

# LAKEHOUSE GLOBAL GROWTH FUND

## MONTHLY LETTER

31 July 2024



Dear Lakehouse Investor,

July was another strong month for the Fund, driven by some impressive results from several of our portfolio companies. Standouts included Sansan, Hemnet, and Spotify.

As we discussed in our recent [annual letter](#), we remain confident and optimistic about the portfolio's ability to perform despite the macro and geopolitical issues of the day. Our portfolio represents a collection of businesses that exhibit clear market leadership, superior underlying economics and growth potential, and clean balance sheets. In our view, these businesses are in a very strong position relative to most other businesses, whether they be considered 'growth' or 'value' style, and we believe they will continue to thrive regardless of whether we have a technical recession next year.

Fund Metrics	
Fund Net Asset Value	\$325.3 million
Net Asset Value per Unit (mid)	\$2.1924
Cash Allocation	6.0%
Top 10 Portfolio Holdings	67.4%
Companies Held	20
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

The Fund returned 5.8% net of fees and expenses for the month compared to 3.9% for its benchmark. Since its inception at the start of December 2017, the Fund has returned 181.1% compared to 110.6% for its benchmark. In annualised terms, the Fund has returned 16.8% since inception compared to 11.8% for its benchmark.

	1 Month	1 Year	3 Year (p.a.)	5 Year (p.a.)	Inception (p.a.)
Lakehouse Global Growth Fund	5.8%	31.8	4.7%	15.1%	16.8%
Benchmark	3.9%	20.8%	10.0%	12.3%	11.8%
Excess Return	1.9%	11.0%	-5.3%	2.8%	5.0%

*\*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 communication services (28.4%), information technology (26.3%) and consumer discretionary (19.9%). 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	<a href="#">Lakehouse Investing Fascination</a>
Amazon	USA	Loyalty, Networks, IP
Sansan	Japan	Loyalty, Networks
MercadoLibre	Argentina	Networks, Loyalty
Hemnet	Sweden	Networks, IP
Alphabet	USA	IP, Networks
Spotify	Sweden	Loyalty, Networks, IP
ServiceNow	USA	Loyalty
Constellation Software	Canada	Loyalty, IP
Charles Schwab	USA	Loyalty, IP, Networks
Visa	USA	Networks, IP, Loyalty

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 63% 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 **Sansan** (+42.6%), which reported yet another strong set of results – more on that below. Meanwhile, the largest detractor was **Charles Schwab** (-9.5%), which pulled back during the month as cash realignment activity ticked up modestly again.

Sansan reported one of its strongest results since we've invested in the company. The core Sansan business re-accelerated its revenue growth to 16.9% and reported its highest quarterly order amount. Despite an increase in prices, the seasoning of the customer base and the shift to larger enterprise clients has contributed an improvement in monthly churn rates to 42 bps, or an annualised retention rate of 95%.

Sansan's newer product, the digital billing solution Bill One, continued to deliver rapid growth, with annualised recurring revenue (ARR) up 103%, now representing 23% of Sansan's total ARR.

The highlight of the result was a significant increase in overall profitability, while maintaining a revenue growth rate of 30%-plus. Improved sales performance has boosted the company's confidence in providing a long-term operating profit margin guide of over 30%, a six-fold increase from the 5% it delivered in its latest annual report. Given projections of improved profitability and a strong net cash balance worth ~8% of its market capitalisation, the company also unveiled a share buyback program for the first time. Should we see weakness in the Japanese equity markets, Sansan is in a much better position than in the prior downturn. The business is trading at a modest valuation, has a profitable outlook, and has cash to deploy on repurchasing shares. We remain patient investors and are excited to see how they progress in the years ahead.

Sweden's leading online property portal, Hemnet, also delivered an impressive quarterly result as local market conditions continue to improve. Revenue and adjusted EBITDA increased by 51% and 54%, respectively, highlighting the scalability of the business model. The overall property market in Sweden has improved, with listing volumes up 10%, leading to a 16% increase in property transactions. The average revenue per listing (ARPL) increased by 52% to SEK6.2k (\$900 Australian Dollars), as the demand for premium packages more than doubled. The company announced several new and future products, which will further improve the platform's value-add for buyers, sellers and agents. We still see a significant room for pricing improvement over time, as more value is created, and property agent compensations become more aligned with upselling.

## Thank you

Finally, thank-you to all our investors for your trust in investing alongside us for the long term. We are grateful for your loyalty and support.

Best Regards,

[Lakehouse Capital](#)

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