

J. STERN & CO.

World Stars Global Equity Fund Q2 2023

Quarterly Investment Commentary

13th August 2023

Dear Investors,

“The basis of successful investing is the thoughtful analysis of the fundamentals.”

Philip Fisher

Our World Stars Global Equity strategy has done well this year. We are not surprised - we started the year optimistic and still are.

We invest in global leaders, companies that have great quality and can generate high returns over the long term. Last year investors took a lot of blows, on inflation, interest rates and valuations. Good companies sold off hard, creating an opportunity for us to buy more of them at great prices.

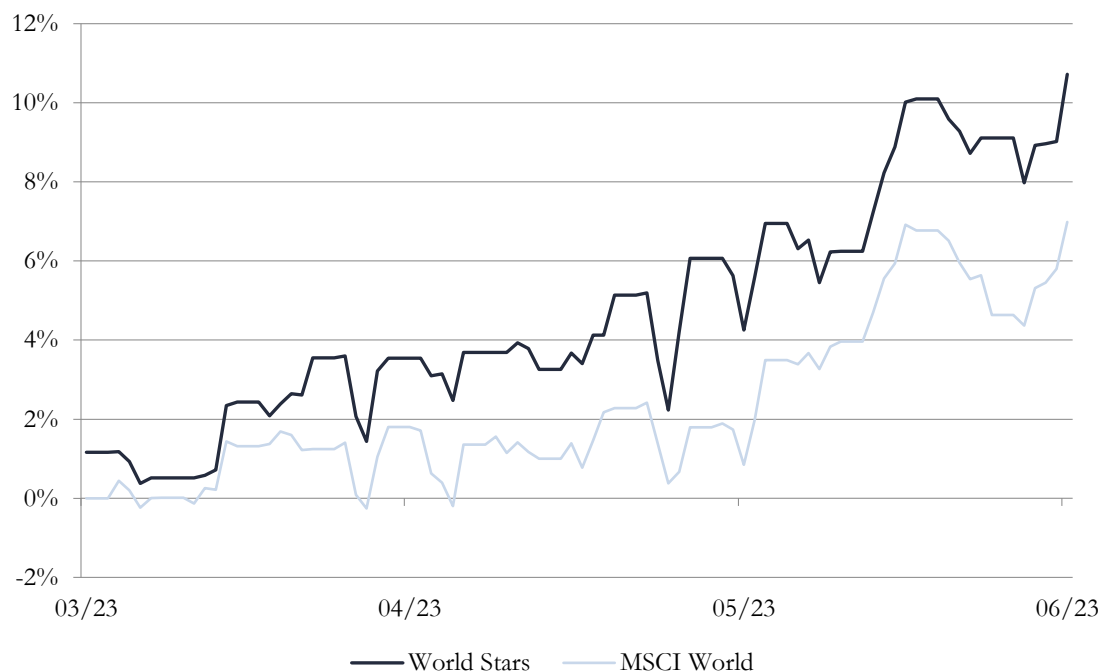
Philip Fisher’s book *Common Stocks and Uncommon Profits*, written in 1957, is the definitive book about long-term fundamental investing in quality companies. It provides an important perspective in uncertain times. To Fisher, successful investing is grounded in fundamental analysis and qualitative factors. He believed in understanding the facts about a company’s business and in focusing on companies with unique and sustainable competitive advantages and strong long-term prospects for growth and value creation.

The record shows that we did the work to make sure we understood what was going on in the companies we own and to reinforce our conviction. Our best performers include technology companies like Nvidia, Salesforce and Adobe that are long-term beneficiaries of the growth of the digital economy, artificial intelligence, and the internet of things. Our consumer and industrial stocks have not done badly either.

We thought this year would be positive and that is how it has turned out so far. The second half of the year could bring a long-expected slowdown, but we think that private and corporate demand will be resilient and interest rates in the US and Europe are close to a peak, which will support economies and markets. There may well be volatility, but many good companies are cheap and will do well. That is why we think any pullback will be a buying opportunity like last year.

Performance

It was another positive quarter for our World Stars Global Equity Fund, which rose 9.4% in US\$, significantly ahead of the MSCI World Index returns of 7.0%. This brought performance to 22.3% for the first half of the year against the MSCI World Index returns of 15.4%, a testament to our focus on quality stocks during volatile macroeconomic circumstances. While our technology stocks were the leading drivers of performance, robust results across the portfolio saw broad-based strength that reaffirmed our convictions in our leading global companies.



