

Dear Shareholder,

April was dominated by a continuation of the bullish rally on equities. This was the fourth consecutive month of gains. The European market grew by +3.8% in April (MSCI Europe NR index) and posted its best annual start in more than 20 years with a rise of +17.1% in 2019. The losses of Q4 2018 have now been erased. The US equity market also stood out, rising +4% in April, bringing the 2019 performance to +18% (S&P 500 NR Index), and setting new historical records.

While the combined action of central banks towards greater monetary easing had fuelled the uptick during the first quarter in a context of low asset valuations, it is now the improvement in economic momentum and the reassuring communication from corporates that is supporting the market. US GDP growth in the 1st quarter was surprisingly upwards, with an increase of 3.2% compared to the 2.8% expected by the consensus. In addition, our economic momentum indicators are recovering, particularly in China (from 33 in March to 56 in April). The first effects of the Chinese budget stimulus initiated at the end of last year are beginning to be visible, and this bodes well for the global economy. It is important to keep in mind that China has contributed 40% of global growth over the past 10 years.

In this context, there has been a significant turnover in the equity market. The pro-cyclical quivering has indeed caused the decline in long-term rates to be halted. The German 10-year yield has even symbolically become positive again. At the same time, the cyclical and financial components performed best in April. Sectors such as banks, automobile and construction have emerged. On the other hand, healthcare and telecoms suffered in relative terms.

After such a bullish sequence, it would not be surprising if markets were to be more hesitant in the coming weeks. If this were to be the case, it should be used to increase exposure to equities at a time when valuations are historically low, central banks are supportive, earnings growth is expected to be back on track and institutional investors are under-invested.

Digital funds ended April significantly higher but slightly lower than small and large cap indices due to their cautious positioning and non-cyclical bias. Technology stocks supported the increase, with very positive earnings announcements (Barco, Evolution Gaming, Soitec, Dialog Semiconductor, Temenos...). Conversely, our underweight in financials and industrials, and our overweight in utilities, contributed negatively. **Digital Stars Europe Acc's monthly performance was +2.8%**, compared to +4.6% for MSCI Europe Small Cap NR and +3.8% for MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended the month at +3.1%** compared to +4.4% for MSCI Europe ex UK Small Cap NR and +4.3% for MSCI Europe ex UK NR.

The rebalancing based on price momentum was significantly more aggressive than the previous months, selecting all caps mainly in the industrial, financial and technology sectors. We sold real estate, utilities, telecoms and salmon farms stocks, which had been integrated during the end of 2018 correction and have since stagnated. The rebalancing based on earnings momentum remained diversified; it is our most positive contributor in 2019. We are altogether overweight in technology, food and utilities; and are underweight in finance, basic materials (excluding oil) and real estate. The weight of British stocks in Digital Stars Europe is stable at 24%; Sweden becomes the second largest weight with 12.5%. Digital Stars Europe's ex-ante tracking-error remains reasonable at 4.76%. The ex-ante beta is 0.89, still confirming a defensive profile.

Digital Stars Europe Smaller Companies Acc progressed by +2.0% in April, while the MSCI Europe Small Cap NR gained +4.6%. This progression is mainly attributable to the positive news flow on industrials (NEL, Lindab, Tinexta) and IT stocks (Altran, Barco). In contrast, the overweight sectors of real estate (DIOS Fastigheter, TAG Immobilien), utilities (Scatec Solar) and of consumer discretionary (paragon GmbH) contributed negatively to both the absolute and excess returns of the fund.

The latest portfolio review strengthened construction and consumer discretionary exposure, and significantly reduced the weight of real estate and utilities. The portfolio is now overweight in consumer discretionary and utilities, and underweight in finance and materials. The United Kingdom - the most represented country in the portfolio - was further strengthened but still remains significantly underweight.

Digital Stars US Equities Acc USD is up significantly this month, both in absolute and relative terms. The fund ended April at **+4.2%** compared to +3.4% for the Russell 2000 NR. It should be noted that the performance since the beginning of the year was **+20.8%** compared to +18.3%. This outperformance is due to the cyclical positioning of the fund (IT, Cons. Discretionary), as evidenced by the strong performances of NAPCO Security (+19%), Asbury Automotive (+19%) and SkyWest (+13%), following good earnings announcements during the past month.

The latest rebalancing reduced the weight of financials (mainly regional banks) and healthcare stocks (biotechs). On the entry side, without any particular sectoral bias, we can note the integration of large cap companies such as Qualcomm, Norfolk Southern, T. Rowe Price Group...

We remain overweight in Industrials and Consumer Discretionary; however, we are underweight in Energy and Utilities.

30/04/2019	YTD	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	Since Inception	Inception Date
Digital Stars Europe	19.3%	-19.5%	23.7%	0.7%	24.7%	3.5%	36.0%	22.7%	-16.0%	32.6%	37.0%	-48.3%	1.8%	36.6%	41.5%	485.2%	13/11/1998
MSCI Europe Small Cap NR	19.5%	-15.9%	19.0%	0.9%	23.5%	6.5%	33.4%	27.0%	-17.5%	29.9%	59.5%	-51.9%	-7.5%	29.9%	37.0%	471.8%	Monthly Factsheet
MSCI Europe NR	17.1%	-10.6%	10.2%	2.6%	8.2%	6.8%	19.8%	17.3%	-8.1%	11.1%	31.6%	-43.6%	2.7%	19.6%	26.1%	149.2%	Monthly Factsheet
Digital Stars Europe Ex-UK	17.8%	-17.2%	25.0%	5.0%	24.7%	3.6%	37.1%	22.4%	-21.4%	32.3%	36.1%	-42.2%	9.7%	n.s.	--	192.9%	30/06/2006
MSCI Europe ex UK Small Cap NR	17.9%	-15.8%	20.3%	5.5%	25.0%	5.9%	33.5%	22.8%	-21.9%	26.6%	55.9%	-50.8%	-2.0%	n.s.	--	137.9%	Monthly Factsheet
MSCI Europe ex UK NR	17.2%	-10.9%	11.4%	2.4%	10.7%	6.4%	22.1%	19.4%	-12.4%	8.6%	28.4%	-42.7%	5.2%	n.s.	--	74.4%	Monthly Factsheet
Digital Stars Europe Smaller Companies	13.4%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	--	--	19.7%	16/12/2016
MSCI Europe Small Cap NR	19.5%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	--	21.4%	Monthly Factsheet
Digital Stars US Equities	20.8%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	8.5%	16/10/2017
S&P 500 NR	18.0%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	17.6%	Monthly Factsheet
Russell 2000 NR	18.3%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	7.4%	Monthly Factsheet

Our readers can access the monthly report for each sub fund, by clicking on the link “Monthly Factsheet” above.

Your sales and marketing contact and the portfolio management team can be contacted, should you require more information about Digital Funds or our stock market Outlook.

If you would like to unsubscribe from this monthly report, please email info@chahinecapital.com

Best Regards,

The Asset Management Team