J. Stern & Co.

World Stars Global Equity Fund
Q3 2019

Quarterly Investment Commentary

29th October 2019

Dear Investors,

Earlier this year, a classic Matt cartoon from the *Daily Telegraph* had an English couple walk by a deranged-looking man holding up a sign saying, "Everything may be OK". The man turns to his wife and says "Lunatic."

It is an apt depiction both of the current state of discourse and the negativity bias we have been discussing in our comments over the past couple of months. We see it in politics, economics and markets, where predictions of impending collapse and tail events are a constant din and the much more likely outcome, that everything may be OK, is discounted and dismissed.

That is not to say that we should be complacent. On the contrary, we should be greatly concerned about the issues we face but should not confront them urgently, by taking action ourselves or by insisting that our representatives in politics and government address them with the greater means at their disposal. However, we have to be careful not to let our concerns and our frustration at the lack of progress blind us to the very means by which we can overcome those issues and achieve the progress we hope for.

Because we invest in companies that offer quality and value over the long-term, we have always been highly concerned with the sustainability of their industries, their businesses and their practices. Environmental, social and governance issues (ESG) have been central to our investment decisions. Quality is a gating condition for us, and it includes key criteria such as a strong and sustainable competitive position in a good and growing industry.

The clue is in the name as we are sometimes reminded by younger members of our families. No matter how good it is today, a business cannot sustain its competitive advantage in the long-term if its industry is in decline, if it exploits resources in an unsustainable way, if it treats its workforce poorly, if it violates government policy or regulation, or if it is rejected by its customers because of real or perceived issues with its business and its practices. Nestlé is a good example. It has been in Stern family portfolios since the 1950s and despite the many issues it has faced, most prominently in infant nutrition and water, it would not have generated the strong returns it has since then and it would not still be a core holding for us if it were not continuously addressing these issues, innovating and changing along the way.

It is of great importance to recognize that companies like Nestlé and many others that we are invested in may be part of the problem, because they are large businesses that operate globally and have great economic and social impact on our societies, but they are also an important part of the solution.

This is the link to our earlier discussion of progress: It is human spirit and entrepreneurialism that has been the driver of the progress we have seen. Corporations have an absolutely critical role to play because of the resources they can bring to bear in terms of capital, research and innovation. That is why the ESG debate is complicated and cannot be reduced to simplistic, exclusionary principles.

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It is our role as investors and shareholders to identify companies that are sustainable, that have the quality and value to be good investments over the long-term and to engage with them actively to support them in taking a long-term view, investing in their businesses and creating the solutions to the issues they face.

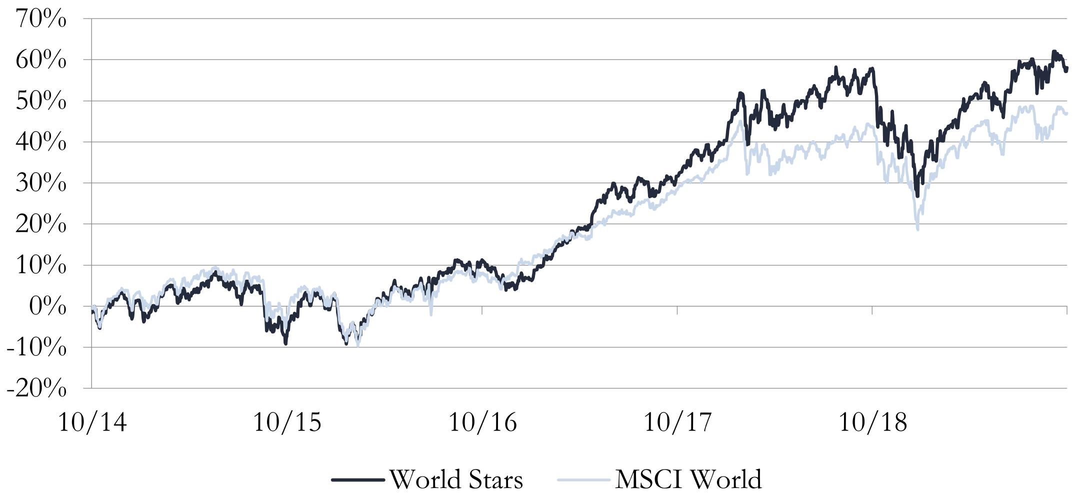
We continue to believe that 'everything may be OK' and that we are seeing a mid-cycle slowdown that is to be expected after a longer period of growth. Markets have remained volatile given the unfolding trade war and continued evidence of weakening in global industrial activity.

