

J. STERN & CO.

World Stars Global Equity Fund Q3 2021

Quarterly Investment Commentary

28th October 2021

Dear Investors,

Remember the Big Picture

At J.P. Morgan's recent Q3 results call, Jamie Dimon, chairman and CEO, updated his view on recent developments in the global economy. "I'm not hearing much different than you're hearing. Sometimes people (can) forget the big picture. The economy is growing 4% or 5%. There's not one company I know that's not working aggressively to fix their supply chain issues. Sales are still up, credit card, debit card spend still up, consumers in great shape. And capitalism works. The supply chain stuff... is simply dampening a fairly good economy, it's not reversing a fairly good economy."

We are with Jamie Dimon, who has steered J.P. Morgan through the ups and downs of economic and financial crises over the past 20 years and has made it the world's biggest bank by market capitalization: we should not overfocus on short-term issues. There is of course great uncertainty as we go through the transition from the pandemic, and the current supply chain problems will have an impact. However, the underlying forces are in place and so if Covid can be contained and the link between infection, hospitalisation and severe outcomes weakened or broken, as appears to be the case so far, we should look forward to next year and the recovery with optimism.

There is a short-term focus too on markets and valuations. Many investors are worried that valuations are too high or that there could be a shift from growth to value stocks that would mean that the companies which have done well over the past several years will do badly going forward.

We invest in companies, not markets, and believe that there are many quality companies that are still attractively valued and can deliver strong returns going forward. Our definition of quality is all about the fundamentals: what do companies actually do, why do they do it well, is there demand for their products or services, and do they have the resources and the balance sheets to keep investing in their businesses and grow their sales, earnings and cash flows?

Quality companies are also much more sustainable. We believe that sustainability and long-term investment returns are inextricably linked. Only sustainable companies have sustainable competitive advantages and can generate sustainable returns over the long term. Quality companies are about intellectual capital not physical capital, and about operating expenditure like research and development, not capital expenditure like plant and equipment. They are less capital-intensive and have much lower carbon intensity.

The key is that quality companies grow their sales, earnings and cash flows, and that stock prices follow fundamentals. A company that can grow its earnings by 15% a year doubles them every five years. Those earnings are the 'E' in the P/E or price-to-earnings multiple, so if the share price does not move, the P/E multiple halves over the same time period.

Quality has proved to be the key factor for companies to win against the competition, and we will look to take advantage of volatility and other market-related moves whenever opportunities arise. Finding quality companies is not easy, but that is why we analyze the fundamentals and make sure we own the right ones.

Performance

After continued strong gains in July and August, our World Stars Global Equity fund gave ground in September and is now up 12.3% year to date in USD. The MSCI World also fell in September as global markets reacted to rising inflation numbers and increased expectations of higher interest rates heading into 2022. Despite these issues, we believe that our high-quality companies will remain resilient against any uncertainty going forward.



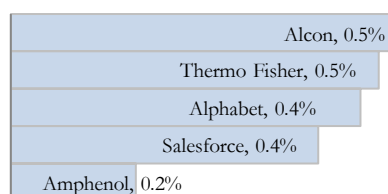
	Sep-21	YTD	3Q21	1Yr.	3 Years		5 Years		Since Inception	
					Cumulative	Annualised	Cumulative	Annualised	Cumulative	Annualised
Fund (USD)	-5.3	+12.3	-0.4	+22.8	+49.3	+14.3	+60.4	+9.9	+101.7	+8.1
MSCI World	-4.1	+13.4	+0.1	+29.4	+47.0	+13.7	+95.3	+14.3	+182.9	+12.2

Source: SS&C Technologies, Bloomberg, J Stern & Co. As at 30/09/21. 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 01/10/12.

On a macro level, the end of the quarter saw growing pressures as higher inflation numbers and supply chain issues in some industries continued to generate negative sentiment. The increased expectation of higher interest rate rises in 2022 further fuelled this negativity and stimulated some profit-taking amongst investors. Despite this, we remain confident in the outlook for the portfolio. We only invest in high-quality companies that are well insulated from the cost pressures which are increasingly prevalent in the current environment and are price leaders in their industry based on clearly differentiated products, strong brand franchises and a record of innovation. As a result, we believe the portfolio is well positioned to see out the turbulent times ahead and continue to generate above market returns.

Top Five Contributors

Alcon was the top contributor for the third quarter. Elsewhere in our health care holdings, Thermo Fisher was a strong contributor, while Salesforce, our most recent acquisition, also continued to perform strongly.



Alcon’s Q2 results were a strong beat of market estimates, and they raised expectations for the rest of the year in response. Revenues of \$2.09bn were up 69% in constant currency, 7% above the market consensus of \$1.95bn, and most importantly 11% up versus Q2 2019 prior to the pandemic. These results were underpinned by growth across every division, most notably a 94% growth in surgical revenue as procedures began to recover. Elsewhere, Vision Care was up 8% vs. Q2 2019,

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off the back of momentum from the new Precision1 Sphere and Toric lenses, Alcon's entry into daily contact lenses. Following mixed Q1 results, these figures have reaffirmed our investment thesis for Alcon going forward.

