J. STERN & CO.

World Stars Global Equity Fund
Q4 2022

Quarterly Investment Commentary

31st January 2023

Dear Investors,

Patience Rewarded

The latest *Financial Times* headlines say it all: 'Kristalina Georgieva, head of the IMF, said the economic landscape was less bad than we feared a couple of months ago'. 'Sharp about-turn in sentiment as IMF indicates it will upgrade its global economic forecasts'. 'Eurozone set to avoid recession as economic gloom lifts'.

Last year tried the patience of long-term investors. What should have been a sustained recovery from the shock of the pandemic turned into a headline-driven sell-off. Economic growth and inflation should have picked up from where they were in 2020 and interest rates gradually increased to normalised levels over a 12 to 24-month period. Instead, the lack of investment in public and private capital, capacity constraints and pandemic-related issues with labour supply and supply chains significantly increased inflationary pressures, compounded by Russian president Vladimir Putin's decision to invade Ukraine and cut off European gas.

Several of the companies we hold had to reset revenue expectations for their more cyclical businesses like digital advertising or enterprise software. They had overestimated growth and over-hired during the pandemic and took decisive action to reduce costs and refocus on their core businesses. However, their scale and resources allow them to invest and innovate, and the underlying demand for their businesses remains strong. That is why we think that reports of the death of online search, e-commerce, social networking, digital advertising, enterprise software and semiconductors are greatly exaggerated. It has happened before, whether Alphabet 'missed mobile' or users would abandon Meta's family of apps because of political issues, and we believe that it will be well worth the wait.

There are other events as well. We must hope for a peaceful resolution to the Russia/Ukraine conflict. Could President Putin's approach to Ukraine change in the face of Ukrainian resistance, US and European support and the domestic impact of the human losses and the costs? Energy prices could fluctuate to higher levels again as China reopens, but natural gas prices in the US are back to pre-pandemic levels, European gas storage is sufficient, and Germany's new LNG terminals are opening at a rapid pace.

We base our decisions on company fundamentals, and while it is likely that the rapid rise in interest rates will have an impact on corporate and consumer spending, it is also likely that inflation indicators will annualize last year's significant increases and will slow sharply, perhaps even turning negative, over the next 12 months. Many of our companies have been reporting good business conditions, robust demand and the ability to increase prices to offset cost increases. We expect a slowdown but have consistently between more positive than others have been. Given what we know we are not surprised to see the IMF and others improving their forecasts and we think there could be more to come.

Most important of all for our outlook for 2023 is the conviction that a world in which there is sustained growth, inflation of 2-4% and interest rates of 4-5% is a world to look forward to, not to fear.

Things are not as bad as feared, there is a sharp about-turn in sentiment, the gloom is lifting, and the best days follow the worst. That is why we are not surprised that after the sell-off in 2022, our portfolio is up 8% in 2023 year to date in USD. While there will be volatility, we think valuations are compelling, the fundamentals are supportive and the macro background is set to improve steadily. We believe that our patience will be rewarded and that there is good money to be made from investing in quality and value for the long term.

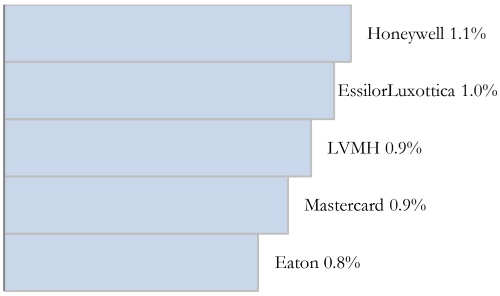
Performance

In a more positive quarter for equity markets, our World Stars Global Equity Fund rose 8.0% in US$, slightly below the MSCI World but a welcome relief during a difficult year. Much of this performance was attributed to a strong rebound in November, as US CPI fell to its lowest level since January. This bolstered expectations of a peak in interest rates in the coming months. However, the Fed has maintained a hawkish stance, focusing on tight labour markets and the need for monetary tightening, which may well cause further volatility during the first half of 2023.

				Cumulative				Annualised		
	Dec-22	3 Months	2022 YTD	1 Year	3 Year	5 Year	Since Inception	3 Year	5 Year	Since Inception
Portfolio	*-4.3*	*+8.0*	*-24.6*	**-24.6**	**+7.8**	**+31.4**	**+129.9**	**+2.5**	**+5.6**	**+8.5**
MSCI World	*-4.2*	*+9.9*	*-17.7*	*-17.7*	*+17.2*	*+38.1*	*+151.0*	*+5.4*	*+6.7*	*+9.4*

The performance above, shown in US$ at -24.6% for 2022, includes the impact of an ~8% appreciation of the US$ currency index during the year. Our portfolio was down -15.5% in sterling and -19.8% in euros during the year, illustrating the significant impact that currency fluctuations had on performance.