In Europe, Germany is facing headwinds within its manufacturing sector given its export-driven nature and as the country's auto industry adapts to the transition to electric vehicles. At the same time, in the broader region, concerns around the implications of Brexit and the trade war have continued to weigh on sentiment. In China too, industrial activity and some areas of consumer demand have reflected global uncertainties, although importantly spending in key end markets remains very robust, a fact once again evidenced by the recent strong growth reported by luxury goods leader LVMH. The US economy continues to lead in the global arena with healthy employment trends supporting domestic demand, though here too there has been some evidence that pockets of industrial activity have been affected by the trade war.

Although we recognise the macroeconomic uncertainty as well as the elevated geopolitical risks, we continue to believe that central banks, including the Federal Reserve and the European Central Bank, are providing the necessary policy support and that ultimately it will be in the interests of all parties to find a resolution in the current trade dispute.

Portfolio Performance

Global equity markets were more volatile in Q3 than in the first half of 2019. After a 17% rise in the MSCI World index in USD to the end of June, investors have been weighing up the extent of the mid-cycle slowdown, and the impact of weak industrial data and global trade tensions against the robust employment and consumer confidence data in many large developed economies. Policymakers have also remained sensitive to slowing growth and limited inflationary pressures, with increasing benign monetary actions through the quarter.

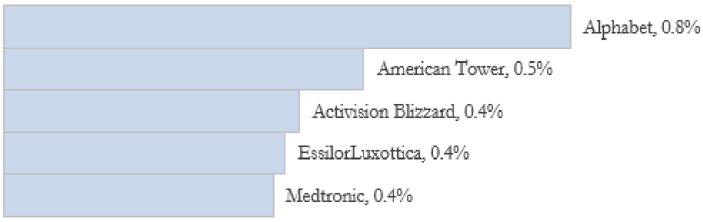


	2019 Q3	2019 YTD	1 Year	3 Years	5 Years
Portfolio	**+1.1**	**+18.8**	**+0.5**	**+42.0**	**+55.6**
MSCI World	+0.6	+18.1	+2.4	+36.0	+45.3

Performance is that of the World Stars Global Equity Fund, A1 USD Share class, launched on 08 April 2019. Prior to launch date performance was that of the World Stars strategy, based on total return (with dividends reinvested) and net of 1% fees per annum, deducted quarterly in arrears. Past performance is not a reliable indicator of future results; the value of any investment can fall as well as rise; and returns may increase or decrease as a result of currency fluctuations.

Our portfolio rose 1.1% in USD, taking it to +18.8% year-to-date, with performance slightly ahead of the global market. This was achieved despite a substantial 'momentum reversal' in September with sector rotation away from global 'growth' stocks and in favour of 'value' stocks which had underperformed. With our companies, the net effect of the rotation across the quarter was fairly limited as many had produced robust trading updates which underlined their medium-term growth potential. This was the case in several large holdings across the internet & technology, consumer goods and healthcare sectors.

Company Updates



This quarter many of the top performers were within the internet and technology sector. *Alphabet*'s shares rallied strongly after its earnings report in July and revenue growth reaccelerated to greater than 20%, after slightly disappointing results in Q2. Alphabet continues to invest significantly into AI and machine learning building a strong platform for the company's future. Additionally, an increased share buyback approval of $25bn demonstrates greater financial discipline from management and we continue to view Alphabet shares as extremely undervalued.