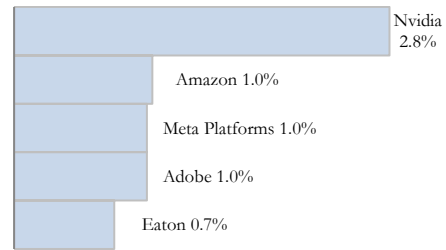
	Jun-23	3 Months	2023 YTD	1 Year	Cumulative			Annualised		
					3 Year	5 Year	Since Inception	3 Year	5 Year	Since Inception
Portfolio	+6.2	+9.4	+22.3	+21.0	+30.9	+49.9	+181.2	+9.4	+8.4	+10.1
<i>MSCI World</i>	+3.2	+7.9	+7.9	-6.6	+60.0	+50.7	+170.7	+17.0	+8.5	+9.9

Source: SS&C Technologies, Bloomberg, J Stern & Co. As at 30/06/23 in US\$. 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 6.3% in sterling and 8.8% in euros, as both of these currencies strengthened against the US\$ on an indexed basis.

Top Five Contributors

Our technology stocks were the key contributors to performance during Q2, as developments in AI continued to accelerate and drive positive investor sentiment across the industry. Similarly to Q1, *Nvidia* was the top performer as it reaffirmed its position at the forefront of the AI revolution, while others such as *Meta Platforms* and *Adobe* continued to innovate and generated promising returns during the quarter.



Nvidia is the technological leader for GPUs used for AI and had another exceptional quarter in which it was comfortably the strongest contributor in the fund. Q1 24' results surpassed high expectations, with revenues of \$7.192bn well ahead of the previously guided \$6.5bn, while EPS of \$1.09 was also a solid beat of the \$0.91 expected. The Datacentre division was particularly strong, up 18% from the previous quarter and now accounting for 60% of revenues as a key beneficiary of AI. Management expects \$11bn in revenues next quarter, marking a huge increase from previous estimates of \$7.2bn and illustrating the substantial upside from AI product demand. Nvidia is a key enabler for the advancement of AI and machine learning, reaffirming our long-term investment thesis for Nvidia as the largest holding in the fund.

Amazon shares are up over 50% YTD following solid Q1 23 results that beat in key areas. Revenues grew 11% to \$127.4bn, with broad based growth across North America (+11%) and International (+9%) showing strength across geographies. AWS was a key focal point for investors, beating expectations and growing 16%. Management highlighted the improving macro environment in Europe and increasingly mature international markets that continued to drive profitability, while also noting a likely decline in capex as their fulfilment network gains efficiency. This significant economies of scale gives Amazon further capacity to improve margins, and we are confident earnings can compound higher in the long term.

Meta Platforms continued its strong performance during the second quarter, as it reported encouraging Q1 23 results that reaffirmed its commitment to efficient cost control and continued growth. Revenues of \$28.6bn were above expectations as Meta reported growth in their user base, with DAU and MAU growing by 5% YoY. The company are now forecasting total expenses of \$86-90bn for this year, a further reduction from previous guidance and significantly less than the \$96-101bn guidance from October last year. This was a significant source of encouragement for investors, with Meta delivering on its promise of greater efficiency and more durable revenue growth.

Adobe produced positive Q2 results that beat expectations, with revenues growing 10% YoY and operating margins remaining steadfast at 45.3%. Within this, net new digital media ARR of \$470m was well above their guidance of \$420m, further growing their solid base of recurring revenue. The release of their new generative AI product Firefly has generated significant excitement, underlining the potential benefits of AI for Adobe going forward. Following the results, management gave encouraging guidance for next quarter and beyond. Given the market leading position and the new growth avenues presented by AI, Adobe is well positioned to generate attractive returns going forward.

