

LAKEHOUSE GLOBAL GROWTH FUND
MONTHLY LETTER
30 November 2024



Dear Lakehouse Investor,

November was another strong month for the Fund, driven by some impressive results from several of our portfolio companies. Standouts included Spotify, Sea Limited, and Wix.

The Fund returned 8.0% net of fees and expenses for the month compared to 4.3% for its benchmark. Since its inception at the start of December 2017, the Fund has returned 221.0% compared to 124.7% for its benchmark. In annualised terms, the Fund has returned 18.1% since inception compared to 12.2% for its benchmark.

Fund Metrics	
Fund Net Asset Value	\$360.8 million
Net Asset Value per Unit (mid)	\$2.5037
Cash Allocation	6.3%
Top 10 Portfolio Holdings	64.5%
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	8.0%	42.8%	10.9%	17.3%	18.1%
Benchmark	4.3%	28.4%	10.8%	12.2%	12.2%
Excess Return	3.7%	14.4%	0.1%	5.1%	5.9%

**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 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
Sansan	Japan	Loyalty, Networks
Wix.com	Israel	Loyalty, IP
Charles Schwab	USA	Loyalty, IP, Networks
Sea Limited	Singapore	Networks, IP
Hemnet	Sweden	Networks, IP
Spotify	Sweden	Loyalty, Networks, IP
ServiceNow	USA	Loyalty
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 62.0% 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 [Wix.com](#) (+34.6%). This is a new position and, so far, things are playing out well with the company delivering a series of earnings results ahead of expectations – more on Wix below. Meanwhile, the largest detractor to performance was [Sansan](#) (-4.6%), which pulled back slightly on no news.

The Funds largest position, Latin American e-commerce leader [MercadoLibre](#), delivered another impressive quarterly result. Net revenue grew 35% year-on-year to \$5.3 billion, while operating profit declined 29% to \$0.6 billion as management made the decision to reinvest some profits back into the business. This reinvestment was primarily to accelerate growth in the company's credit offerings and continue the expansion of their logistics network, driving faster delivery times and lower per-unit shipping costs. Whilst such a move will depress margins in the near term, we don't view it as a negative.

Building and owning a first-class logistics network is critical for the company's success as it will ultimately help protect its market share and profits from competitors over the long-term. We also note that faster shipping accelerates sales growth, which in turn, fosters wider selection, better prices, and greater investment in logistics, all part of a virtuous cycle. As long-time MercadoLibre followers, we are more than happy for the company to make such long-term investments and continue to believe the company is in an ideal position to capitalise on the significant opportunities ahead and deliver many years of above average growth and margin expansion.

Lastly, we'll wrap things up with a brief introduction to one of the Fund's newest positions, Wix.com ("Wix"). Wix is a global leader in website development, providing critical infrastructure that enables over 270 million individuals and businesses to create, manage, and grow their online presence. Since its founding in 2006, Wix has always maintained a relentless focus on innovation, with 40% of its workforce in R&D. It has developed a comprehensive suite of tools beyond basic website building, including e-commerce, payments, and marketing solutions. The company exhibits a sticky subscription-based model, with 85% of users on annual or multi-year plans and an impressive 104% net revenue retention rate.

Historically, Wix's primary focus has been on self-creators (think individuals and SMBs) who are looking to build and manage a website themselves. Whilst this DIY category has been a significant driver of the company's growth to date, what got us particularly excited about Wix was the success of their new product aimed at professional web developers called Studio. This "do-it-for-me" (DIFM) market has long been dominated by WordPress which holds roughly 60% market share, however, Wix has recently started making inroads. Wix Studio simplifies the process for partners (agencies and freelancers) to build their clients websites on the Wix platform and the use of revenue sharing arrangements effectively transforms these partners into distributors for Wix.

In our view, Wix's ability to crack the DIFM market with Studio was a meaningful inflection point for the business. Not only does it unlock a market opportunity which is 10 times larger than its traditional DIY market, but it also leads to higher-value customers which tend to build more complex websites and attach more business applications – further improving customer retention. This partner's channel continues to be a driving force of growth and now represents roughly 35% of the company's revenue, growing at 30% year on year.

In addition to this new growth vector, Wix also has the potential to continue improving margins in the years ahead. The company has now rolled over a heavy investment cycle for Studio and taken meaningful steps to optimise its cost structure. As of the most recent quarter, free cash flow margins are up to 28%, which is an extraordinary improvement from negative 6% two years ago. Bigger picture, we believe the quality of the business is rapidly improving and that Wix is well placed to capture incremental market share going forward. As such, we established a position earlier this year in March at what we estimated to be approximately 15 times normalised 2025 free cash flow.

Thank You

This will be our last investor letter published in 2024. The letter for the month ending 31 December will be out towards the middle of January. Beyond that, we're planning to hold another webinar in the first half of 2025, and the team is always around for a conversation if investors have any questions.

We wish you and your loved ones an enjoyable and relaxing break over the holiday period and look forward to a prosperous 2025.

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

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.

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