Another positive performer in the portfolio was *American Tower* as the company continues to benefit from the unabated demand for mobile data around the world. The company also raised their revenue outlook for the year after completing a new long-term Master Lease Agreement with AT&T in September.

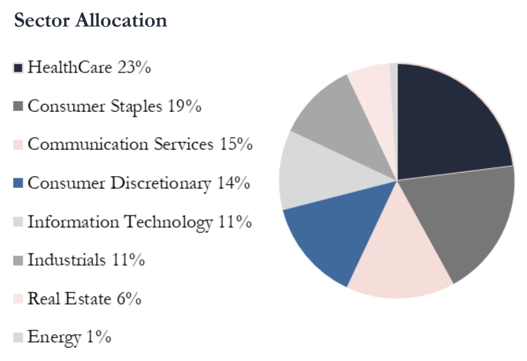
Excitement grew during the summer of new titles from video game publisher *Activision Blizzard* including a mobile version of their leading game Call of Duty. Early indications are that it has been very successful reaching over 100m downloads within its first week.

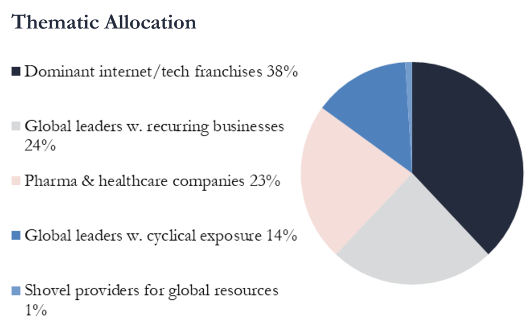
EssilorLuxottica is the largest and fully integrated eye care and eye glasses company in the world, its nearest competitor is one tenth of its size. It is the leader in lens supply with 40% market share as well as a leading supplier of frames and sunglasses. Following the completion of the merger between Essilor and Luxottica last year, the company hosted the long-awaited capital market day in September and updated investors of the progress. The company is in the process of a full integration. Twenty work streams and 160 strategic initiatives have been launched. The management feud which capsized the company earlier this year appears to be over. The company is on track to deliver its pre-tax merger synergy of €420-600m over the next three to five years with 60% of this by the end of 2021. The company also reiterated its long-term ambition of a mid-single digit revenues growth and net profit growth up to 1.5x of revenue growth. The recent stock performance reflects the investors appreciation of the strength of the company and its bright outlook.

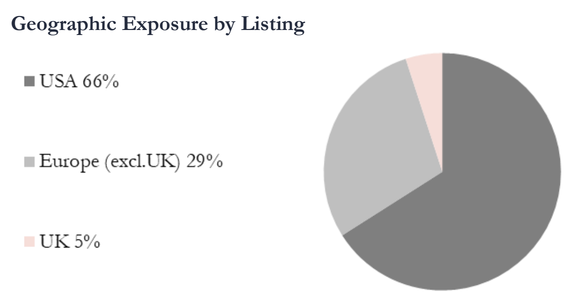
Medtronic have continued to capitalise on their position as a leader in the medical technology sphere using their strong innovation culture and continued organic growth driven by existing products. They have also launched new products, such as the Micro® AV pacemaker, Reveal LINQ 2.0 insertable cardiac monitor and robotic surgery platform. Based on this we expect stock to generate 4% revenue growth and high single digit EPS growth.

