

LAKEHOUSE GLOBAL GROWTH FUND

MONTHLY LETTER

31 May 2024



Dear Lakehouse Investor,

May was a positive month for global markets which saw continued debate around inflation and the future path of interest rates. For our part, we remained focused on a number of the Fund's portfolio companies that reported earnings and on identifying, analysing and backing businesses that should continue to thrive no matter where the next inflation print lands.

The Fund returned 2.2% net of fees and expenses for the month compared to 1.6% for its benchmark. Since its inception at the start of December 2017, the Fund has returned 15.7% compared to 11.2% for its benchmark. In annualised terms, the Fund has returned 15.7% since inception compared to 11.2% for its benchmark.

Fund Metrics	
Fund Net Asset Value	\$309.2 million
Net Asset Value per Unit (mid)	\$2.0993
Cash Allocation	7.2%
Top 10 Portfolio Holdings	64.0%
Companies Held	20
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

	1 Month	1 Year	3 Year (p.a.)	5 Year (p.a.)	Inception (p.a.)
Lakehouse Global Growth Fund	2.2%	22.9%	5.2%	14.9%	15.7%
Benchmark	1.6%	20.2%	10.6%	12.6%	11.2%
Excess Return	0.6%	2.7%	-5.4%	2.3%	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 May were to communication services (27.7%), information technology (23.8%) and consumer discretionary (20.4%). 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
MercadoLibre	Argentina	Networks, Loyalty
Amazon	USA	Loyalty, Networks, IP
Alphabet	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 61% of the revenue from the Fund's portfolio companies coming from outside the U.S. and holdings headquartered in Argentina, Canada, China, Japan, Singapore, Sweden and the Netherlands.

Portfolio News

At the portfolio level, the biggest contributor to performance during the month was **MercadoLibre** (+15.5%), which reported yet another strong set of results – more on that below. Meanwhile, the largest detractor was **CoStar** (-16.6%). CoStar's shares pulled back during the month on no material news. It happens.

The Fund's largest position, Buenos Aires based e-commerce leader MercadoLibre, reported a robust result that once again came in ahead of analyst expectations. Net revenue grew 30% year-on-year in U.S. dollar terms to US\$4.0 billion while operating margins came in at 12.0%, providing a healthy balance of growth and profitability. Its marketplace business proved resilient, with strength in Brazil and Mexico more than enough to offset weakness in Argentina, which contacted by roughly a third due to weak macroeconomic conditions exacerbated by the 50%-plus devaluation of the Argentine Peso in December 2023. Whilst the economic situation in Argentina remains severe, we are comfortable with the risk as not only has management proved very adept at handling the challenges to date, but post the devaluation, the risk is

meaningfully reduced as Argentina now only contributes 13% of the company's total operating income. Overall, gross merchandise value still grew at 20% year-on-year to \$11.4 billion and we continue to see significant opportunities ahead given the relatively nascent penetration of e-commerce in the region.

Amazon delivered an impressive quarterly result that also came in well ahead of analyst expectations. Net sales increased 13% year-on-year to \$143.3 billion and operating profits increased 219% year-on-year to \$15.3 billion (vs the high end of guidance at \$12.0 billion). As has been the case for several quarters now, the highlight of the result was the significant improvement in profitability metrics, as management continues to drive cost efficiencies across its retail operations and Amazon Web Services (AWS). Amazon delivered to Prime members at its fastest speeds ever. In March, across the top 60 largest U.S. metro areas, nearly 60% of Prime member orders arrived the same or next day, and in London, Tokyo, and Toronto, 3 out of 4 items were delivered the same or next day. Bigger picture, we continue to believe that the market underestimates the length of the runway ahead in the core retail business (note that e-commerce sales in the U.S. still only make up 15% of total retail sales) and that there is still significant margin expansion ahead as scale and efficiency benefits continue to come through.

Upcoming webinar: 18 June at 11am

We would like to invite all investors to join us for a live webinar and Q&A at 11am on Tuesday 18 June. The webinar will be held on Zoom and you can [register here](#). If you'd like to submit questions ahead of the webinar, please email them to investorsupport@lakehousecapital.com.au. We hope you can join us.

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](#)

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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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.

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