J. Stern & Co.

World Stars Global Equity Fund
Q2 2020

Quarterly Investment Commentary

17th July 2020

Dear Investors,

Optimism, Resilience and Opportunity

"There is no such thing as a rich pessimist" — Max Warburg

Every so often we come across a saying that strike us as noteworthy. We are used to them from the likes of Warren Buffett or Charlie Munger, but we all think of them from time to time.

That is why we were pleased to see one our own quote picked up in a Wall Street Journal column by James Mackintosh in late June. In a piece entitled Here's an Argument That Stocks Should Be Even Higher he quoted us: "Every day that goes by is another missed opportunity to buy Nestlé." Our saying is borne out by Nestlé's returns of 14.2% p.a. in CHF since 1990 and our optimism that its prospects for future value generation are as strong as ever.

This optimism is founded in our long-term investment approach, which helps to put the current challenges in perspective. It was in a conversation about those challenges that we heard our friend Max Warburg's saying that we quote above with his permission. It struck a chord because it is aligned to the way we think about investing.

Our world, not just our economies or our financial markets, is driven by the private initiative of people, whether they set up companies, develop new technologies, research new drugs, build schools or create art. Each of those acts is an expression of optimism, and while not every effort, is a success as a whole, these initiatives create progress and prosperity. Pessimism generally doesn't pay, something Warren and Charlie know better than anyone.

The onset of Covid-19 around the globe has significantly changed the way we live and could have long-term repercussions for how our economies function going forward. Exactly what the post-Covid-19 landscape looks like is not yet clear, especially with the possibility of a second wave of infections around the world and the uncertainty of getting a vaccine.

Nonetheless, there are some things we know. Covid-19 has accelerated many of the changes and disruptions we have seen over the past ten years. Investors have to think about how to adapt their portfolios. Many successful companies pre-Covid-19 simply do not have the same prospects now. They will need to change how they operate, or they could become obsolete. But other companies are prospering, none more so than technology companies that have already enabled millions of people to effectively work from home. They are part of the solution, not the problem, and technology will be more crucial than ever as economies begin to re-open.

'Stay at home' companies like Amazon and Activision Blizzard which enable us to go about our lives without leaving the house have already done well, but they will do better yet. Healthcare and life sciences companies like Thermo Fisher and Becton Dickinson are contributing to the testing and therapy of Covid-19 and are working on treatments and vaccines. They are also coiled for performance once elective surgeries resume. Consumer companies like Nestlé are providing basic needs for people and their pets. Nestlé's biggest pantry loading during the crisis was in pet food, in which it is global No 2 behind Mars, and five times the size of the No 3 competitor.

In luxury goods many leading companies have reported a sharp recovery in sales in China in May and June, with this largest consumer group effectively leading the industry's growth as before. Chinese shoppers account for 35% of global industry sales according to Bain. Payments companies have reported significant rebounds in overall activity, with electronic 'card not present' payments surging 40% year-on-year whilst physical 'card present' payments have dropped sharply.

We are all facing a difficult and uncertain six months personally as we and our families go back to work or to school. The degree to which we can resume our activities will depend on the progression of the pandemic and the resources that are available to contain and mitigate it. Many states in the US have chosen not to impose physical distancing so the pandemic is ongoing. By contrast, Germany is now in the third month of re-opening and while there have been instances of resurgence, there is currently no evidence of a second wave. Similarly, across much of SE Asia and Australasia there does not appear to be a significant rebound in the disease.

Our investments in companies that fulfil our criteria of Quality and Value have done well. We are optimistic because we are confident that they have the prospects of delivering significant value in the long-term, despite the rebound from the lows in March and despite the challenges we face, but also because we see little point in being anything else.

Performance

After a sharp rebound of +10.8% in April the World Stars Global Equity fund continued its strong performance through May and June with a further 6.4% cumulative gain in USD. It is now up 0.8% for the year to date, compared to the MSCI World index which is down -5.5%. Investor confidence has been supported by improvements in leading indicators such as the ISM and PMI manufacturing indices in the US, UK and China, all now at over 50; by a strong sequential recovery in retail sales in May and June in many large economies; and by continued fiscal and monetary support from policy makers including the Fed and the ECB.