Top Five Contributors



Our top performers in Q4 were all in Industrials and Consumer, a similar theme to Q3. Stronger than expected demand saw *EssilorLuxottica* and *LVMH* close out the year positively, while *Eaton* and *Honeywell* rounded off a good year for our industrial holdings. *Mastercard* was the other top contributor, benefitting from increasing cross border volumes and travel growth.

Honeywell produced strong Q3 results, generating organic growth of 9% and delivering margin expansion despite cost pressures. This was reflected by EPS of $2.25, comfortably ahead of the $2.16 anticipated by the street. Aerospace was a key driver of this performance, up 10% despite supply chain and labour constraints continuing to weigh on the defence division, while margins were up 40bps to 27.5%. Elsewhere, Performance Materials & Technologies was also positive, growing 14% and expanding margins by 40bps despite a -3% headwind from the exit from Russia. Guidance was increased, with management forecasting full year EPS of $8.70-8.80 and revenue growth of 6-7%, illustrating how Honeywell remains well positioned to perform in 2023.

EssilorLuxottica beat expectations across the board in its Q3 results, delivering sales of €6.4bn, 4.7% ahead of consensus. Management highlighted the lack of consumer down trading in Q3, as luxury performed well, and branded lenses also outperformed. Across geographies, Asia Pacific was the highlight, growing 22.7% as Covid restrictions eased in Mainland China, a trend we expect to continue with the further relaxation in recent weeks. Guidance for the full year was for both topline growth and margin expansion, highlighting excellent cost control. This efficient management of costs and ability to weather any volatility underpins our investment thesis and we believe the stock is remains attractive on a P/E of 21x for FY 2023.

LVMH continued to deliver strong growth in Q3 despite the key Chinese market being heavily restricted. Organic sales rose by 19%, well ahead of market estimates of 15%, with all five divisions and all geographic areas making good progress. The largest division of Fashion and Leather was again a standout, growing 22% and now accounting for three quarters of the group profit. The management believe that input cost inflation can be covered with price increases and that LVMH's mainly affluent customer base will continue to purchase luxury goods in a slowing global economy. Market estimates for earnings in FY2022 and FY2023 were both raised modestly after Q3.

Mastercard continued to benefit from a strong recovery in travel volumes and the secular shift away from cash to debit and credit cards. Q3 revenues grew 15% YoY to $5.8bn and +23% on constant currency. Cross border fees increased 57% and volumes grew 44%. Operating margins rose from 56.8% to 57.7%. EPS of $2.68 were 4% ahead of expectations. Management also highlighted the cost flexibility within the business model given the prospect of shallow recessions in many countries. While we do anticipate a slowdown in consumer activity as inflation takes effect, Mastercard remains well positioned to deliver further significant growth over the long term.

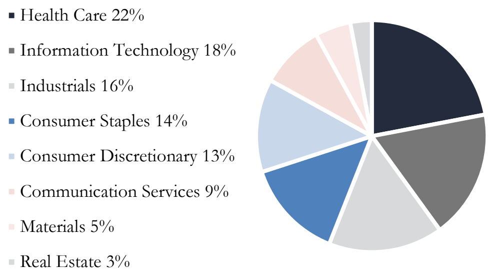
Eaton delivered another set of robust results in Q3 with 15% organic revenue growth, accelerating from 11% in Q2. Growth was led by Electricals Americas up 18% and Electrical Global +13% on an organic basis. Group operating margins increased by 130bps to a record high of 21.2%. The management reported on a slight easing of supply chain pressures including in logistics, but not in semiconductors. Eaton benefits from strong competitive positions in markets with secular long-term growth drivers such as electrification, energy transition and digitalisation. It booked almost $1bn of orders in these areas during Q3. The growth in demand is broad-based across commercial and residential buildings, aerospace, autos, data centres and industrial facilities.

Source: Bloomberg, SS&C Technologies, J. Stern & Co. As at 31/12/22.

