LAKEHOUSE GLOBAL GROWTH FUND

MONTHLY LETTER

31 January 2024

LAKEHOUSE CAPITAL

Dear Lakehouse Investor,

January was a positive month for the Fund due to the combination of improving investor sentiment and some strong relative results from our portfolio holdings. As per usual, we'll speak more about results from key holdings shortly but, big picture, we continue to be pleased with the collective fundamental performance and long-term growth profiles of our businesses.

Fund Metrics	
Fund Net Asset Value	$294.6 million
Net Asset Value per Unit (mid)	$1.9394
Cash Allocation	9.4%
Top 10 Portfolio Holdings	61.9%
Companies Held	20
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

The Fund returned 5.4% net of fees and expenses for the month compared to 3.8% for its benchmark. Since its inception at the start of December 2017, the Fund has returned 138.8% compared to 85.0% for its benchmark. In annualised terms, the Fund has returned 15.1% since inception compared to 10.5% for its benchmark.

	1 Month	1 Year	3 Year (p.a.)	5 Year (p.a.)	Inception (p.a.)
Lakehouse Global Growth Fund	5.4%	31.7%	5.0%	16.4%	15.1%
Benchmark	3.8%	22.3%	11.5%	12.3%	10.5%
Excess Return	1.6%	9.4%	-6.5%	4.1%	4.6%

**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 January were to communication services (24.4%), consumer discretionary (21.1%) and information technology (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
Visa	USA	Networks, IP, Loyalty
Alphabet	USA	IP, Networks
Hemnet	Sweden	Networks, IP
Charles Schwab	USA	Loyalty, IP, Networks
Constellation Software	Canada	Loyalty, IP
Spotify	Sweden	Loyalty, Networks, IP
CoStar Group	USA	IP, Loyalty, Networks

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 U.S. and holdings headquartered in the Netherlands, Canada, Argentina, China, Japan, Singapore and Sweden.

Portfolio News

At the portfolio level, the biggest contributor to performance during the month was MercadoLibre (+12.4%), which recently recorded a record-breaking Black Friday holiday shopping season with gross merchandise value (GMV) up 39% year-on-year. Meanwhile, the largest detractor was Sansan (-13.4%), which underperformed following the release of, what we believed was, a relatively strong quarterly update. More on that later.

US-based software company ServiceNow delivered another impressive quarterly result that came in ahead of both its own guidance and analyst expectations. Subscription revenues grew 26% year-on-year in constant currency terms to $2.4 billion and operating profit grew 32% year-on-year to $717 million. Whilst 2023 was a challenging year for many enterprise software companies, ServiceNow thrived as it benefited from spend prioritisation within the IT tech stack as vendors looked to consolidate back-office apps onto an integrated platform. The company's key performance indicators remained healthy, with their backlog (remaining performance obligations) growing 29% year-on-year to $18.0 billion (i.e. greater than 2x annual revenue) and renewal rates ticking up to 99%. As we have noted in the past, the company's renewal rates are remarkable as not only are they best-in-class, but they are also extremely 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.

We were also pleased to hear management provide additional commentary around the rapidly evolving Generative-AI (Gen-AI) opportunity. Four months ago, at its Vancouver release, the company rolled out new premium offerings of their workflow products - across IT, customer service and human resources - with Gen-AI capabilities embedded. Since the launch, these Pro Plus SKUs have experienced very strong demand and accounted for more net new annual contract value (ACV) in the first full quarter of availability than any other previous ServiceNow solution. Management also noted that customer CEOs are increasingly involved in buying decisions and in terms of pricing, they aren't seeing any sensitivity due to the meaningful productivity improvements these new solutions provide end users. Whilst it's still early days, the initial signs are positive, and we continue to believe Gen-AI could be a meaningful driver for the company's next phase of growth.

It was business as usual for Visa as the company continued its long run of steady growth in net revenue and earnings per share (EPS). Net revenues grew by 9% year-on-year to $8.6 billion and EPS grew 11% year-on-year to $2.41, as consumer spending remained resilient. Operational metrics point to healthy signs, with payments volume and the number of processed transactions up 8% and 9%, respectively. As always, the Visa network continues to strengthen, with card credentials up 6% and merchant locations up 17%. Despite its success to date and existing massive scale, we remain impressed with the company's execution and ability to deliver consistent growth year in, year out. Moving forward, we expect Visa to continue growing its footprint in its core consumer payments business while increasing penetration of new payments flows and value-added services.

Alphabet reported a solid quarterly result with revenue and operating income growing by 14% and 31% year-on-year, respectively. The company's core search advertising business continued to perform well, with revenue growth accelerating for the fourth straight quarter to 13%. Management noted the strength was primarily driven by the retail vertical and that they are already experimenting with Gemini (i.e. their most advanced artificial intelligence model) in Search. Away from the core search business, the company's Cloud segment was also a bright spot. Revenue growth saw a healthy bounce back from last quarter to 26% and operating margins came in at 9%, which was particularly impressive considering that only three years ago the segment had an operating margin of -32%. Overall, the company continues to execute effectively and remains well placed to take advantage of future growth opportunities in the digital economy.

Lastly, Japan-based software company Sansan also delivered a strong set of results with revenue growth accelerating for the fourth consecutive quarter to 35% year-on-year and operating profit increasing 30% year-on-year. Fundamentally, the business is in a good place. The core cloud-based contact management solution grew 15% whilst customer churn remained steady at 46 basis points per month, equating to a 95% annualised retention rate. The company's newer and faster growing product, digital billing solution Bill One, continued its strong performance with management upgrading their FY23 annual recurring revenue (ARR) guide from ¥7.0 billion to ¥7.5 billion, implying a 98% growth rate. This new solution continues to drive accelerated growth and now represents 20% of company's total ARR. Moving forward, management have indicated that the company will focus more on increasing profitability, and we remain patient shareholders.

Looking Forward

Thank you to all our investors for your time, trust, and support.

We remain confident in the long-term prospects of the portfolio and whilst we can't promise that this year's performance will be as good as last year's, we will stick to our game plan and keep doing our best for you.

Best Regards,

Lakehouse Capital

For more information call us on +61 2 8294 9800, email investorsupport@lakehousecapital.com.au or visit www.lakehousecapital.com.au

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