

J. STERN & CO.

World Stars Global Equity Fund Q2 2021

Quarterly Investment Commentary

22nd July 2021

Dear Investors,

A Return to Fundamentals

It has been a good quarter for our World Stars Global Equity fund. We are pleased to report that the rotation to ‘value’ of December to March has now fully reversed and our stocks are back to outperforming the wider global equity market. Quality has proved to be the key factor in this reversal, and we will continue to take advantage of volatility and other market-related moves whenever such opportunities are presented.

We appear to be in a decisive phase in efforts to address and control the impact of the Covid-19 pandemic. We judge this phase to be characterized by a level of vaccination of vulnerable people and healthcare workers such that healthcare systems will have sufficient resources to cope. Although many are still impacted, vaccines have been rolled out to those populations most affected by the virus in the United States and the United Kingdom. Roll-out in the European Union has lagged, but the European Commission has just announced the imminent distribution of sufficient doses to its member states, and hopefully this will be achieved during the summer.

The Euro 2020 matches played at Wembley Stadium marked a key moment for the UK government’s response to the pandemic and the implications for other countries. Such mass gatherings are expected to lead to increasing infection among the mostly younger non-vaccinated population. The trade-offs between public health and economic impact are difficult, and we will have to assess the impact in terms of serious outcomes, hospitalisation and mortality. We will have to closely track variants of concern, and there is a risk that new variants will not follow the expected path of higher contagion but lower potency and harm. But so far, the existing vaccines and anticipated boosters should allow a return to greater normality through the second half of the year.

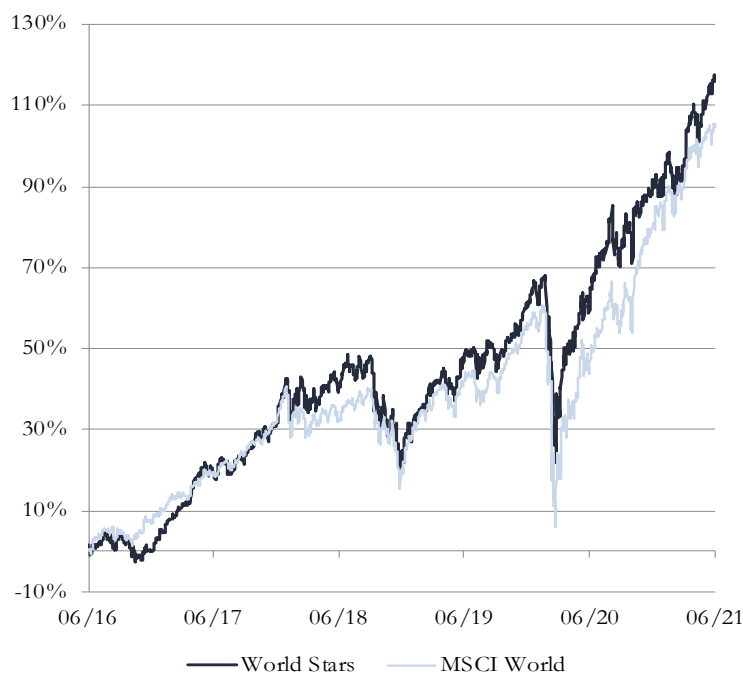
We believe that sustainability and long-term investment returns are inextricably linked. Sustainable returns can only be generated by companies that have sustainable competitive advantage as a result of operating in a sustainable way; and we see ESG as an opportunity for companies we invest in. This month we have written the first of a planned series of Investment Insights about key sustainability issues. We have started with an in-depth perspective on plant-based nutrition and the opportunities and risks it has for the food and beverage industry. <https://www.jsternco.com/esg-insights-the-promise-opportunities-and-risks-of-plant-based-nutrition/>

As we look forward to the second half of the year, the elements for a strong recovery from the pandemic are in place, demand is strong and bottlenecks in labour, inputs and raw material will be overcome as supply increases. There will clearly be short-term spikes in inflation, there will be difficult comparisons after the strong growth we will see this year, and there is likely to be market volatility. But the underlying fundamentals are strong, and governments and central banks have every incentive to continue to moderate the impact and support the transition.

For these reasons we remain optimistic about our ability to overcome the pandemic, positive about the outlook for our investments and determined to take advantage of any opportunities that volatility will afford.

