

To our Fellow Investors,

January was a tough month for the Fund as the Australian dollar strengthened and several of our enterprise software holdings came under pressure. As discussed in our recent webinar, our quality-growth style of investing has been out of favour over the last 12 months relative to more “risk-on” areas of the market – specifically AI infrastructure and semiconductors.

However, while the market value of our portfolio has declined, the fundamental growth of our underlying businesses remains healthy. Collectively, our portfolio companies continue to grow revenue and earnings at a rate of 20%-plus. This divergence between price and fundamentals has led to significant multiple compression, which we view as a rare opportunity. To that end, we have been active, recently adding to high-conviction holdings including ServiceNow and Microsoft, and establishing new positions in Workiva and Workday over the last few months.

Speaking to January specifically, the Fund returned -13.3% net of fees and expenses for the month compared to -2.0% for its benchmark. This month’s decline was driven primarily by two factors:

1. **Currency:** The strengthening AUD detracted approximately 4.8% from returns
2. **The broad-based sell-off in software:** Several of our software holdings experienced meaningful declines as the AI disruption narrative ran wild

Fund Metrics	
Fund Net Asset Value	\$259.1 million
Net Asset Value per Unit (mid)	\$1.8407
Cash Allocation	2.7%
Top 10 Portfolio Holdings	69.0%
Companies Held	17
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	-13.3%	-26.1%	13.0%	4.9%	12.5%
Benchmark	-2.0%	8.5%	19.3%	14.0%	12.2%
Excess Return	-11.3%	-34.6%	-6.3%	-9.1%	0.3%

**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.*

Cloud software (SaaS) businesses have long been an attractive area for us to invest. Offering strong secular growth, sticky customer relationships that drive predictable revenue streams, enviable gross margins and attractive incremental economics. However, since mid-2025 the market has started to worry that the "Death of Software" is upon us, suggesting AI will make traditional SaaS obsolete.

For some context on the recent sell-off, software underperformed semiconductors by 20% over the 20 days to 3 February 2026, which is the largest gap since the dot-com bubble peak in February 2000.

Big picture, we believe this narrative is misplaced and note that not all SaaS businesses are created equal. We see software companies that offer deeply entrenched, mission-critical platforms to enterprises as well placed to leverage their advantages (proprietary data, domain expertise, customer trust, distribution, existing infrastructure and security etc.) to succeed in an AI first world.

Before moving to our usual commentary on results, we'll briefly address the underlying fears.

Is SaaS really dead?

The AI disruption narrative consists of two predominant concerns:

1. "Vibe coding" – that is the ability for non-technical users to build software by prompting AI with natural language – will make software easier to develop and lead to an explosion in competition, and
2. AI agents will enable more work to be done with fewer people, and as such, the headcount that supports the traditional "seat-based" revenue model will decay

Firstly, on vibe coding. In our view, this is a fundamental misunderstanding as the cost of building software has never been the main barrier to entry in SaaS. Building software is only the beginning. Running software at scale means keeping it secure from ever-evolving threats, applying patches and performing updates without breaking things. This is all before managing integrations, handling data storage, privacy and compliance.

While this concept captures the imagination, it fails the test of enterprise reality. It is true that it's never been easier to vibe code a beautiful ticketing interface in an afternoon, but you cannot vibe code the 20 years of plumbing that makes ServiceNow a multi-billion-dollar platform. The core of ServiceNow isn't the buttons you click, it's the Configuration Management Database. It maps millions of relationships between servers, software licenses, employees, and cloud assets.

Enterprises demand auditability and reliability that trusted vendors provide. Recent data points also confirm this: a J.P. Morgan survey indicates that CIOs overwhelmingly prefer to *buy* AI agents from established application vendors rather than *build* their own custom solutions.

Secondly, on traditional seat-based pricing models. For SaaS companies that do rely on this type of pricing model, this is a legitimate question. However, this assumes that those incumbent businesses are unable to

adapt and capture some of the value create by providing AI agents. Many software companies are innovating fast and actively pivoting toward consumption-based and outcome-based pricing models. This shift allows them to monetise the *value* of the work done by AI (e.g. tickets resolved, transactions processed) rather than just the human using the tool. Far from shrinking their opportunity, this transition may allow software companies to capture a slice of the much larger *labour* budget, potentially expanding their addressable market.

Again, ServiceNow is a perfect example of this playing out in real time. The company is successfully monetising this shift through a two-pronged strategy: first, by driving customers toward premium tiers – which command price increases of 30% to 60% – and second, by introducing a consumption-based model via "Assist Packs." By charging for "assists" (AI-driven outcomes like resolved tickets or generated code), they can place themselves to capture a direct slice of the enterprise labour budget that AI may eventually displace.

