

J. STERN & CO.

World Stars Global Equity Fund Q1 2023

Quarterly Investment Commentary

26th April 2023

Dear Investors,

Keeping our Heads

“If you can keep your head when all about you
Are losing theirs...”

Rudyard Kipling

Rudyard Kipling's poem "If" has a lot to teach us about how to approach the current market volatility and uncertainty.

Most important is to maintain a level head and keep your composure in the face of adversity. You have to have confidence in yourself and your abilities, “to trust yourself when others doubt you”, even in the face of scepticism or opposition. You have to do the hard work necessary to achieve your goals, to be patient and disciplined, and to resist the urge to make impulsive decisions because of fear or uncertainty.

We look for quality and value in our investments but ultimately it is about resilience. History shows that economies and societies are resilient. There have been many periods of political and economic turmoil, but societies and economies have proven to be remarkably resilient, adapting and rebounding over time.

We have been busy doing the hard fundamental work on our companies, their industries and the drivers of their revenues, costs, profitability and returns.

That is why we are not surprised by how strongly our World Stars Global Equity portfolio has performed during the first quarter of this year. We did the work, we did not lose our heads, our companies were resilient and their quality prevailed.

It is how we got through the challenges of last year and had the conviction to take advantage of the volatility and buy more shares of our companies at lower prices. It is also why we are confident in our ability to deliver value in the future.

Part of it is what we do not own. Our investment insight this month is a short piece entitled ‘The Trouble with Investing in Bank Stocks’. It posits that last month’s collapse of Silicon Valley Bank and Credit Suisse may have been the first central bank induced banking crisis and emphasizes why we do not buy shares in banks.

Our macro-economic outlook is based on the same fundamental principles as our investment approach. In the US, the most important driver for the world economy and for asset prices, economic growth continues and Fed policy is as data driven as always. If the US does what it does, and what it has done for close to 250 years, we will have global economic growth, in fits and starts of course, but sustained nonetheless. It implies that rates should stay at current levels or go higher, with volatility and uncertainty from political and economic risk, but driven by real economic growth and, if we see continued inflation, by real increases in wages and in spending power. All of this is part of a normal economy and something to look forward to, not to fear.

J. STERN & CO.

This is our core expectation. The macro-economic environment will remain challenging and volatile, but we expect growth to continue, inflation to moderate and rates to stabilize. There will be winners and losers among companies, but we expect the quality companies we invest in, with growth and innovation, pricing power and economies of scale, to have resilient earnings. Valuations for these companies have reset and are attractive despite the rebound, and entirely aligned with the inflation and interest rate environment. Triumph and disaster may be two imposters as Kipling says, but quality and value will prevail.

Performance

It was a strong first quarter for our World Stars Global Equity Fund, which rose 11.7% in US\$, well ahead of the MSCI World Index returns of 7.9%. This outperformance was a strong endorsement of our focus on quality, as we avoided investing in financials, a key area of volatility amidst the crises at Credit Suisse and Silicon Valley Bank. Our tech holdings performed particularly well, as investors responded positively to their extensive cost cutting over the past few months and improved operational efficiency.



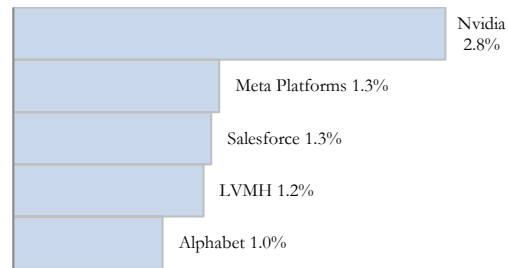
	Mar-23	3 Months	2023 YTD	1 Year	Cumulative		Since Inception	Annualised		
					3 Year	5 Year		3 Year	5 Year	Since Inception
Portfolio	+6.8	+11.7	+11.7	-8.2	+41.0	+41.7	+157.0	+12.1	+7.2	+9.4
<i>MSCI World</i>	+3.2	+7.9	+7.9	-6.6	+60.0	+50.7	+170.7	+17.0	+8.5	+9.9

Source: SS&C Technologies, Bloomberg, J Stern & Co. As at 31/03/23 in USD. 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.

