

J. STERN & CO.

World Stars Global Equity Fund Q1 2020

Quarterly Investment Commentary

10th April 2020

Dear Investors,

During the first quarter and against the backdrop of the fastest and sharpest market sell-off in over a generation, our World Stars Global Equity Fund demonstrated the resilience of our investment approach, declining by -14.5% against the MSCI World down -20.9% in US dollar terms. We are at a critical point of the Covid-19 pandemic and its impact. It is clearly a confounded disease which disproportionately impacts more vulnerable populations, but it also has potentially long-term effects on a larger number of people; so those who have not had it should avoid it if they can.

Our focus on quality and especially cash flow and balance sheet strength translated in our companies being more shielded from the Covid-19 crisis and the standstill that has resulted across major economies. In fact, some of our holdings, most notably in technology, closed the quarter on positive ground as these companies emerged as beneficiaries from the current crisis. For example, *Amazon* enabling consumers to shop for critical supplies, and *Activision Blizzard* benefiting from higher user engagement as more people stay at home. Similarly, *American Tower*, the mobile tower operator, held up well, benefiting from higher demand for data as more people worked from home, whilst *Adobe's* subscription-based revenue model provides cushion in the current uncertainty.

Within healthcare, *Roche* and *ThermoFisher* have emerged as leading players in the provision of testing solutions for patients, with their scale enabling them to quickly ramp-up production to meet an ever-expanding global demand. And as consumers fill up their kitchen pantries, companies like *Nestlé* are benefitting from higher demand for food and beverages whilst utilising their global supply chain capabilities to maintain availability.

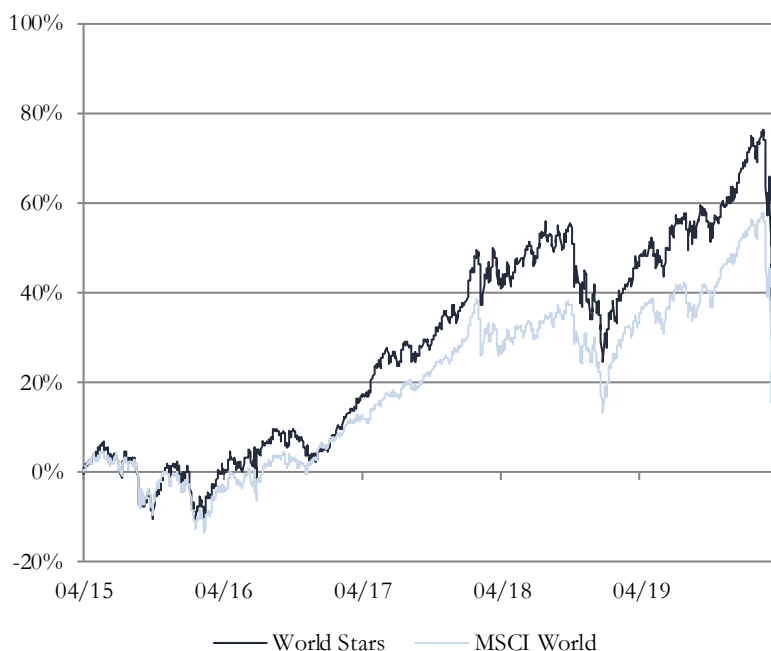
Other companies that we hold are more impacted by the crisis. Within industrials, *United Technologies* suffered as air traffic came to a standstill. Looking at the long term however, with the separation of its commercial buildings franchises, *Otis* and *Carrier*, and its upcoming merger with defence peer *Raytheon*, the company will be transformed into the largest Tier-1 supplier in the aerospace industry. It will have a leading presence in key next-generation technologies, a strong balance sheet and over \$1bn in synergy opportunities, whilst the greater than 50% defence exposure of the combined group will cushion cash flow until the inevitable rebound in air travel.

Similarly, *Essilor Luxottica* came under pressure on concerns over the impact of the current environment on its retail store operations and demand for glasses. Again, longer term we believe the structural demand for its lenses and frames remains intact, driven by demographics and higher end products, whilst in the meantime, the planned synergies from the recent merger of the two legacy companies, *Essilor* and *Luxottica*, provides a near-term cushion to earnings.

The pullback has also provided us with opportunities to further optimise our portfolio. As part of that process, we decided to exit our positions in *Henkel*, *British American Tobacco* and *Schlumberger* as our investment thesis in all three cases has evolved in recent months with each company facing challenges in its markets that will continue beyond the current market volatility. We deployed part of the proceeds in a new position in *Givaudan*, the leading flavour and fragrances provider, as well as in *Alcon*, the leading optical surgical and consumer solutions provider. Both names have sold-off unjustifiably in recent weeks. We are holding the rest of the proceeds in cash, looking to deploy this as further opportunities arise.