Performance

Including a 2% rise in June, our World Stars Global Equity fund gained 11% in Q2, significantly ahead of the MSCI World index at +8%. The bout of rotation which characterized last December to March has been followed by a more balanced global equity market driven by fundamentals. This has favored our research-intensive approach which is focused on rigorous stock selection and long-term growth prospects.



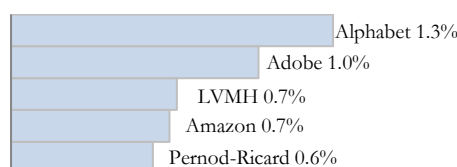
	Jun-21	YTD	2Q21	1Yr.	3 Years		5 Years		Since Inception	
					Cumulative	Annualised	Cumulative	Annualised	Cumulative	Annualised
Fund (USD)	+2.3	+12.7	+11.0	+33.6	+53.0	+15.2	+119.6	+17.0	+187.0	+12.8
MSCI World	+1.5	+13.3	+7.9	+39.7	+54.4	+15.6	+104.9	+15.4	+182.7	+12.6

Source: SS&C Technologies, Bloomberg, J Stern & Co. As at 30/06/2021. 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.

The macro-economic background continued to strengthen during Q2. For example, in mid-April the Fed Chairman Jerome Powell saw the US economy at “an inflexion point, with strong economic growth and strong job creation”. Consensus estimates for US GDP growth in CY2021 rose to 6-7% vs. the c.5% estimated during Q1 2021. Similar upward adjustments (of varying magnitude) were made to market estimates for GDP in the UK, China and Europe. These forecasts, supported by leading indicators, were being driven by a swift recovery in consumer spending and business investment. Against this background our companies continued to report robust results, mostly above expectations in revenue growth, margin improvements and cash flow.

Top Five Contributors

Alphabet was the top contributor for the second consecutive quarter. Also in digital transformation, Adobe and Amazon regained momentum after profit-taking in Q1. And in consumer stocks, LVMH and Pernod-Ricard were boosted by strong results and a vibrant trading environment.



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Alphabet's Q1 results were exceptional with 34% revenue growth to \$55bn, 7% above consensus, and with broad-based growth across 'Search & Other' +30%, YouTube +49% and Cloud +46%. The operating margin rose to 30% (19%) and operating profits doubled to \$16.4bn. The business is generating huge cash flows and the board has approved an additional \$50bn share repurchase, or 3% of the equity base. Within the mix of search activity and advertising, retail was above expectations and travel is in the early stages of a material recovery. YouTube continues to gain share from TV in branded advertising.

Adobe's Q2 results underlined its competitive advantage in a 'digital-first' world which is developing at an accelerated pace post-Covid. Revenues of \$3.84bn were 3% ahead of expectations. Revenue growth of 23% translated into a 32% rise in operating profit as margins expanded to 45.9% (42.7%). EPS of \$3.03 were 8% above consensus. Cash flow from operations was a record US\$2bn and Adobe retains current authority to buy back c.5% of its equity. It was a very solid operating performance all round and management raised their guidance for Q3.

LVMH's Q1 2021 sales were well ahead of optimistic market expectations. Organic revenue growth on flat FX was +30% year on year vs. consensus of 18-23%, and 8% above Q1 2019. The main drivers of growth were the US at +23% organic (+15% vs. Q1 2019) and Asia ex-Japan at +86% (+26% vs. Q1 2019). Revenues in Japan rose by 8% organic. Europe (-9%; -18% vs. Q1 2019) was impacted by store closures in lockdown and very low travel volumes. By division, Fashion & Leather sales grew by an exceptional 52% led by the high-margin Vuitton and Dior brands, and including price increases of 4-7%. Champagne and Hennessy volumes rose 22% and 28% respectively. These results underlined the strength and desirability of LVMH's premium brands in a recovering luxury market.

Amazon reported an exceptional 41% revenue growth in Q1, 4-5% above consensus, and with the three months revenue total at over \$108bn. The growth was broad-based including North America +39% and international sales +50%. Boosted by scale economies, sharply higher advertising revenues and 32% revenue growth in Amazon Web Services, the group operating margin rose to 8.2% (5.3%) in the quarter. Within this matrix, the 'other revenue' line, which is mostly comprised of high-margin advertising, increased by 73%. Management guidance for Q2 was for 30% revenue growth, albeit including Prime Day, which we estimate is worth up to \$8bn of revenue on its own.