The performance above is shown in US\$. During the quarter, our portfolio was up 9.5% in sterling and 10.3% in euros, as both of these currencies were stronger than the US\$ on an indexed basis. This represented a partial reversal of the significant relative strength of the US\$ during CY2022.

Top Five Contributors

Q1 was characterised by a strong recovery from our tech stocks, fuelled by staff cuts and an increased focus on shareholder value. *Nvidia* was the standout performer as it established itself as the frontrunner set to benefit from positive trends in AI, while *Meta Platforms* was up 76.1% driven by major cost-cutting initiatives and indications that revenues would be more resilient than expected.



During Q1 Nvidia reaffirmed its status as a global market leader in the AI revolution. It announced an AI-as-a-service product during the quarter, announcing notable partnerships with Oracle, Microsoft and Google that will expand access and demand for AI products. Q4 results were also positive, reporting revenues of \$6.05bn and EPS of \$0.88, both ahead of expectations. While the datacentre business was weaker as expected, the key driver during the quarter was the gaming business, which grew 16% quarter on quarter as Nvidia successfully ramped up deliveries of their new Ada Lovelace chips. Management gave good guidance of \$6.5bn revenues next quarter and presented a confident outlook for the stock going forward, and we continue to see substantial opportunities for Nvidia in the long term.

Meta Platforms rebounded significantly during Q1 as a greater focus on cost control and shareholder value restored investor confidence in the stock. While Q4 2022 results showed resilience, with revenues of \$32.2bn and EPS of \$1.76 in line with estimates, the strong performance was a clear mark of enthusiasm by investors towards the shift in operational focus. Management updated the expense outlook for the year to \$89-95bn, down \$5bn from the \$94-100bn expected following the first cost cutting measures in November 2022, a positive first step as Meta moves towards a more efficiency-focused business model. Even after the sharp recovery in the share price, the stock remains attractively valued on ~16x P/E for 2023.

Salesforce reported an excellent Q4, beating expectations across the board. Revenues grew 14% YoY, comfortably ahead of the 9% growth guided by the company. A particular highlight was the rise in EBIT margins to 29.2%, significantly ahead of the consensus of 22.4%. Including progress on both these metrics, Q4 EPS of \$1.68 was significantly ahead of expectations of \$1.36. In January Salesforce announced 7,000 redundancies, equal to 10% of its global workforce, and has indicated that further cost cutting measures will be pursued. Despite a tougher market background for enterprise software, we expect Salesforce to deliver higher revenues and margins in FY2024.

LVMH's Q4 results were slightly mixed, largely as a result of disruption to sales in China due to Covid-related lockdowns. Revenues grew 9% on an organic basis led by Fashion & Leather Goods and with weaker numbers in Wines & Spirits and Perfumes & Cosmetics. By contrast, trading has already improved substantially in Q1 2023 following the lifting of the zero-Covid policy by the Chinese Government in December. LVMH generates 24% of its group revenues in the Chinese 'cluster' markets, the highest weighting across the stocks in our World Stars portfolio.

Alphabet is another one of our technology holdings that started the year strongly. Despite the well-known headwinds in the digital advertising space, the company reported robust revenues and margins in Q4. Search revenues rose 4% on constant currency, and YouTube declined by 3% on a similar basis, but the cloud division grew by 32%. EBIT margins of 24% were ahead of expectations. The company has announced 27,000 redundancies since November 2022 and has emphasized the intention to establish a leaner operating structure on a durable basis. This is clearly positive for margins, cash flow and shareholder value.

Source: Bloomberg, SS&C Technologies, J. Stern & Co. As at 31/03/23.

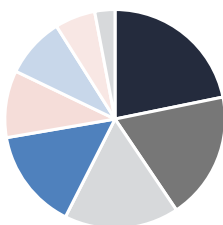
J. STERN & CO.

Portfolio Composition

During Q1 we added a position in *ASML*, a global leader in high-tech lithography machines based on its extreme ultraviolet technology (EUV). These machines are a critical element in the manufacture of smaller leading-edge semiconductor chips with multiple layers of detail and circuitry. In a semiconductor market in long-term secular growth with an emphasis on greater complexity, ASML has significant competitive advantage. This purchase was funded by trimming our positions in Alphabet and *ThermoFisher*. The portfolio remains well diversified across a variety of sectors and we retain our conviction that it is well positioned to perform over the long term.