Thermo Fisher's results were driven by a progressive normalization of commercial activity compared to a very weak Q2 2020. EPS of \$5.60 were comfortably ahead of street expectations of \$5.41, while organic revenue growth of 28% was well above the 24% forecast by the market. Despite declining Covid-19 revenues, the Life Sciences division grew 29%, while Specialty Diagnostics and Lab Products were also outstanding with 21% and 23% growth respectively. Thermo Fisher is investing \$2.5-2.7bn in capex in 2021 to capture new growth opportunities and at its recent Investor Day raised its estimate of long-term revenue growth to 7-9% p.a. from 5-7%.

Alphabet had another notable quarter following more exceptional results. Q2 revenues grew 62%, including 84% growth in YouTube and 68% in Search. YouTube now has 2bn monthly active users and 1bn hours of videos watched each day, while Alphabet also noted a Nielsen statistic saying 70% of YouTube reach was delivered to an audience not reached by TV, highlighting the unique nature of their target market. There was broad-based growth in advertising revenues across retail, travel, financial services and entertainment, while operating margins rose to 31% and net cash increased to \$136bn.

Salesforce's Q2 results underlined the strength of its competitive position in enterprise software as investment in digital transformation increases in the post-Covid world. Revenue growth of 23% was above consensus of 21%, while EPS of \$1.48 was significantly ahead of the \$0.92 anticipated. Growth was broad-based with cloud sales up 15%, services by 23% and marketing by 28%. Salesforce noted that Tableau was included in 9/10 of their largest deals with Mulesoft in 8/10, illustrating the contribution of both recent acquisitions to the company's growth. FY revenue guidance was raised by \$300m, and we expect Salesforce to continue to generate positive returns in a very positive demand environment.

Amphenol delivered another good set of results in Q2. Revenues rose 22% organically year-on-year to \$2.65bn, 6% above street estimates, driven by strength in Military, Industrial and Automotive. Automotive reported substantial organic growth of 117% year-on-year as the auto industry recovered, while Industrial growth of 28% was also highly encouraging as it accounts for over a quarter of Amphenol sales. No guidance was given beyond Q3 due to continued high levels of Covid-19 uncertainties, but we believe Amphenol remains well positioned to generate strong growth as the macroeconomic background improves.

Source: Bloomberg, SS&C Technologies, J. Stern & Co. As at 30/09/21.

Portfolio Composition

There was little change in the composition of the portfolio during the quarter, as we continued to remain steadfast in our approach of investing in high quality companies. Digital Transformation remained the largest weighting with 33% (34%) of the portfolio, led by two of the largest holdings Alphabet and *Amazon*. Elsewhere, the portfolio remains well balanced within the other three broad sector groupings, and we have seen increasingly positive performance across both Industrials and Healthcare during Q3.

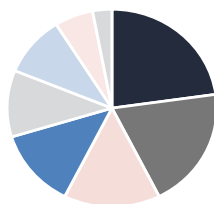
EU Sustainable Finance Disclosure Regulation

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 management of our investee companies to deliver sustainable outcomes, whilst maintaining our core investment objective of delivering capital growth over the long-term.

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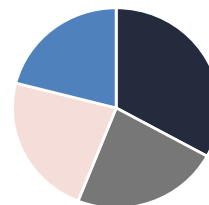
GICS Sector Allocation

- Health Care 23%
- Information Technology 20%
- Communication Services 15%
- Consumer Staples 13%
- Industrials 11%
- Consumer Discretionary 10%
- Materials 6%
- Real Estate 3%



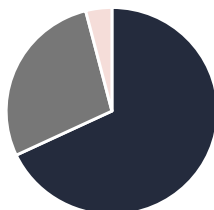
J. Stern & Co. Allocation

- Digital Transformation 33%
- Consumer 23%
- Healthcare & Life Sciences 23%
- Industrials & Infrastructure 21%



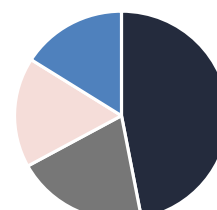
Geographic Exposure by Listing

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



Geographic Exposure of Sales

- USA 47%
- Europe 20%
- Rest of World 17%
- Asia 16%



Source: Bloomberg/SS&C Technologies. As at 30/09/21

Outlook

While the expected tightening of monetary policy led to a rotation away from 'long-duration' assets towards the end of the quarter, performance this year remains robust at 12.3% in USD. Despite the macroeconomic concerns and short-term volatility, we believe our companies remain well positioned to take advantage of structural growth opportunities in the long term.

Recent comments from leading policymakers have typically pointed to a modest further increase in the expected peak in inflation during Q4 2021-Q1 2022, but at the same time, clear indications of an expected decline of substance during 2022-23. For example, the Federal Reserve now expect core CPI to peak at 3.7% and to fall back to 2.3% in 2022. An increased consensus for the start of (QE) tapering in the US is also recognition of the underlying pace of economic recovery.

We remain positive on the prospects of continued economic recovery, believe that higher inflation will be transitory, and confident in the ability of our portfolio to generate further significant returns in due course.

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	+3.2	+2.0	-5.3	-	-	-	+12.3	+13.4	-1.1

Source: SS&C Technologies, Bloomberg, J Stern & Co. As at 30/09/21. 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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