

Dear Shareholder,

2020 ends on a positive note. In December, the equity indices rose by 3.8% in the United States (S&P 500 NR) and by 2.4% in Europe (MSCI Europe NR). The sentiment that the health, political and economic fog has been dissipating since the beginning of November causes a sudden easing of the equity risk premium. The arrival of a vaccine gives hope that the epidemic will soon come to an end and, with the election of Joe Biden, that international relations will normalise. For its part, the ECB increased its Emergency Asset Purchase Programme (PEPP) by 500 billion euros at its December meeting, to lift it to 1,850 billion until March 2022. This considerable amount represents about 17% of the Eurozone's GDP. Finally, a post-Brexit deal was concluded, so the worst could be avoided in-extremis. In this context, equities remain highly attractive due to an interest rate environment that will remain in negative territory for years to come. Their main strength is yield. The risk premium of European equities is 5.9%, above the 20-year historical average of 5.0%. It takes into account a quasi-recovery in earnings that seems to be materialising. The 2021 earnings of the companies that compose the European market are expected to reach 87% of what they were before the crisis, and the Momentum for consensus revision has stabilised since last summer. Finally, the Market Momentum is favourable, with all major equity indices moving above their 200-day moving average.

The Digital funds ended December with a sharp increase, outperforming their benchmarks, and closing an exceptional year in 2020, with performances exceeding +15% despite the health crisis. The best contributors of the year, with the exception of healthcare stocks, were also those of the month. We find stocks from internet distribution (Hellofresh), online gaming (Evolution Gaming, Kindred, G5 Entertainment), hydrogen (Ceres Power), alternative energies (Neoen), semiconductors (ASM International) or gardening (Husqvarna), in short the big winners of the health crisis. The relative drawdown in November is recovered. After a complicated year, our UK stocks benefited from the Brexit agreement.

Digital Stars Europe Acc's monthly performance was +5.8%, compared to +2.7% for MSCI Europe NR. The 2020 performance is +15.6% compared to -3%. **Digital Stars Europe Ex-UK Acc ended December at +5.1%** against +2.4% for the MSCI Europe ex UK NR (+20.2% since the beginning of the year against +2%). **Digital Stars Eurozone Acc achieved +3.9%** compared to +2.5% for the MSCI EMU NR (+18.3% since the beginning of the year compared to -0.5%).

The rebalancings carried out in December were diversified, selecting securities of all capitalizations. There are "growth" stocks in the technology sector (internet security, digital marketing, hardware distribution) as well as value stocks in logistics, construction, chemicals and steel. Digital Stars Europe remains overweight in technology and consumer discretionary; and underweight in energy, raw materials and food. The fund is neutral on financials. The UK remains the largest weighting with 18.6%, ahead of Sweden 16.1% and Germany 15.3%.

Another month of progression for small and mid caps: **Digital Stars Europe Smaller Companies Acc rose 7.8% in December**, beating the MSCI Europe Small Cap NR which finished at 6.0%. The year 2020 ended on a high note for the fund with a performance of 27.3%, compared with 4.6% for the index. Over the month, it is the cross-disciplinary theme of renewable energies that stood out (Alfen, VERBIO, Encavis, Falck Renewables, Eolus Vind, Neoen), as well as entertainment (Focus Home Interactive) and banks (Bank of Ireland, Avanza Bank). The latest monthly review of the portfolio favoured the smaller caps. The model continued to push more cyclical stocks, especially in industrials, and to reduce IT, healthcare and real estate. Norway and Germany have been reduced, while Denmark has been strengthened.

The portfolio is overweight in consumer discretionary and industrials, and underweight in real estate. Germany (18%) is still significantly overweight, but the UK (22%) remains the most represented country, despite being significantly underweight.

Digital Stars US Equities Acc USD finished up again this month, posting a 6% return, beating the S&P 500 NR (3.8%), but behind the Russell 2000 NR (8.6%). The fund ended the year well, with a 23.8% increase, compared to 17.8% and 19.5% respectively for the S&P 500 NR and the Russell 2000 NR. The two sectors that contributed the most in December are finance (Silvergate Capital, Live Oak Bancshares, Mr Cooper) and IT (Digital Turbine, SiTime, Calix, Cadence Design Systems). Food and food retailing contributed negatively (National Beverage, BJ's Wholesale Club, Conagra, B&G Foods).

The latest monthly review of the portfolio has been diversified. It strengthened healthcare, finance and media, and slightly reduced materials, consumer and industrials.

The portfolio remains overweight in consumer discretionary and industrials, and underweight in media and healthcare.

Finally, the Luxembourg Finance Labelling Agency has renewed for 2021 the LuxFLAG ESG label for our funds Digital Stars Europe, Digital Stars Europe Ex-UK, Digital Stars Europe Smaller Companies and Digital Stars US Equities funds. This label renewal concludes positively LuxFLAG's annual validation of the ESG approach in our investment management processes.

30/12/2020	YTD	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Since Inception	Inception Date
Digital Stars Europe	15.6%	31.4%	-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%	645.3%	13/11/1998
MSCI Europe NR	-3.0%	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%	160.1%	
MSCI Europe Small Cap NR	4.6%	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%	558.0%	
Digital Stars Europe Ex-UK	20.2%	30.1%	-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.	288.6%	30/06/2006
MSCI Europe ex UK NR	2.0%	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.	92.8%	
MSCI Europe ex UK Small Cap NR	11.7%	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.	189.7%	
Digital Stars Eurozone	18.3%	30.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	24.9%	01/10/2018
MSCI EMU NR	-0.5%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	8.6%	
MSCI EMU Small Cap NR	5.6%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	13.1%	
Digital Stars Europe Smaller Companies	27.3%	29.7%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	--	74.2%	16/12/2016
MSCI Europe Small Cap NR	4.6%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	39.7%	
Digital Stars US Equities	23.9%	28.9%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	43.4%	16/10/2017
S&P 500 NR	17.0%	30.7%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	52.4%	
Russell 2000 NR	19.8%	25.0%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	--	35.9%	

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

Best Regards,

The Asset Management Team