

J. STERN & CO.

World Stars Global Equity Fund Q4 2021

Quarterly Investment Commentary

25th January 2022

Dear Investors,

Investment in capacity & technology - the next driver of global growth

'Fear is a powerful emotion but we must overcome it through positive knowledge.' Philip Fisher wrote his seminal book about investing in 1957, at a period when the United States was in the midst of an unprecedented boom, a decade or more of investment in capacity and technology that built the foundation for the growth and prosperity it has delivered in the decades to come. It is well worth re-reading Fisher, because we are at an important point in the global economy that has parallels to the 1950s when he wrote *Common Stocks and Uncommon Values*.

Globalisation and digitalisation have been two of the major drivers of the global economy and of stock markets over the past 30 years. Going forward, they will be joined by a third major driver - investment in capacity and technology. There is a tremendous opportunity because populations and economies have grown but companies have not been investing sufficiently to increase their capacity and take advantage of technology at the same rate.

Investment in capacity and technology will help to address the current challenges that the world is facing right now. Short-term these challenges include the current supply chain crisis and the shortages of many materials and products. Much more importantly, long-term they include climate change, the transition to a low-carbon economy and the achievement of Net Zero by 2050.

Over the past decade we have developed a lot of the technology that will allow us to produce the equipment to solve the supply chain crisis and reduce carbon emissions; we just have not produced it yet. The boom in investment in the firms that produce it, paid for by public and private money, will be the next driver of growth in global markets. Global capital goods and industrial companies will benefit from the much needed and inevitable investment in capacity and technology.

The companies we invest in can prosper through periods of inflation and interest rates like we will experience as a normal part of the global economic growth we expect over the next several years. This is because they have the abilities and resources to innovate and grow their businesses over time, the pricing power to increase prices with inflation, the scale to purchase their inputs at lower costs than their competitors, and the operating leverage to maintain or increase their margins, allowing them to prosper and generate value over time.

We expect that the coming year will be a year of greater population immunity, either through vaccinations or natural infections. With the aid of new vaccines, therapeutics and treatment capabilities we are in a much better place to manage future outbreaks. We foresee continued recovery from the impact of the pandemic, although as last year it is unlikely to be in a straight line.

We also believe that investment will join globalization and digitalization as major drivers for the global economy. Finally, we think that inflation and interest rates are a normal part of economic recovery and growth, and that while there will be bouts of volatility as markets react to economic data and policy changes, the positive fundamentals will prevail.

Performance

Our World Stars Global Equity fund closed the year with a 6.6% return in Q4, bringing full year performance to 19.7% in 2021 in USD. Most of our companies continued to report robust trading results and manageable pressures from inflation. In addition to being relatively well-insulated from cost pressures in labour and commodities, they are typically price leaders in structurally attractive industries.



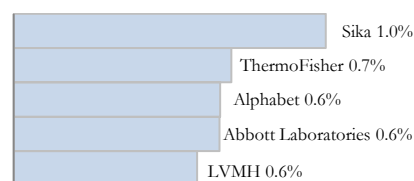
	Dec-21	Q4 2021	2021 YTD	1 Year	Cumulative		Since Inception	3 Year	Annualised	
					3 Year	5 Year			5 Year	Since Inception
Fund (USD)	+3.9	+6.6	+19.7	+19.7	+84.5	+129.5	+204.8	+22.6	+18.1	+12.8
MSCI World	+4.3	+7.9	+22.3	+22.3	+83.0	+106.6	+205.1	+22.3	+15.6	+12.8

Source: SS&C Technologies, Bloomberg, J Stern & Co. As at 31/12/21. 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, it was a mixed quarter in respect of news around Covid-19 and inflation. In November the emergence of the Omicron variant and fears over the longevity of higher inflation put pressure on risk assets. But in December investor confidence was boosted by evidence of a lower viral load from Omicron and of the efficacy of vaccines. Although inflation fears remain elevated, the Fed’s revised plan to end the QE programme in March 2022 has reinforced the prospect of a strong economic recovery in the US. Meanwhile year end forecasts from the Fed and the ECB both point to a marked reduction in inflation in 2023-24.

Top Five Contributors

Sika was the top contributor for the fourth quarter, and second in our portfolio for the full year 2021. Within our health care holdings, Thermo Fisher and Abbott Laboratories were also strong contributors. Both reported further significant Covid-19 related revenues in Q3 and a marked improvement in core revenues reflecting normalization in their end markets.



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Sika produced a flurry of good news in the quarter. It started at the Capital Markets Day which emphasized the breadth of structural drivers across its targeted sectors and geographies, both enhanced by the add-on acquisitions of 2019-21. At the Q3 results it reaffirmed its full year targets of 13-17% sales growth and an EBIT margin of over 15%. During Q3 sales in the Americas and Asia Pacific grew 14% and 12% respectively, driven by infrastructure projects, distribution facilities and data centres. And in November it announced the acquisition of MBCC, a construction chemicals business, for CHF5.5bn. The transaction was immediately well received. The business is a strong strategic fit and is being purchased for 8.5x EV/EBITDA including synergies. We estimate that the acquisition will enhance Sika's EPS by 12-14% in year one.

