LAKEHOUSE GLOBAL GROWTH FUND

MONTHLY LETTER

30 April 2023

Dear Lakehouse Investor,

April was a quieter month for global equity markets relative to March as concerns that the recent US regional banking issues might evolve into something more systemic eased. That said, there was no shortage of fundamental newsflow as a number of the Funds portfolio companies reported earnings. We'll speak more about results from key holdings shortly but, big picture, we continue to be pleased as the portfolio's holdings continue to execute on their growth opportunities and display robust fundamentals.

Fund Metrics	
Fund Net Asset Value	$268.0 million
Net Asset Value per Unit (mid)	$1.6397
Cash Allocation	8.0%
Top 10 Portfolio Holdings	60.2%
Companies Held	20
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

The Fund returned 2.8% net of fees and expenses for the month compared to 2.8% for its benchmark. Over the past 12 months, the Fund has returned 18.6% compared to 9.8% for its benchmark. Since its inception at the start of December 2017, the Fund has returned 101.6% compared to 63.9% for its benchmark. In annualised terms, the Fund has returned 13.8% since inception compared to 9.6% for its benchmark.

	1 Month	3 Month	1 Year	3 Year (p.a.)	5 Year (p.a.)	Inception (p.a.)
Lakehouse Global Growth Fund	2.8%	11.2%	18.6%	8.6%	14.4%	13.8%
Benchmark	2.8%	8.3%	9.8%	11.7%	9.9%	9.6%
Excess Return	0.0%	2.9%	8.8%	-3.1%	4.5%	4.2%

**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 information technology (31.7%), communication services (22.8%), and consumer discretionary (19.5%). 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
Constellation Software	Canada	Loyalty, IP
Alphabet	USA	IP, Networks
ServiceNow	USA	Loyalty
Visa	USA	Networks, IP, Loyalty
CoStar Group	USA	IP, Loyalty, Networks
Microsoft	USA	Loyalty, Networks, IP
LVMH	France	IP
Sansan	Japan	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 57.6% 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

At the portfolio level, the biggest contributor to performance during the month was Sansan (+20.1%), which performed well after reporting a strong quarterly result. Meanwhile, the largest detractor was MarketAxess (-17.5%), which pulled back as credit volumes weakened on the back of dislocations in the banking sector.

Amazon delivered a positive quarterly result with overall growth and profitability coming in ahead of expectations. Net sales increased 9% year-on-year (11% constant currency) to $127 billion and operating profits increased 30% year-on-year to $4.5 billion. In retail, growth proved resilient and it was encouraging to see operating margins for the North American unit turn positive for the first time since mid 2021 - coming in at 1.2% (or roughly 1.5% ex-restructuring). Even more encouraging, though, was Andy Jassy's comments that they are confident they can achieve pre-pandemic operating margin levels of 4%-6% for North America with time. Looking forward, we continue to believe there is significant margin expansion ahead as cost pressures related to external macro factors, such as elevated shipping and fuel costs, and also lower productivity and efficiency continue to ease over 2023.

On the other hand, the outlook for the company's second largest segment, Amazon Web Services (AWS), wasn't so rosy. AWS grew 16% year-on-year to $21.4 billion, which isn't terrible, but was a material deceleration from last quarters growth of 20%. Concerns were only heightened by management's comments that growth slowed even further to 11% in April. As has been the case over the last few quarters, the headwinds were driven by enterprise customers seeking to optimise cloud spending and management reiterated that the slowdown is macro-driven. These comments are consistent with what we have heard from other cloud providers, and in our view, the current headwinds are more a factor of strong comparison periods and cyclical weakness, as opposed to any fundamental issues. Taking a step back, AWS remains the leading cloud provider (in what is an increasingly two-horse race with Microsoft's Azure) and with 90% of global IT spend still on-premise there is still plenty of runway for future growth. At current levels, Amazon's valuation at 5x gross profit is the most attractive it's been since the GFC and we remain confident that patient shareholders will be treated well as the company is set to deliver many years of solid revenue growth and margin expansion.

Alphabet reported a modest quarterly result, with revenue and earnings per share up 2.6% and down 4.9% year-on-year, respectively. It was a mixed quarter with a weak advertising market offset by strong momentum in Google Cloud and growth in the YouTube subscription business. Advertisers continued to pull back on spending during the period, though we are starting to see quarter-on-quarter improvements in the performance of Google Search and YouTube ads. The highlight of the quarter was Google Cloud's strong operational results, with revenues up 28% while posting profitability. This was driven by strong relationships with large enterprises and the partner ecosystems that have been built over the past four years. Moving forward, the opportunity for Alphabet to deliver consistent profitable growth relies on its ability to control costs and improve productivity. The recent restructuring round is a step in the right direction and we believe that management will be able to efficiently manage its costs while going after growth opportunities.

Despite a difficult macro environment, US-based software company ServiceNow proved resilient with a healthy combination of organic growth and profitability. Subscription revenues grew 24% year-on-year (27% constant currency) to $2.0 billion and operating income grew 26% year-on-year to $552 million. The company's core operating metrics were equally strong with remaining performance obligations growing 24% year-on-year and renewal rates holding firm at 98%. ServiceNow'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. Overall, we continue to believe that ServiceNow is one of the highest quality software businesses around as the combination of consistent growth at scale, robust free cash flow generation and a large addressable market make it an attractive opportunity.

Thank You

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

Best Regards,

Lakehouse Capital

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