	Jun-19	YTD	2Q20	1 Yr.	3 Year Cumulative	3 Year Annualised	5 Year Cumulative	5 Year Annualised	Since Inception Cumulative	Since Inception Annualised
Fund (USD)	+1.9	**+0.8**	+17.9	+10.1	+36.1	**+10.8**	+67.5	**+10.9**	+114.8	**+10.4**
MSCI World	+2.7	**-5.5**	+18.4	+3.4	+23.4	**+7.3**	+43.4	**+7.5**	+102.4	**+9.5**

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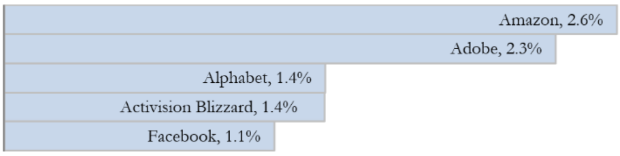
We were very encouraged to see our fund fully keeping track with the global recovery in equity markets from the nadir in late March, not least because the World Stars had outperformed the MSCI World by 470 bps in USD during the Q1 decline. Our focus on high quality stocks in attractive global industries with strong cash flows and robust balance sheets has provided significant insulation from the Covid-19 crisis. It is also proving to be well-matched to the recovery now in progress, which includes many accelerated changes that are affecting consumers, companies and governments.

Top Five Contributors

All of the five top contributors in Q2 were from the internet and technology sectors, both areas of the market where we have had long-term overweight positions, and both of which look well-placed to flourish in the post-pandemic 'new world'.



Amazon's stock rose 42% in the quarter and is up 49% in 2020 YTD in USD. It has emerged from the Covid-19 crisis as the undisputed leader in global retailing, able to keep delivering to customers as other retailers closed their doors. Amazon has invested heavily to meet this surge in demand by recruiting 175,000 additional people and by adopting very stringent safety precautions in its warehouses including over 30,000 thermometers. Q1 on-line store revenues rose 24% and we expect significant further growth in Q2. More people have tried online shopping during the crisis and we believe many new users will continue with fundamental changes in their purchasing habits. With its global No 1 cloud computing business of AWS, Amazon also provides a critical infrastructure for many enterprises to work from home and ensure business continuity.

Adobe's Q2 results in mid-June underlined the strength of its competitive position and growth momentum even during the worst of the crisis. Total revenues increased 14% year-on-year and by 18% in its largest division of digital media. The first half operating margin rose to 31.4% (27%) and the net cash position increased to $3bn. Adobe has restructured its digital experience business, exiting one product and focusing resources towards higher revenue and margin opportunities. It remains very well positioned as enterprises undergo necessary digital transformation.

Alphabet Q1 results were above expectations with revenues growing at 15%. Although there were fears that Covid-19 would supress demand for advertising, Alphabet has benefitted from the 'shelter in place' measures, with much more time spent online. Whilst enterprises have sought to cut costs and conserve cash, they also recognized the value of digital advertising and the way that Alphabet can deliver best in class returns on media investment, even in a pandemic. With no deterioration in its business in April, contrary to expectations, and with the benefit of strong free cash flow and a formidable balance sheet, the shares rose 22% in Q2. Contributing to the fight against Covid19, Alphabet is working with Apple to develop a tracking app for the virus which can be rolled out on both Android and iPhones, and which has been adopted by multiple countries.

Activision Blizzard's stock rose 28% in the quarter in response to its exceptional Q1 results and to the growing recognition that video gaming is a very attractive industry with many structural growth drivers, which have become even stronger during the crisis. The appeal of video gaming is spreading across the age range and there is substantial growth headroom for Activision's monthly average user base of 407m. Its ownership of market-leading franchises such as Call of Duty, Modern Warfare and Candy Crush and the strong track record of the management team in developing games, driving revenues and value-creative M&A make a powerful investment case.