Thermo Fisher's Q3 results were well ahead of market expectations. Organic revenue growth of 7% compared to an expected 4% decline and EPS of \$5.76 were over 20% above consensus. Covid-19 revenues of \$2bn were higher than the \$1.9bn in Q2, boosted by the Delta variant, and organic growth in the core business rose to 10%. EPS guidance for FY21 was raised to \$23.37 from \$22.07, with an estimated 12% organic growth in revenues (previously 9%) and continued strength in Covid-related revenues including Omicron. In total ThermoFisher estimates it will generate \$14bn in Covid revenues through 2020-22, delivering immediate profitability and the cash flow to invest in expanding the core business.

Alphabet ended the year as the fund's biggest contributor following another set of strong results. Q3 revenues of \$65.1bn (+39% on constant currency) beat street estimates of \$63.4bn, the operating margin increased to 32% (29%) and EPS rose by 70%. Revenues in high-margin advertising grew 44% with broad-based growth across all verticals and regions. YouTube's growth slowed from 84% in Q2 to 43% in Q3, reflecting the phasing of Covid and lockdowns, but this remains a substantial advance. Cloud revenues increased 45% and the group had net cash of \$142bn at the quarter end. The stock rose 66% in 2021 in USD but is still not expensive given the further growth prospects.

Abbott Laboratories reported Q3 results significantly ahead of expectations. Sales of \$10.93bn were ahead of estimates of \$9.54bn. All four divisions were strong, led by Diagnostics +47% which included \$1.9bn from Covid-19 testing revenues. Excluding Covid-19, sales still grew 12.1% YoY and 11.7% vs. Q3 2019 before the pandemic, as market conditions progressively normalise. Following these strong results, Abbott raised FY2021 earnings guidance to \$5.00-5.10 (previously \$4.30-4.50) and pointed to continued good progress on revenues and margins in FY2022. Abbott has acquired Walk Vascular LLC, a commercial stage medical devices company with a minimally invasive thrombectomy system for removing peripheral blood clots. This is a high growth area.

LVMH's Q3 revenues grew 20% to €15.5bn, above market expectations of €15bn, and +11% vs. Q3 2019. Growth continues to be led by the high-margin Fashion & Leather Goods division, which accounts for 48% of group sales and over 70% of profits. Revenues in Fashion & Leather grew 24% and by 38% vs. Q3 2019. In the other three divisions revenues increased by 15-19%, with a greater impact from the slow return of international travel. LVMH indicated that rising costs from shipping and transportation could be accommodated with relative ease. The results were reassuring and have allayed fears over weaker demand for luxury goods from China in particular.

Source: Bloomberg, SS&C Technologies, J. Stern & Co. As at 31/12/21.

Portfolio Composition

There were no new stocks bought or sold during the quarter, with the number of holdings unchanged at 28. As the macro-economic and financial market background develops and as our companies release their next results during Q1 2022, we will remain alert to potential shifts in weightings to optimise the outlook for the World Stars strategy. Across our four broad sector groupings the main changes in weighting in the quarter were an increase in consumer stocks to 28% and a decline in our industrial holdings to 18%. We remain committed to a portfolio approach and a reasonable balance between these four groups.

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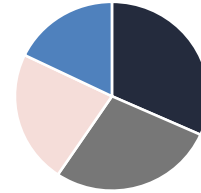
GICS Sector Allocation

- Health Care 23%
- Information Technology 18%
- Communication Services 14%
- Consumer Staples 14%
- Industrials 11%
- Consumer Discretionary 10%
- Materials 6%
- Real Estate 3%



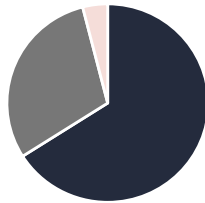
J. Stern & Co. Allocation

- Digital Transformation 32%
- Consumer 28%
- Healthcare & Life Sciences 23%
- Industrials & Infrastructure 18%



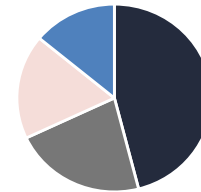
Geographic Exposure by Listing

- USA 66%
- Europe ex-UK 30%
- UK 4%



Geographic Exposure of Sales

- USA 46%
- Europe 22%
- Rest of World 18%
- Asia 14%



Source: Bloomberg/SS&C Technologies. As at 31/12/21

EU Sustainable Finance Disclosure Regulation

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 from 2021 require investment managers to disclose how they integrate sustainability into their investment process and product governance.

Outlook

We expect continued above-trend global GDP growth of ~4.5% in 2022 and 3.5-4% in 2023, driven by robust demand from consumers, corporates and governments. There is a clear expectation of significant monetary tightening, from a starting line of negative real rates, as inflation pressures are expected to ease progressively. During 2022 we anticipate that headline inflation will fall back due to energy costs lapping already elevated prices, but bottlenecks in the supply chain will take longer to address. Reductions will be H2 weighted. In 2023-24 inflation in the US and Europe is expected to fall to around 2% again.

Our high-quality companies in the World Stars should be relatively well-insulated from cost pressures in labour and commodities. They have enduring competitive advantages in long-term growth industries and are price leaders based on clearly differentiated products, strong brand franchises, innovation, low risk of substitution. We plan to take advantage of bouts of volatility which may arise during this tightening phase in the global economy.

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	+4.8	-2.1	+3.9	+19.7	+22.3	-2.6

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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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