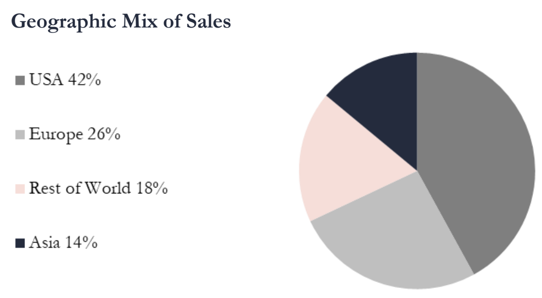
Portfolio Composition and Trading

Similarly to Q2 we did not significantly amend the composition of the portfolio, however took the opportunity presented by global political volatility reflected in the markets to increase the holdings of some of our positions at a lower cost. However, whilst able to capitalise on current market conditions the portfolio overall is predominately made up of non-cyclical stocks. Based on this stability embedded within our portfolio we are better prepared against the impacts of any potential economic slowdown and particularly negative sentiment and can instead focus on seeking the opportunities amongst the volatility.









Outlook

For us, the current backdrop provides support for our approach in focusing on businesses that benefit from robust structural growth in their end markets, enjoy strong competitive moats, and whose managements have a proven track record of steering the businesses for the long term, irrespective of any volatility that arises.
As always, we look forward to your questions or comments.

Yours faithfully,

Christopher Rossbach

Katerina Kosmopoulou, CFA

Monthly Performance, % Total Return, USD

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD	MSCI World	Excess return
2012	-	-	-	-	-	-	-	-	-	-1.8	+4.2	+0.4	+2.8	+2.0	+0.8
2013	+3.3	+5.4	+0.8	+1.4	-1.1	-2.8	+3.3	-2.9	+6.2	+4.2	+1.7	+1.9	+23.1	+27.3	-4.2
2014	-5.7	+6.5	-0.5	+1.8	+1.9	+1.9	-4.6	+2.6	-3.1	-0.8	+2.2	-2.8	-1.3	+5.5	-6.8
2015	-0.4	+5.3	-2.8	+2.8	+1.6	-4.2	+2.7	-7.8	-4.3	+10.0	+0.9	-1.3	+1.4	-0.3	+1.7
2016	-5.7	+0.4	+7.1	+1.2	+0.7	+1.8	+2.5	-0.4	+2.4	-3.7	-2.1	+1.5	+5.0	+8.1	-3.1
2017	+4.7	+3.1	+3.5	+3.4	+4.4	-1.6	+2.5	+0.4	+1.1	+4.4	+0.3	+1.8	+31.8	+23.0	+8.8
2018	+8.1	-3.3	-0.9	+0.3	+2.7	+0.5	+3.0	+0.4	+1.1	-9.3	-0.4	-6.5	-5.2	-8.2	+3.0
2019	+5.8	+1.9	+4.2	+3.2	-4.5	+6.1	+1.1	+0.4	-0.4	-	-	-	+18.8	+18.1	+0.7

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Fund Information

Investment Manager	J. Stern & Co. LLP	**Share Class**	**A**	**B**	**L**	**A5/A6**
Portfolio Manager **Deputy Portfolio Manager**	Christopher Rossbach Katerina Kosmopoulou, CFA	**Minimum Investment**	1,000,000	5,000	25,000,000	1,000,000
Launch Date	08 April 2019	**Management Fee**	0.90%	1.20%	0.75%	0.65%
Vehicle	Alpha UCITS SICAV, Luxembourg	**Target OCF***	1.20%	1.50%	1.05%	0.95%
Management Company	MDO Management Company SA	**Eligibility**	All	Retail	Institutional	Charity
Administrator & Depository	RBC Investor Services	**Accumulation / Distribution**	Accumulation & Distribution available to all			
Auditor	Ernst & Young SA	**Alternative fee structure**	Reduced annual fee with performance fee available on request			
Reference Currency	USD	**Currencies**	USD and, unhedged or hedged, EUR, CHF & GBP			USD & GBP
NAV & Dealing Day	Daily, 3pm Luxembourg time	**Dealing Cut-off**	3pm in Luxembourg on the business day before the dealing day			

*Subject to discussions with J. Stern & Co., accumulation and distribution share classes can be made available in all currencies displayed above. The base currency of the Fund is USD. Minimum investment is stated in currency of share class. Target OCF is the Investment Manager's target for the OCF for the USD share class.

Important Information