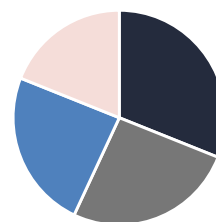
GICS Sector Allocation

- Information Technology 22%
- Health Care 19%
- Industrials 17%
- Consumer Staples 15%
- Communication Services 10%
- Consumer Discretionary 9%
- Materials 6%
- Real Estate 3%



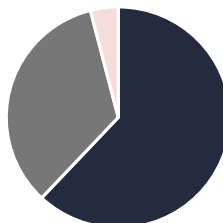
J. Stern & Co. Allocation

- Digital Transformation 31%
- Consumer 26%
- Industrials & Infrastructure 24%
- Healthcare & Life Sciences 19%



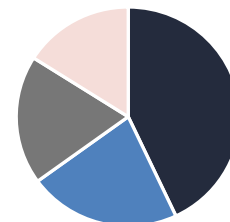
Geographic Exposure by Listing

- USA 62%
- Europe ex-UK 34%
- UK 4%



Geographic Exposure of Sales

- USA 43%
- Asia 22%
- Europe 19%
- Rest of World 16%



Source: Bloomberg/SS&C Technologies. As at 31/03/23

Update on ESG

ESG is fully integrated into our research process, and we consistently strive to improve our ESG capabilities. 2022 saw many positive developments as we received our first UNPRI Assessment Report and were approved as a signatory to the 2020 Stewardship Code, and we have ambitions to further enhance our ESG processes during 2023 and beyond.

To view a detailed summary of our voting and engagement during 2022 please click the following link: [Stewardship - J Stern & Co. \(jsternco.com\)](https://www.jsternco.com/Stewardship)

Outlook

Equity markets during Q1 have been boosted by a steady decline in CPI, albeit from elevated levels, led by the US and Eurozone, which has raised hopes of a peaking of interest rates in H2 2023 and a progressive reduction from H1 2024. A second positive has been the reopening of the Chinese economy with its double benefit to global demand and global supply chains across many industries. Since the quarter end, China has reported Q1 GDP growth of 4.5%.

A third driver of sentiment across markets has been robust trading results across many leading companies for CY2022, despite the evident challenges of the macro background and with some notable exceptions including stocks in the banking sector. Within our portfolio this picture has been particularly robust. Across our 29 holdings, following the CY2022 and Q4 2022 results, consensus EPS estimates for 2023 have risen for 11 of our companies, were unchanged for 13 and reduced for five.

As the market and macro paradigm progressively improves, we are confident that our World Stars portfolio remains well-positioned.

Yours faithfully,



Christopher Rossbach



Katerina Kosmopoulou, CFA

J. STERN & Co.

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
2023	+8.3	-3.4	+6.8	-	-	-	-	-	-	-	-	-	+11.7	+7.9	+3.9

Source: SS&C Technologies, Bloomberg, J Stern & Co. As at 31/03/23. 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.

Important Information

J. Stern & Co. provides this commentary to current investors of the World Stars Global Equity Fund ("Fund") only. The information provided should not be relied upon as a recommendation to purchase any security, shares in the Fund or other financial instrument, nor should it be considered as a form of investment advice or solicitation to conduct investment business.

Data is sourced from SS&C, J. Stern & Co. and Bloomberg and no warranty of accuracy is given. The views expressed on the date of publication are those of J. Stern & Co. and/or the actual author(s) and are subject to change without notice.

J. Stern & Co. includes J. Stern & Co. LLP, Star Fund Managers LLP and/or J. Stern & Co. (Switzerland) AG. J. Stern & Co. LLP and Star Fund Managers LLP are both authorised and regulated by the Financial Conduct Authority, and where relevant, J. Stern & Co. LLP has approved it for distribution. J. Stern & Co. (Switzerland) AG is a member of Polyreg and adheres to the PolyAsset Code of Conduct.

More information on J. Stern & Co. can be found at www.jsternco.com/legal, including our privacy notice, other regulatory disclosures and registered office information.

© J. Stern & Co.