Investor sentiment on *Facebook* has swung quite widely this year, but the stock is still up 8% overall in H1 2020 and by 36% in the second quarter. The Q1 results emphasized the power of its competitive position in digital advertising with a 10% rise in monthly active users and 18% revenue growth. Facebook is investing to capture more long-term growth opportunities including a stake in Reliance Jio in India, and yet retains a cash balance of over $50bn. The advertising boycott by some large companies in July could lead to changes in its policy on content, but it is not of material financial significance for the company. The vast bulk of its advertising revenue comes from a huge and diverse advertiser base of c. 8m mostly small and medium-sized companies, which will take advantage of greater available inventory and can replace those larger companies in the auction.

Portfolio Composition

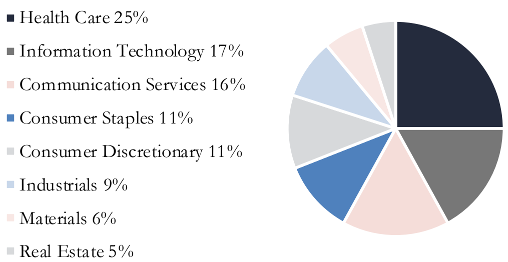
In overall terms the composition of the fund has not changed materially during the quarter, whether measured by geography or by industry. Many of our stocks are already benefiting from increased demand in the post-Covid environment including those in digital, technology, e-commerce and payments. In healthcare & life sciences all five of our holdings are leading large-scale Covid-19 initiatives in diagnostic testing and equipment; and they will benefit from the steady return of elective surgery. Our holdings in branded consumer & luxury goods and industrials will enjoy a significant boost from the recovery in consumer spending, industrial capex, infrastructure investment and (eventually) travel volumes.

We have added three new holdings, investing cash that we held in late March. We have invested in *Visa*, adding to our position in *Mastercard*, and seeking a broader exposure to the huge growth potential in on-line and card payments. It is a classic World Stars industry with a long runway of growth, high recurring revenues, high incremental margins and low capital intensity.

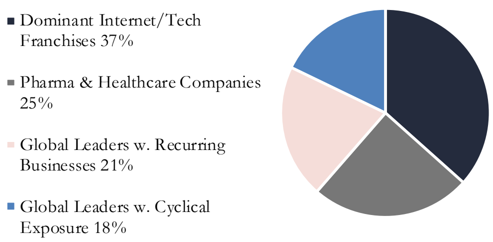
We have also invested in two Swiss-listed stocks which have been on our radar for some time. *Sika* is a global speciality chemical business with core competencies in sealing, bonding, reinforcing and protecting, focused in construction and automobiles. And *Amphenol* is a leading connector & sensor company levered to the 'electrification of everything'. It has a diversified revenue base across industrial, medical, autos, military and aerospace.

Both Sika and Amphenol are 'global mid-caps' with an equity market capitalization of $25-30bn and strong competitive positions in long-term growth industries.

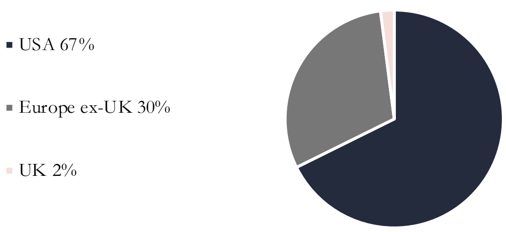
Sector Allocation



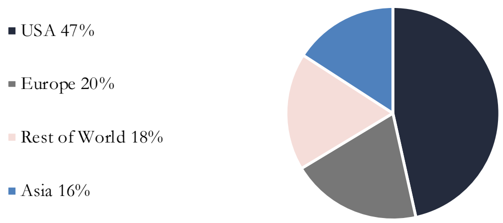
Thematic Allocation



Geographic Exposure by Listing



Geographic Mix of Sales



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 have management teams with a proven track record of generating value over the long term, irrespective of any volatility that arises.

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	+10.8	+4.4	+1.9	-	-	-	-	-	-	+0.8	-5.5	+6.2

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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	MDO Management Company SA
Administrator & Depository	RBC Investor Services
Auditor	Ernst & Young SA
Reference Currency	USD
NAV & Dealing Day	Daily, 3pm Luxembourg time

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*	1.20%	1.50%	1.05%	0.95%
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.