Performance

In the context of a major market sell-off, our World Stars Global Equity Fund continued to illustrate the importance of investing in quality companies with robust businesses. High cash flow generation and strong balance sheets have provided significant insulation from the Covid-19 crisis, and several of our holdings such as *Amazon* and *Activision Blizzard* are set to benefit from the changes in socio-economic and consumer patterns accelerated by the pandemic.



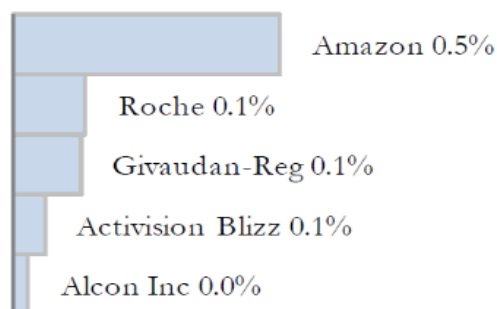
	Mar-20	YTD	1Q20	1Yr.	3 Years		5 Years		Since Inception	
					Cumulative	Annualised	Cumulative	Annualised	Cumulative	Annualised
Fund (USD)	-8.5	-14.5	-14.5	-2.3	+22.8	+7.1	+43.2	+7.4	+82.2	+8.3
MSCI World	-13.2	-20.9	-20.9	-9.9	+7.6	+2.5	+20.5	+3.8	+69.3	+7.3

Source: SS&C Technologies, Bloomberg, J Stern & Co. As at 31/03/2020. 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. Inception of the strategy 1/10/12.

While we anticipate some added volatility during the pandemic, many of our stocks have reported satisfactory results during the quarter. These results have been across a wide range of sectors and geographies, and we continue to believe the portfolio remains well-positioned to weather the storm.

Top Five Contributors

Our top five stocks were spread across our four broad sectors in our portfolio – digital transformation, healthcare & life sciences, industrials & infrastructure, and consumer. Some of these stocks look well positioned to take advantage of the pandemic in the coming months as lockdowns occur worldwide.



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Amazon Q4 2019 results included revenue growth of 21%, with operating income significantly higher than expected at \$3.9bn. The results highlighted strong growth across each of its business divisions as unit volume grew by 22%, illustrating broadly increasing demand for E-commerce. AWS continues to compound its significant revenue base, growing by 34% during the quarter. It is now double the size of its No 2 competitor Microsoft Azure and four times larger than Google Cloud. The company gave good guidance for the next quarter, and the prospects for growth remain bright as it makes bold moves into new markets such as healthcare and groceries.

Roche reported good Q4 and full year 2019 results. Sales grew 9%, while core operating income beat consensus with an 11% increase. EPS growth was also ahead of sales at 13%, showing strong underlying business performance. Sales in the Pharmaceuticals Division were a key driver, increasing 11% to CHF 48.5bn as there was a strong uptake in newly introduced medicines. The outlook for 2020 is optimistic, with low to mid-single digit top line as well as EPS growth, ahead of previous market estimates of flat EPS in 2020. We remain comfortable with the stock going forward as it continues its momentum across geographies.

Activision Blizzard beat expectations during the crucial holiday season. Revenues of \$2.71bn were ahead of expectations of \$2.65bn, and GAAP EPS of \$0.68 was comfortably ahead of guidance. Its flagship game *Call of Duty* continues to grow well following the launch of *Modern Warfare* in October, the 16th instalment in the series. *Call of Duty's* growth is in-line with its projected sales trajectory and was the highest-selling console game of the year. *Call of Duty Mobile* has also had an excellent start with 150m installations, and we expect it to be a key growth area for the company in future. While its key competitors are experiencing headwinds around their key titles, Activision Blizzard has strong visibility and a strong product pipeline into 2020 and beyond.

Alcon reported full year results that saw the third consecutive year of top line growth. Full year worldwide net sales of \$7.4bn were 5% ahead at constant currency, while core EPS of \$0.45 in Q4 2019 increased by 15% from \$0.39 in Q4 2018. A strong market response to the new Panoptix trifocal lenses has driven surgical sales momentum, increasing 7% during the year following recent launches in the US and Japan. This has been complemented by steady growth in Vision Care, another core area of company revenue. While we are likely to see a sharp decline in surgical revenues from the pandemic, we still think the company remains well placed to take advantage of the growing need for quality eye care and technology.