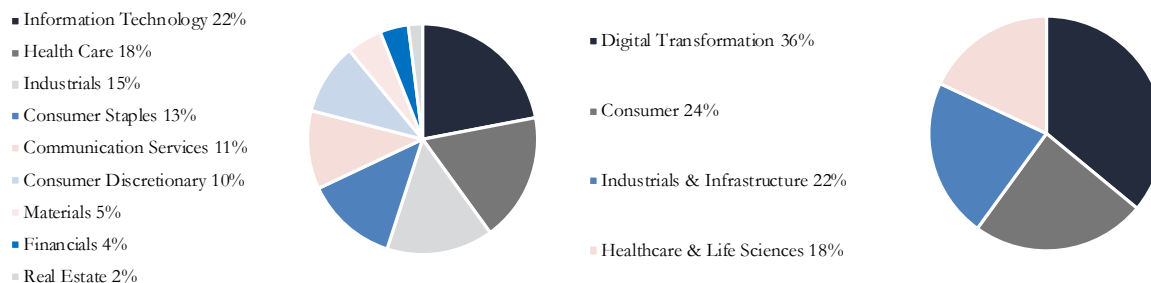
Eaton produced another solid set of results for their Q1 2023 earnings. Organic growth of 15% was comfortably ahead of the 10% anticipated, supported by a 90bps increase in operating margin to 19.7%. The result of this was EPS coming in ahead of expectations at \$1.88, underlining a very positive quarter for Eaton. The Electrical segment was a key highlight, with rolling 12-month orders up 13% and backlog up 39%, providing good revenue visibility moving forward. Aerospace was also up 13%, boosted by elevated Defence orders that have doubled from 2019 levels. Guidance was raised for both organic growth and EPS for FY23, and Eaton remains a core position within the portfolio.

Source: Bloomberg, SS&C Technologies, J. Stern & Co. As at 30/06/23.

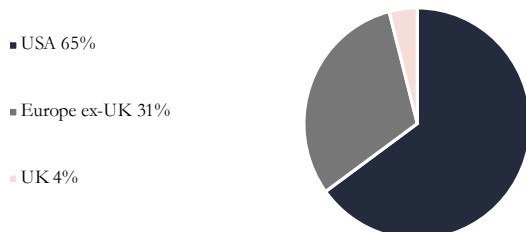
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Portfolio Composition

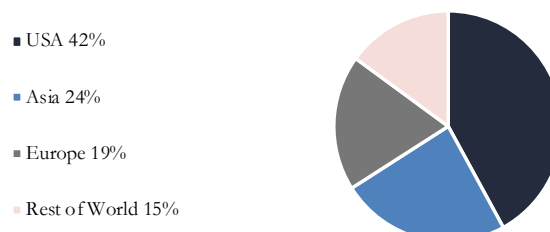
There were no significant changes to the portfolio during the quarter, as we retained our conviction in our portfolio of leading global companies following positive results across the board. The portfolio remains well diversified across a variety of sectors, with Information Technology the largest sector weight in absolute terms following strong performance in the first half of the year.



Geographic Exposure by Listing



Geographic Exposure of Sales



Source: Bloomberg/SS&C Technologies. As at 30/06/23

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)

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Outlook

Q2 was another encouraging quarter for equity markets, as investors anticipated the peak in interest rates in the US and Europe and underlying economies remained resilient. Many digital transformation companies that performed poorly last year have bounced back significantly, buoyed by the super cycle in AI that has seen companies such as Nvidia and Adobe emerge as key leaders.

Despite the challenges of the past 18 months, our portfolio has seen resilient results for the first quarter of 2023, underlining the quality evident in our stocks. While there is likely to be some turbulence in the latter half of the year as inflation remains above target levels, we remain confident that the World Stars portfolio is in a strong position for further growth as the macro environment improves.

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	+2.4	+0.7	+6.2	-	-	-	-	-	-	+22.3	+15.4	+6.9

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Fund Information

Portfolio Manager	Christopher Rossbach	Share Class	A	B	L	A5/A6
Deputy Portfolio Manager	Katerina Kosmopoulou, CFA	Eligibility	All	Retail	Institutional	Charity
Launch Date	8 th April 2019	Minimum Investment*	1m	5k	25m	1m
Management Company	Waystone Management Company (Lux) SA	Management Fee	0.90%	1.20%	0.75%	0.65%
Administrator & Depository	CACEIS Investor Services Bank SA	OCF	1.20%	1.50%	1.05%	0.95%
Auditor	Deloitte Audit S.a.r.l.	Acc./ Dist.	Accumulation and Distribution Classes available to all			
Reference Currency	US Dollar	Currencies*	USD &, unhedged or hedged, EUR, CHF, & GBP			USD & GBP
Dealing Day	Every business day in Luxembourg & London	Alternative fee structure*	Reduced annual management fee with additional performance fee available			
NAV	Available by close of business day after Dealing Day	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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