

Dear Lakehouse Investor,

July was an eventful month for global markets as the US economy reported its second consecutive quarter of negative economic growth and the US Federal Reserve softened its stance on interest rates. This, combined with some “better-than-feared” quarterly results, led to a significant shift in sentiment, with the yield on US 10-year treasury bonds falling from a high of 3.50% in June to 2.65% at month end and global equity markets rallying in response. It was also a relatively busy month for the Fund

Fund Metrics	
Fund Net Asset Value	\$243.3 million
Net Asset Value per Unit (mid)	\$1.4100
Cash Allocation	5.8%
Top 10 Portfolio Holdings	62.5%
Companies Held	20
Benchmark	MSCI All Country World Index Net Total Returns (AUD)

given a number of our portfolio companies reported earnings. We’ll speak more about results from key holdings shortly but, big picture, we continue to be pleased with the collective fundamental performance of our businesses as they continue to affirm our long-term theses.

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 the majority of other businesses, whether they be considered ‘growth’ or ‘value’ style, and we believe they will continue to thrive regardless of whether the global economy races or stumbles forward.

Turning to performance, the Fund returned 11.1% net of fees and expenses for the month compared to 5.4% for its benchmark. Over the last 12 months, the Fund has returned -29.2% compared to -5.7% for its benchmark. Since its inception at the start of December 2017, the Fund has returned 73.4% compared to 49.2% for its benchmark. In annualised terms, the Fund has returned 12.5% since inception compared to 8.9% for its benchmark.

	1 Month	3 Month	1 Year	3 Year (p.a.)	Inception (p.a.)
Lakehouse Global Growth Fund	11.1%	2.0%	-29.2%	7.7%	12.5%
Benchmark	5.4%	-0.1%	-5.7%	8.1%	8.9%
Excess Return	5.7%	2.1%	-23.5%	-0.4%	3.6%

**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.*

The Fund's largest sector allocations as of the end of July were to information technology (36.1%), communication services (21.2%), 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
Amazon	USA	Loyalty, Networks, IP
CoStar Group	USA	IP, Loyalty, Networks
Alphabet	USA	IP, Networks
Visa	USA	Networks, IP, Loyalty
Avalara	USA	Loyalty, IP
MercadoLibre	Argentina	Networks, Loyalty
LVMH	France	IP
Sansan	Japan	Loyalty, Networks
ServiceNow	USA	Loyalty, Networks
Tencent	China	Networks, IP, Loyalty

Portfolio News

At the portfolio level, the biggest contributor to performance during the month was the Fund's largest position, **Amazon** (+25.2%), which delivered a strong result that we will discuss shortly. Meanwhile, the largest detractor was **Tencent** (-14.7%), which remained under pressure as broader macroeconomic and geopolitical concerns continued to weigh on Chinese equities.

Amazon proved resilient in the face of ongoing macro pressures and delivered a strong quarterly result along with “better-than-feared” guidance for the third quarter. Net sales increased 7% year-on-year (10% constant currency) to \$121.2 billion, while operating profit declined 57% to \$3.3 billion. The drop in operating profit was attributable not only to external macro factors, such as elevated shipping and fuel costs, but also lower productivity and efficiency costs as a result of some overcapacity on the back of its recent investment cycle. It was pleasing to see that the company has begun to make progress on the more controllable costs, particularly productivity and staffing, with headcount, for example, down almost 100,000 over the quarter. We continue to believe Amazon is well positioned to manage these short-term issues and remains on track to deliver significant profit improvements over the next twelve months.

Management also confirmed that they have not seen any deterioration in Prime membership growth or retention following the 17% increase in Prime fees put through earlier in the year. This is not surprising to us, as in our view, the price increase was more than justified given the tremendous amount of customer value that has been added since the last price increase was implemented back in 2018, which includes the doubling of its fulfilment network and workforce, significant expansion of free same-day delivery and considerable investments in video and music content. Ultimately, we remain positive about Amazon's future and believe that the company's scale and market leadership will continue to drive growth for many years to come.

CoStar Group delivered a solid result with revenue and EBITDA growing 12% and 5% year-on-year, respectively. Annualised net new sales bookings, which are an indicator of future revenue growth, were very strong and increased 66% year-over-year to an all-time high. The company's core business, the CoStar Suite, continues to accelerate and is now growing at 17% compared to mid-single-digits twelve months ago. This strength was driven by multiple factors, including CoStar's upsell program, high renewal rates, new product and information capabilities and the return of annual price increase for renewals, which had been temporarily put on hold during the pandemic. Contract renewal rates were rock solid at 91%, implying a ten-plus year customer life, and are even more impressive for customers who've been subscribers for five years or longer, clocking in at 98%.

Turning to the company's next largest segment, its online marketplace Apartments.com, net new bookings were up 138% year-on-year, or 35% quarter-on-quarter. Management sounded increasingly confident that they've turned the corner with respect to last year's high occupancy headwinds as vacancy rates are now beginning to normalise. They anticipate that the market environment should continue to improve over the next several quarters, which is in stark contrast to the broader economy, and expect Apartments.com will

be able to return to the roughly 20% pre-pandemic annualised growth rate. The company also continues to reinvest back into the business to build its residential platform, and whilst such a move will depress margins in the near term, we 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. Overall, we remain long-term enthusiasts and are happy to see the business continue to reinvest where it makes sense.

Alphabet reported another strong quarterly result despite the tough macroeconomic conditions. Revenue increased by 13% as Search proved resilient, primarily led by strength in the travel and retail verticals. YouTube advertising growth was lighter and moderated due to a tough comparison period and a general softening in brand advertising spend. That said, YouTube's user engagement and time spent still continues to grow which bodes well for future monetisation opportunities. Google Cloud outpaced the company's overall growth with revenue increasing by 36% and while it has yet to show any signs of profitability, we remain supportive of Alphabet continuing to reinvest in its cloud business given the size of the market opportunity ahead. On the cost front, the company added another 10,000 employees during the quarter, but notably, the CFO mentioned that hiring will likely slow down over the next twelve months as the company focuses on greater operating efficiency. Overall, we're pleased with how the company has performed and are confident that management will be able to control costs, if or when the economic environment becomes more challenging.

It was business as usual for **Visa** as it delivered another solid quarter driven by strong US growth, the ongoing gradual displacement of cash with digital transactions, and accelerated growth in cross-border volume as travel spending plays catch up post-Covid. Visa processed 49.3 billion transactions on its network, up 16% year-on-year and 39% above pre-pandemic levels, driving \$2.7 trillion in total payments volume, both of which have more than recovered from the impacts of the pandemic. The total number of cards in Visa's network also grew by 8% year-on-year to 3.9 billion.

Cross-border transactions were a key issue for Visa during the pandemic, but this headwind has now turned into a tailwind. Constant currency cross-border volumes rose 40% (48% excluding intra-Europe) in the most recent quarter and we expect this trend will continue to play out in the year ahead. While a potential economic slowdown and geopolitical concerns are always a risk, we take comfort in the fact that Visa has a sixty-plus year track record of successfully overcoming numerous macroeconomic challenges that in the moment appeared insurmountable. We believe this current episode will prove no different and that the combination of a very attractive industry structure and the ongoing secular shift towards digital payments provides a foundation that will enable Visa to continue winning for many years to come.

Looking Ahead

Thanks to the hundreds of you who were able to join us for our recent webinar and question and answer session. Our team enjoys the opportunity to engage with you all and hope that those who weren't able to attend enjoy the recording.

And, as always, thank you to our investors for your continued support and trust.

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.

Disclosure: 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.