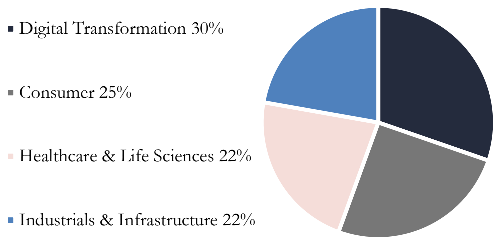
Portfolio Composition

In Q4 we sold our holding in *Medtronic*, the global medical technology business, after a period of inconsistent execution by the management. The recent failure of a Renal Denervation trial and moderate Q3 results have undermined our confidence in the growth prospects. We took an initial position in *Xylem*, a leading water technology company that manufactures products for the utilities, industrial, commercial, and residential sectors, and we added to two other holdings in consumer and in semiconductors. Overall, the portfolio remains broadly diversified across a variety of sectors and geographies and continues to focus on our core principles of investing in quality companies for the long term.

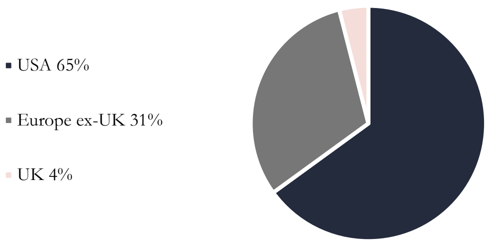
GICS Sector Allocation



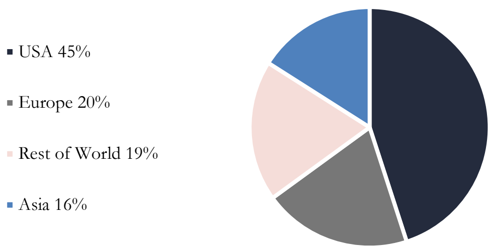
J. Stern & Co. Allocation



Geographic Exposure by Listing



Geographic Exposure of Sales



Source: Bloomberg/SS&C Technologies. As at 31/12/22

Update on ESG

During 2022 we strengthened our ESG research process including the introduction of a more quantitative approach and signed up ISS as an independent data provider The rigour of our process was validated by our approval as a signatory of the 2020 Stewardship Code, and we received our first UNPRI Assessment Report in August, in which we received high scores across the board.

In terms of engagement during 2022, we held 75 meetings with our investee companies and collaborative engagement bodies, broadening our outreach on ESG issues. Some 55% of these meetings with companies were with C-level representative or senior management, increasing our ability to encourage change within these businesses. We voted on a total of 639 resolutions at the AGMs of 38 companies and we voted against the Board of Directors in 36 instances.

We have expanded our collaborative work in engagement. With Share Action we are supporting the Healthy Markets Initiative and the Long-term Investors in People's Health Programme. And we have joined the business coalition calling for a UN Treaty on Plastics Pollution.

Looking forward to 2023, we aim to further enhance our ESG processes and continue to engage on a wide variety of issues at all levels.

Outlook

We believe that 2023 will be a year of 'normalization' as markets and the macro background progressively shift into a new growth paradigm – with lower inflation, lower interest rates, and a progressive recovery in personal consumption and corporate investment, particularly in 2024. The reopening of the Chinese economy after three years of Covid-19 restrictions is already providing a substantial boost to certain global industries, including consumer goods and travel, and the Government's renewed commitment to broad-based economic growth will spread across into other areas such as industrials. Global energy prices are at a manageable level and we expect an easing of supply chain pressures.

Forward earnings estimates for many companies may well be reduced during the current results season but, for our stocks, the news flow has been very robust so far in January.

The macro-driven sell-off of last year provided an opportunity to buy great companies at great prices, and we are confident that 2023 will be a rewarding and profitable year for the quality stocks that we hold in our portfolio.

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	+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
2022	-6.6	-3.8	+2.2	-8.6	-2.0	-7.3	+8.7	-6.8	-9.6	+4.4	+8.1	-4.3	-24.6	-17.7	-6.8

Source: SS&C Technologies, Bloomberg, J Stern & Co. As at 31/12/22. 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
Eligibility	All	Retail	Institutional	Charity
Minimum Investment*	1m	5k	25m	1m
Management Fee	0.90%	1.20%	0.75%	0.65%
OCF	1.20%	1.50%	1.05%	0.95%
Acc./ Dist.	Accumulation and Distribution Classes available to all			
Currencies*	USD &, unhedged or hedged, EUR, CHF, & GBP			USD & GBP
Alternative fee structure*	Reduced annual management fee with additional performance fee available			
Subscriptions & Redemptions	Every business day until 3pm Luxembourg time, one 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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