Givaudan released encouraging results during the quarter. Like-for-like sales grew 5.8% to CHF 6.2bn for full year 2019, while free cash flow increased 11.9% to CHF 787m. This performance demonstrates the strength of the business and promising consumer trends, as both the Fragrance and Flavours divisions grew 7.3% and 4.5% respectively. Despite the impending fall in retail revenues, we continue to believe that Givaudan will be able to leverage its leadership position within the industry to generate above market growth.

Source: Bloomberg, SS&C Technologies, J. Stern & Co. As at 31/03/20.

Portfolio Composition

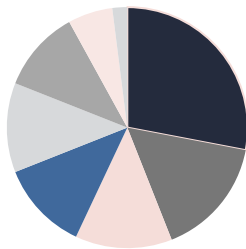
The composition of the fund saw several changes during the quarter, as we exited four positions where our investment thesis had weakened. Among these sales was *Booking* in February, as we anticipated a lengthy reduction in international travel and tourism during the pandemic.

We used the proceeds from these sales to initiate positions in *Givaudan*, the leading global flavours and fragrance business, as well as *Alcon*, a market leader within eye care. We also continue to hold 8% cash at the end of the quarter which we will look to deploy as the market recovers and opportunities arise.

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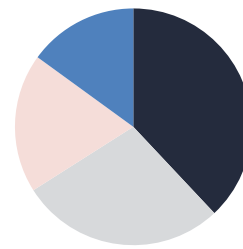
GICS Sector Allocation

- Health Care 28%
- Communication Services 16%
- Consumer Staples 13%
- Information Technology 12%
- Industrials 12%
- Consumer Discretionary 11%
- Real Estate 6%
- Energy 2%



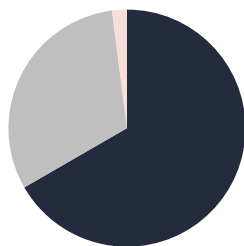
J. Stern & Co. Allocation

- Dominant Internet/Tech Franchises 38%
- Pharma & Healthcare Companies 28%
- Global Leaders w. Recurring Businesses 19%
- Global Leaders w. Cyclical Exposure 15%



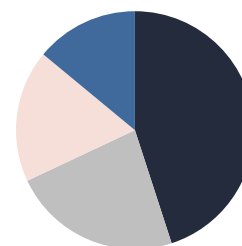
Geographic Exposure by Listing

- USA 66%
- Europe (excl.UK) 31%
- UK 2%



Geographic Mix of Sales

- USA 45%
- Europe 23%
- Rest of World 18%
- Asia 14%



Source: Bloomberg/SS&C Technologies. As at 31/03/20

Outlook

Although we expect volatility to remain elevated into the next quarter and potentially the rest of the year as Covid-19 continues to dominate the news flow, we also feel that a good part of the forced selling could be behind us. We believe that markets progressively will move on to the next phase and again focus on company fundamentals and upside potential.

As long-term investors we are comfortable with the strength and balance of our portfolio and its ability to generate returns in any market scenario.

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	+2.5	+2.3	+3.1	+28.5	+28.4	+0.1
2020	+0.4	-6.9	-8.5	-	-	-	-	-	-	-	-	-	-14.5	-20.9	+6.4

Source: SS&C Technologies, Bloomberg, J Stern & Co. As at 31/03/2020. 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.

Fund Information

Investment Manager	J. Stern & Co. LLP
Portfolio Manager	Christopher Rossbach
Deputy Portfolio Manager	Katerina Kosmopoulou, CFA
Launch Date	08 April 2019
Vehicle	Alpha UCITS SICAV, Luxembourg
Management Company	Waystone Management Company (Lux) SA
Administrator & Depository	RBC Investor Services
Auditor	Deloitte Audit S.à.r.l.
Reference Currency	USD
NAV	Calculated daily on the following business day
Dealing	Every business day at 3pm

Share Class	A	B	L	A5/A6
Minimum Investment	1,000,000	5,000	25,000,000	1,000,000
Management Fee	0.90%	1.20%	0.75%	0.65%
Target OCF*	1.10%	1.40%	0.95%	0.89%
Eligibility	All	Retail	Institutional	Charity
Currencies	USD &, unhedged or hedged, EUR, CHF, & GBP			USD & GBP
Accumulation / Distribution	Accumulation & Distribution available to all			
Alternative fee structure	Reduced annual fee with performance fee available on request			
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.

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