LAKEHOUSE GLOBAL GROWTH FUND
MONTHLY LETTER
28 February 2023

LAKEHOUSECAPITAL

Dear Lakehouse Investor,

Despite ongoing economic uncertainty and rising bond yields over the month, global equity markets held their ground in February as investors took solace in another subdued US inflation report which continued to provide optimism that the Federal Reserve may soon be close to ending its aggressive tightening cycle. For our part, the team's primary focus for the month was on a number of portfolio companies that reported earnings, and in usual fashion, we will speak to some of the Funds larger holdings below.

Fund Metrics	
Fund Net Asset Value	$245.8 million
Net Asset Value per Unit (mid)	$1.4932
Cash Allocation	6.9%
Top 10 Portfolio Holdings	60.8%
Companies Held	20
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

The Fund returned 1.3% net of fees and expenses for the month compared to 1.5% for its benchmark. Over the past 12 months, the Fund has returned -5.0% compared to -1.3% for its benchmark. Since its inception at the start of December 2017, the Fund has returned 83.6% compared to 53.6% for its benchmark. In annualised terms, the Fund has returned 12.3% since inception compared to 8.5% for its benchmark.

	1 Month	3 Month	1 Year	3 Year (p.a.)	5 Year (p.a.)	Inception (p.a.)
Lakehouse Global Growth Fund	1.3%	5.6%	-5.0%	7.5%	13.0%	12.3%
Benchmark	1.5%	-0.7%	-1.3%	7.2%	8.9%	8.5%
Excess Return	-0.2%	6.3%	-3.7%	0.3%	4.1%	3.8%

**Performance calculations are based on exit price with distributions reinvested, after fees and expenses, since inception on 30 November 2017. Benchmark: MSCI All Country World Index net total returns (AUD). Past performance is not indicative of future returns. Returns greater than one year are annualised*

The Fund's largest sector allocations as of the end of February were to information technology (31.4%), communication services (22.1%), and consumer discretionary (20.5%). 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
MercadoLibre	Argentina	Networks, Loyalty
Amazon	USA	Loyalty, Networks, IP
Visa	USA	Networks, IP, Loyalty
ServiceNow	USA	Loyalty
Constellation Software	Canada	Loyalty, IP
CoStar Group	USA	IP, Loyalty, Networks
Alphabet	USA	IP, Networks
MarketAxess	USA	Networks, Loyalty
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 59% 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.

Portfolio News

At the portfolio level, the biggest contributor to performance during the month was **Hemnet** (+19.8%), which delivered a strong result driven by a 30%-plus increase in listing prices. Meanwhile, the largest detractor was **CoStar Group** (-5.2%), which declined modestly on the back of results. More on that shortly.

Despite ongoing macro concerns, Buenos Aires-based e-commerce leader **MercadoLibre** delivered a strong result to finish off the year with an impressive balance of growth and profitability. The company reported record levels of operating income and margin expansion, all whilst maintaining 40%-plus top-line growth. Its marketplace business experienced double digit growth across all key markets - namely Brazil, Argentina and Mexico - and generated $9.6 billion in gross merchandise value, up 35% year-on-year. The platform's key metrics remained healthy with market share gains across primary markets and unique buyers increasing 13% to its highest level ever of 46 million.

The company's fintech business also continued to grow at a rapid clip, with total payment volume growing 45% year-on-year to US$36 billion. Unique active fintech users were up 27% to 44 million, driven by higher engagement across all regions, particularly Argentina and Mexico. Importantly, the company has invested heavily in their fintech solution, MercadoPago, over the last couple of years to build out the product stack, and in our view, is now well-positioned to become a leading financial services provider in the region. Overall, we remain strong supporters of the business and still believe it's early days as the combination of relatively nascent penetration of ecommerce and a large underbanked population in Latin America provide an excellent foundation for future growth.

CoStar Group delivered another solid result with revenue and EPS growing 14% and 9% year-on-year, respectively. Annualised net new sales bookings, which are an indicator of future revenue growth, were up an impressive 15% year-on-year to $77 million, which was their second-best quarter on record. The company's core business, the CoStar Suite, continued to perform well with revenue up 16%, driven by multiple factors, including CoStar's upsell program, high renewal rates and new product and information capabilities. It was also pleasing to see contract renewal rates hold firm at 91% during the quarter, implying a very healthy and consistent customer life of ten-plus years.

When it comes to the company's largest online marketplaces, Apartments.com and LoopNet, core metrics were resilient and both platforms continue to cement their leadership positions. For Apartments.com, net new bookings increased 177% year-on-year and it's now clear that the business has turned the corner with respect to last year's high occupancy headwinds. US multifamily vacancy rates rose another 0.5% to 7.1%, which was the fifth consecutive quarterly increase. Management believes the market environment will only continue to improve over the next several quarters, which is in stark contrast to the broader economy, and reaffirmed that they expect Apartments.com will be able to return to the roughly 20% pre-pandemic annualised growth rate in 2023.

Despite the strong fundamental results, the company's share price languished after the report as investors reacted negatively to management's announcement that they intend to increase their reinvestment towards the residential opportunity in 2023 from $200 million to $480 million. Whilst such a move will depress margins further in the near term, we don't view it as a negative. We believe it is the right decision from a long-term perspective and take comfort in the fact that management has an exceptional track record of successfully acquiring, integrating and scaling numerous properties over the last 10 years. It's also worth noting that CoStar will be investing heavily in its residential platform at a time when its competitors are reducing their expenditures, which bodes well for potential market share gains. Overall, business momentum is strong and we remain excited about CoStar's future and believe that the company's scale and market leadership will drive growth for many years to come.

Looking ahead

Thank you to everyone that was able to join us for our recent webinar. Our team enjoys the opportunity to engage with you all and hope that those who weren't able to attend enjoy the recording.

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

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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