

Dear Shareholder,

The stock market "Recovery" initiated in March was further extended in August. The American indexes beat their historical record again, while in Europe, stock markets caught up nearly 60% of the sharp decline observed between February and March. This dichotomy between the real economy and the financial markets may seem surprising. The fall in GDP in 2020 will indeed be spectacular and unprecedented since the post-war period. However, the coordinated action of central banks to maintain low rates on a lasting basis, coupled with massive state budget support, has made it possible to compensate for the supposedly temporary loss of profits by companies. The risk premium of equities remains attractive. According to the consensus of analysts, EPS 2021 in Europe will be equivalent to 88% of EPS 2019, being the last financial year not affected by the health crisis. Based on this estimate, the 2021 EPS is 16x and the equity risk premium is 6.6%. It would then take an additional 20% increase in the European market to converge towards its historical average of 5%.

The Digital funds ended August strongly up and significantly outperformed their benchmark indices. Cyclical stocks: Industrials and Consumer Discretionary led performance, as did Technology, whilst defensive stocks underperformed. The stock picking effect was also very positive, particularly in the healthcare sector (Bachem, Shop Apotheke, ALK-abello...). Sector niches that are well represented in the portfolio stand out: renewable energies - smart grid (Alfen, Ceres Power, NEL, Scatec Solar, Neoen...), DIY-gardening (Hornbach, Husqvarna) and gaming (GVC Holding, Kindred, Betsson, Evolution Gaming). For the second month in a row we note significantly (50%) more upward revisions of estimated 2020 earnings than downward revisions for the stocks composing the funds.

**The monthly performance of Digital Stars Europe Acc is +5.4%**, compared with +2.9% for the MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended August at +4.5%** compared with +3.1% for the MSCI Europe ex UK NR. **Digital Stars Eurozone Acc achieved +6.3%** against +3.5% for the MSCI EMU NR.

The rebalancings carried out in August were more cyclical. Our models mostly selected industrials, logistics and renewable energies. We continue to withdraw from utilities and food. The healthcare sector is also seeing exits, partially offset by some entries. Overall, we are overweight in technology and consumer discretionary, and underweight in energy, raw materials and food. Sweden becomes the leading weighting with 19%, ahead of the UK: 18.3%, and Germany: 14.3%.

August was very favourable for small stocks: Digital Stars Europe Smaller Companies Acc continued to rise and finished the month at +7.7%, even outperforming the MSCI Europe Small Cap NR which finished at +5.7%. The fund's sector positioning was good, particularly the overweight in consumer discretionary and the underweight in health care and real estate. But the stocks that really made the difference were in the renewable energy/smart-grid theme (Alfen, Voltalia, NEL, Eolus Vind) and in the IT sector (Crayon Group, Sinch, GFT Technologies, SeSa). The latest monthly review of the portfolio, which focused on the segment's smaller stocks, has strengthened gaming stocks, specialist retailers, as well as IT and healthcare, and reduced real estate and materials. France and Belgium have been significantly reduced, and Germany and Denmark frankly strengthened.

The portfolio is overweight in consumer discretionary and IT and underweight in real estate, finance and materials. Sweden (23.4%), significantly overweight, is still the leading geographical weighting, ahead of Germany (18.4%) and the United Kingdom (17.8%), which is significantly underweight.

**Digital Stars US Equities Acc USD posted an increase of 5.8% in August**, behind the S&P 500 NR (+7.1%) but slightly ahead of the Russell 2000 NR (+5.6%). The IT sector clearly led the American market, but the good performances of our best stocks in the sector (Digital Turbine, eGain, Synopsys) were not enough to keep up with the astonishing pace of GAFAM.

The latest monthly review of the portfolio, focused on the smallest stocks in the segment, has above all strengthened its exposure to IT and reduced exposure to financials.

The portfolio remains overweight in consumer (discretionary and staples) and materials, and underweight in communication services (media) and health care.

31/08/2020	YTD	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Since Inception	Inception Date
<b>Digital Stars Europe</b>	<b>2.6%</b>	<b>31.4%</b>	<b>-19.5%</b>	<b>23.7%</b>	<b>0.7%</b>	<b>24.7%</b>	<b>3.5%</b>	<b>36.0%</b>	<b>22.7%</b>	<b>-16.0%</b>	<b>32.6%</b>	<b>37.0%</b>	<b>-48.3%</b>	<b>1.8%</b>	<b>36.6%</b>	<b>561.2%</b>	13/11/1998
MSCI Europe NR	-11.5%	26.0%	-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%	137.4%	
MSCI Europe Small Cap NR	-9.8%	31.4%	-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%	467.4%	
<b>Digital Stars Europe Ex-UK</b>	<b>5.5%</b>	<b>30.1%</b>	<b>-17.2%</b>	<b>25.0%</b>	<b>5.0%</b>	<b>24.7%</b>	<b>3.6%</b>	<b>37.1%</b>	<b>22.4%</b>	<b>-21.4%</b>	<b>32.3%</b>	<b>36.1%</b>	<b>-42.2%</b>	<b>9.7%</b>	n.s.	<b>241.2%</b>	30/06/2006
MSCI Europe ex UK NR	-7.0%	27.1%	-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.	75.8%	
MSCI Europe ex UK Small Cap NR	-3.2%	28.5%	-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.	151.1%	
<b>Digital Stars Eurozone</b>	<b>5.7%</b>	<b>30.5%</b>	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	<b>11.5%</b>	01/10/2018
MSCI EMU NR	-10.6%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-2.4%	
MSCI EMU Small Cap NR	-9.0%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-2.6%	
<b>Digital Stars Europe Smaller Companies</b>	<b>8.2%</b>	<b>29.7%</b>	<b>-21.2%</b>	<b>32.6%</b>	n.s.	--	--	--	--	--	--	--	--	--	--	<b>48.1%</b>	16/12/2016
MSCI Europe Small Cap NR	-9.8%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	20.4%	
<b>Digital Stars US Equities</b>	<b>8.3%</b>	<b>28.9%</b>	<b>-13.2%</b>	n.s.	--	--	--	--	--	--	--	--	--	--	--	<b>25.4%</b>	16/10/2017
S&P 500 NR	9.3%	30.7%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	42.4%	
Russell 2000 NR	-5.8%	25.0%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	--	6.9%	

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](mailto:info@chahinecapital.com)

Best Regards,

The Asset Management Team