Ultimately, we don't believe the entire SaaS industry is dead. The reality is much more nuanced. There will be winners and losers, however, we believe incumbent enterprise software businesses – with multi-product platforms and complex workflows – are well placed to not just survive but actually thrive in an AI first world. For these businesses, AI is likely to serve as a feature that enhances their value proposition, rather than a standalone product that replaces them.

Turning to the portfolio now and the Fund held 17 positions as of the end of the month, the ten largest of which are listed below:

Company	Headquarters	Strategic Advantage
MercadoLibre	Argentina	Networks, Loyalty, IP
Sansan	Japan	Loyalty, Networks
Adyen	Netherlands	Loyalty, IP
Amazon	USA	Networks, Loyalty, IP
Workiva	USA	Loyalty, IP
Pinterest	USA	Networks, Loyalty, IP
ServiceNow	USA	Loyalty
Kinaxis	Canada	IP, Loyalty
Wix.com	Israel	Loyalty, IP
Microsoft	USA	Loyalty, Networks, IP

The Fund has good global diversification with 56.2% of the revenue of portfolio companies coming from outside the U.S. and holdings headquartered in Argentina, Canada, Israel, Japan, the Netherlands and Singapore.

Portfolio News

At the portfolio level, the biggest contributor to performance during the month was **MercadoLibre** (+1.5%), which had no material news. Meanwhile, the largest detractor was **ServiceNow** (-27.3%), which pulled back on the aforementioned AI disruption fears. The company also reported what we viewed as a positive result in late January – more on that below.

ServiceNow delivered another impressive quarterly result that came in ahead of both its own guidance and analyst expectations. Revenues grew 19.5% in constant currency terms to \$3.6 billion and operating profit grew 31% to \$1.1 billion. The company's key performance indicators remained healthy, with retention rates firm at 98% and their backlog (remaining performance obligations) growing 22.5% to \$28.2 billion (i.e. circa 2x 2025 revenue). Specifically on the company's retention rates, they are remarkable as not only are they best-in-class, but they are also extremely consistent, typically in the range of 97% to 99%. They illustrate the mission critical nature of the platform and are a key driver of long-term annuity value.

Investors were also eager to hear management provide an update on their efforts to layer in Generative-AI (Gen-AI) functionality. It has now been two years since the company rolled out new premium offerings of their workflow products - across IT, customer service and human resources - with Gen-AI capabilities embedded. Since the launch, these Pro Plus SKUs have experienced very strong demand and ServiceNow hit \$600 million in ACV from AI solutions in 2025, ahead of its \$500 million goal, and is on its way to \$1 billion in ACV in 2026. During their earnings call CEO Bill McDermott also explicitly pushed back against the "seat contraction" narrative, noting that monthly active users on the platform grew 25% year-on-year.

Overall, we continue to believe that ServiceNow is one the highest quality software businesses, and that Gen-AI could be a meaningful revenue driver for the company's next phase of growth.

Sansan also reported strong quarterly results, providing a timely update on how its business is performing amidst current sector volatility. Sansan's latest data offers a perspective on how these dynamics are currently playing out in practice: subscriber growth for their core platform accelerated to 12.1%, while their Bill One segment maintained a high rate of expansion at 38.9%. With market share increasing by roughly two percentage points over the past year and retention rates holding steady between 93% and 95%, the current trajectory suggests that the company is not only retaining but growing its client base.

Beyond top-line resilience, there are early indications that Sansan is successfully leveraging AI to enhance its internal profitability profile. Rather than facing immediate disruption, the company has integrated AI initiatives to automate data digitisation, which contributed to a two-percentage-point improvement in gross profit margins this quarter. This operational efficiency helped drive a 294% increase in operating profits, with margins expanding from 5.9% to 18.7% year-on-year. Management continues to make good progress toward its long-term 30%+ operating margin target. In a landscape where AI utility is dependent on the quality of its inputs, the platform's role as a verified source of truth for the Japanese corporate market appears to be maintaining its relevance.

We believe the current gap between Sansan’s fundamental results, and its market valuation represents a noteworthy point of interest. Despite management guidance pointing toward a possible operating profit increase of 93% to 143% for the full year, the stock is trading at a compressed valuation of 2.5x forward EV/Revenue and 24x forward P/E. This disconnect suggests that while the broader market remains concerned about an industry-wide disruption, the company is operating in a reality of expanding margins and steady market share gains. While the timeline for a recovery in sentiment is uncertain, we remain upbeat about the consistent execution and growing profitability in the business.

Upcoming Webinar & Thank You

The team will be busy digesting results throughout February, and we look forward to sharing some of our learnings in next month’s webinar at: **11am on Thursday, 12 March.**

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

Nick, Erwin and Donny.

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