LAKEHOUSE GLOBAL GROWTH FUND

MONTHLY LETTER

30 April 2024

LAKEHOUSE CAPITAL

Dear Lakehouse Investor,

April was a busy month for the team as several of the Fund's portfolio companies reported earnings. As per usual, we'll speak more about results from key holdings shortly, but big picture, updates were positive as our portfolio's companies continue to execute on their growth opportunities and display robust fundamentals.

Fund Metrics	
Fund Net Asset Value	$308.3 million
Net Asset Value per Unit (mid)	$2.0538
Cash Allocation	9.4%
Top 10 Portfolio Holdings	62.5%
Companies Held	20
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

The Fund returned -4.3% net of fees and expenses for the month compared to -2.8% for its benchmark. Since its inception at the start of December 2017, the Fund has returned 152.8% compared to 96.0% for its benchmark. In annualised terms, the Fund has returned 15.5% since inception compared to 11.0% for its benchmark.

	1 Month	1 Year	3 Year (p.a.)	5 Year (p.a.)	Inception (p.a.)
Lakehouse Global Growth Fund	-4.3%	25.4%	3.9%	14.1%	15.5%
Benchmark	-2.8%	19.5%	10.5%	11.2%	11.0%
Excess Return	-1.5%	5.9%	-6.6%	2.9%	4.5%

**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 April were to communication services (27.0%), information technology (22.6%) and consumer discretionary (19.3%). 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
dsdAlphabet	USA	IP, Networks
Sansan	Japan	Loyalty, Networks
ServiceNow	USA	Loyalty
Charles Schwab	USA	Loyalty, IP, Networks
Hemnet	Sweden	Networks, IP
Visa	USA	Networks, IP, Loyalty
Spotify	Sweden	Loyalty, Networks, IP
Constellation Software	Canada	Loyalty, 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 60% 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 Sea Limited (+18.2%), which performed well as both Shopee and its primary competitor, TikTok Shop, raised take-rates meaningfully across several countries during the quarter. This is a noteworthy development as we are now starting to see mounting evidence of more rational competitive behaviour from the dominant players in Southeast Asia's e-commerce market, which in turn, signals a more favourable industry structure lay ahead. Meanwhile, the largest detractor was Adyen (-28.3%), which sold-off following its recent business update – more on that later.

Alphabet delivered a strong quarterly result that came in well ahead of analysts' expectations. Revenue grew 15.4% (16.0% constant currency) to $80.5 billion and operating income grew 46.0% to $25.5 billion. Revenue growth accelerated across Search, YouTube Ads, and Google Cloud, all whilst the company delivered its highest operating margin since 2021 – showing meaningful progress in the company's efforts to durably re-work their cost structure. On the Generative AI front, management emphasised the company's infrastructure advantages including 5th generation TPUs (chips developed by Google specifically for AI training and inference), high performance data centre architecture, and AI models that are 100x more efficient versus 18 months ago. Overall, we believe that Alphabet is well placed for the AI opportunity ahead and still has significant latent earnings power. When combined with a relatively undemanding valuation of 21x forward net profit and over $100 billion of cash on the balance sheet, it's not hard to see why we remain positive on the range of outcomes in the years ahead.

US-based software company, ServiceNow, provided another strong result, continuing its long and consistent track record of 20%-plus revenue growth combined with healthy profitability. Subscription revenues grew 25% year-on-year to $2.5 billion and free cash flow grew 47% year-on-year to $1.2 billion. The company's core operating metrics were also impressive with remaining performance obligations growing 26% year-on-year to $17.7 billion (i.e. roughly 2x 2023 revenue) and renewal rates holding steady at 98%. Performance was evenly spread across segments, products, and geographies, with notable strength in the US federal government. The company now boasts 1,933 customers generating in excess of $1 million in Annual Contract Value (ACV), which is pleasing to see as it implies multiple solutions are involved and that the company's platform model is increasingly resonating with customers. In our view, ServiceNow is one the highest quality software businesses globally as the combination of consistent growth at scale, robust free cash flow generation and a large addressable market make it a compelling opportunity.

Amsterdam-based enterprise payments processor, Adyen, posted a quarterly update that was largely (at least in our opinion) business as usual. The company reported processed payment volume and net revenue growth of 46% and 21%, respectively. During the period, over 80% of the volume growth was derived from existing clients and volume churn was less than 1%. The pace of hiring has also slowed significantly to 26 net-new joiners in the quarter compared to 313 in the second half of 2023, which bodes well for margins moving forward. That said, Adyen shares sold off post the result as the market focused on the lower incremental take rates, a factor of having processed volumes relatively higher than net revenue growth.

Management attributed the lower incremental take-rates to client mix, where the company experienced higher volume growth from larger merchants with lower rates, and not from any structural change in terms of how pricing is determined. In addition, management emphasised that the focus is to increase net revenue growth, not take rates. As the company has a relatively fixed cost base, every dollar added to net revenue improves the company's profit margins. With a longer-term view, the company's ability to gain wallet share and retain existing clients, coupled with a more normalised cost base, bodes well for future profitability and we remain patient holders.

Thank you

Thanks again to all our investors for your time and trust. We are grateful for such a loyal, aligned investor base and remain excited for the years ahead.

Best Regards,

Lakehouse Capital

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Lakehouse Global Growth Fund's Target Market Determination is available here – 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.

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.