Pernod-Ricard's Q3 sales growth of +19% organic was substantially ahead of consensus at +11%, driven by a 36% rise in Asia Pacific (including >100% up on easy comps in China) and a strong recovery in the US off-trade channel. Europe was a mixed bag, led by Turkey, Germany and the UK. After the Q3 report, the management guided to 10% organic profit growth on flat FX for the full year FY2021. In late June this estimate was raised to +16% after a strong Q4, lifting profits from recurring operations back to the level of FY2019 in spite of restrictions in the on-trade, depressed travel retail and higher costs.

Source: Bloomberg, SS&C Technologies, J. Stern & Co. As at 30/06/21.

Portfolio Composition

Led by Adobe and Alphabet the fund's weighting in Digital Transformation companies rose to 34% (32%) in the quarter. Consumer and Healthcare & Life Sciences were unchanged at 24% and 21% respectively. In Industrials & Infrastructure some of our companies gave ground after a previous sharp rise in their share prices. We still believe that these stocks are in the early stages of a multi-year runway of growth, driven by higher business investment and infrastructure spending.

There were no purchases and sales in the quarter and the fund continued to hold 28 stocks. We added to our position in Salesforce, which was added to the fund in March 2021 with an initial weight. Salesforce's Q1 results published in May showed strong progress. Revenues rose 23% and operating margins of 20.2% were significantly ahead of expectations.

EU Sustainable Finance Disclosure Regulation

We are delighted that under the EU's SFDR, our World Stars Global Equity Fund is now classified as an 'Article 8 Fund', which means that 'it promotes environmental and/or social characteristics'. These new regulations require investment managers to disclose how they integrate sustainability into their investment process and product governance. As a signatory to the UNPRI, a Tier 1 signatory of the UK's 2012 Stewardship Code and a Member of the SASB Alliance, we challenge the managements of our investee companies to deliver sustainable outcomes, whilst maintaining unchanged our core investment objective of delivering capital growth over the long-term.

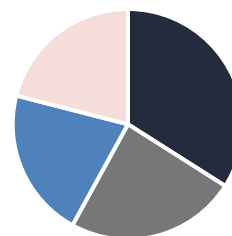
GICS Sector Allocation

- Health Care 21%
- Information Technology 19%
- Communication Services 15%
- Consumer Staples 14%
- Consumer Discretionary 11%
- Industrials 10%
- Materials 6%
- Real Estate 3%



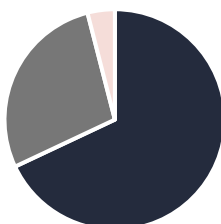
J. Stern & Co. Allocation

- Digital Transformation 34%
- Consumer 24%
- Industrials & Infrastructure 21%
- Healthcare & Life Sciences 21%



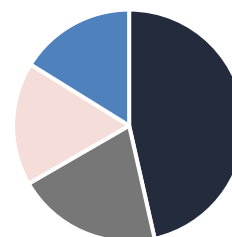
Geographic Exposure by Listing

- USA 68%
- Europe ex-UK 28%
- UK 4%



Geographic Mix of Sales

- USA 46%
- Europe 20%
- Rest of World 17%
- Asia 16%



Source: Bloomberg/SS&C Technologies. As at 30/06/21

Outlook

We remain confident in the ability of our global equity fund to deliver further significant value as the global economy recovers. Our focus on large and mega-cap companies with leading positions in attractive industries and a broad global spread of revenues, is a strong platform on which to drive growth in revenues, profits and cash flow.

We are encouraged by the pace of economic recovery during Q2, in consumer spending and in business and consumer confidence. We anticipate a substantial rise in infrastructure and corporate investment. We do not fear a rise in inflation to more 'normal' levels as companies with a strong competitive position and business franchise can typically thrive in such an environment.

Yours faithfully,

Christopher Rossbach

Katerina Kosmopoulou, CFA

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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	+6.5	+5.6	-3.6	-2.5	+8.4	+3.4	+19.4	+16.5	+2.9
2021	-2.0	+0.9	+2.7	+7.0	+1.4	+2.3	-	-	-	-	-	-	+12.7	+13.3	-0.6

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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	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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