty
MercadoLibre	Argentina	Networks, Loyalty
Constellation Software	Canada	Loyalty, IP
CoStar Group	USA	IP, Loyalty, Networks
Alphabet	USA	IP, Networks
Visa	USA	Networks, IP, Loyalty
Charles Schwab	USA	Loyalty, IP, Networks
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 56.0% 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

We were very pleased overall with the results of the Fund's portfolio companies during the quarter as they consistently affirmed our long-term theses. The biggest contributor to performance during the month was Charles Schwab (+15.2%), which performed well on the back of second quarter results that were well ahead of expectations. Meanwhile, the largest detractor was CoStar Group (-6.8%), which declined after delivering (what we believed) was a fairly robust set of results - more on that below.

US-based software company ServiceNow delivered another impressive quarterly result that came in ahead of analysts expectations. Subscription revenues grew 25% year-on-year in constant currency terms to $2.1 billion and operating margins came in at 23.4%. Despite ongoing variability in the macro backdrop, ServiceNow continues to benefit from spend prioritisation within the IT tech stack as vendors look to consolidate back-office apps onto an integrated platform. The company's operational metrics held firm, with remaining performance obligations growing 24% year-on-year to $14.2 billion and renewal rates ticking up to 99%. As we have mentioned before, the company's renewal rates are noteworthy as not only are they best-in-class but they are also remarkably consistent, typically in the range of 97% to 99%. They speak to the mission critical nature of the platform and are a key driver of long term annuity value.

Investors were also excited to hear management speak to the burgeoning artificial intelligence (AI) opportunity. Things are moving fast and the company plans to release new premium offerings of their workflow products - across IT, customer service and human resources - towards the back end of 2023 that will have new Generative AI capabilities embedded into them. Management also mentioned that they anticipate these new offerings could deliver a "minimum" 60%-plus list price uplift relative to its current Pro versions as they provide meaningful productivity improvements for end users. Whilst it's still early days, ServiceNow appears well placed to capitalise on the Generative-AI opportunity and we believe it could be a meaningful driver for the company's next phase of growth.

CoStar Group delivered another solid result with revenue growing 13% year-on-year to $606 million, while EBITDA declined 25% year-on-year to $105 million. While the headline drop in profitability appears worrying at first blush, we aren't concerned as it's merely a function of management's decision 18 months ago to step-up reinvestment towards the residential vertical. We were, and still are, supportive of the move to reinvest as we believe it's a compelling opportunity and are always willing to trade-off some near-term margin for greater long term returns. We also take comfort in the fact that management has an exceptional track record of successfully acquiring, integrating and scaling numerous properties over the last 10 years. And, as it stands today, we have just started to see some initial signs that suggest the company's investments are bearing fruit.

Specifically, traffic to Homes.com was up 130% year-on-year for the month of June and monthly unique users reached an all time high of 38 million. This is not far off the critical milestone of 50 million users that management stated was their desired target before monetisation of the platform begins. Management also noted that combined traffic across all of its residential marketplaces exceeded 100 million monthly unique users in June 2023, which means it surpassed Realtor.com during the quarter to become the 2nd largest residential network in the US behind Zillow. We are particularly encouraged by these results and would not be surprised if CoStar stepped up its investments into the division again in an attempt to capture further market share gains. Zooming out, we continue to believe CoStar remains well positioned to benefit from the ongoing shift of commercial real estate advertising spend towards online channels and also see meaningful upside optionality around their residential property platform.

Thank You

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

Best Regards,

Lakehouse Capital

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