

Dear Shareholder,

In February, the equity markets resumed their rebound, initiated at the end of December, and produced their best annual start since 1991. The S&P 500 NR Index has risen by +11.4% since the beginning of the year (+3.1% in February) and the MSCI Europe NR Index has risen by +10.6% (+4.2% in February).

Despite macroeconomic publications that remain rather sluggish, it would appear that the dark scenario of a looming recession is fading away. The correction in the last quarter of 2018 appears to have been exaggerated and the pessimistic market and valuation excesses have now been partly offset by this thundering start to the year.

It must be said that every effort has been made to restore trust, in the absence of tangible actions. The Fed began this shift in January with an accommodating tone, while the ECB claims to be ready to implement a TLTRO2 with banks if necessary. The "Put" of central bankers is always there.

In addition, bilateral Sino-American trade negotiations appear to be progressing well and investors are anticipating a virtuous exit and an end to the discord.

Finally, while companies are currently communicating their results and prospects in a reassuring way, the investors pay more attention to fundamentals, thus helping valuation become the main driver of equities markets. The American and European markets are currently trading at a PE Ratio level close to their historical average in a favourably low interest rate environment.

A possible recovery in confidence and economic momentum could allow this bullish rally to continue over time, as the main global equity indices have just crossed their 200-day moving average upward. The direction of the next macroeconomic figures will be crucial in this respect and should shed light on the medium-term outlook.

Digital funds ended February with an increase. The defensive, non-cyclical profile logically led to a slightly lower performance than the indices. Stocks in the utilities, food, telecom and real estate sectors stagnated, but this was offset by very positive earnings announcements (Evolution Gaming, Serco Group, Dassault System, Dunelm, Nemetschek, and again Neste Corporation, our biggest position). The impact of the Financial Times article on Wirecard, pointing to financial malpractice, was -48bp for Digital Stars Europe. While our management is systematic, we do not refrain from intervening in such exceptional cases in order to reduce a risk. A prudential approach led us to reduce our position to 0.4% of the fund. **Digital Stars Europe Acc's monthly performance was 3%**, compared to 3.4% for MSCI Europe Small Cap NR and 4.2% for MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended the month at 1.8%** compared to 2.7% for MSCI Europe ex UK Small Cap NR and 4.1% for MSCI Europe ex UK NR.

The rebalancings carried out were again diversified, selecting small, medium and large-cap stocks. We have introduced companies in the electronics, insurance, industrial and food sectors. We are globally overweight in technology, food and utilities; and remain underweight in financials, real estate and basic materials. The weight of UK stocks in Digital Stars Europe has increased significantly to 25%; the Nordic countries represent 23% of the portfolio and Switzerland 12%. Digital Stars Europe's ex-ante tracking-error remains reasonable at 4.65%. The beta ex-ante stabilizes at 0.90, confirming the defensive profile of the fund.

Due to its much more defensive profile, **Digital Stars Europe Smaller Companies Acc ended February almost unchanged**, while the MSCI Europe Small Cap NR gained +3.4%. The overweight in real estate penalized the fund in relative terms, as did some particular stocks: regulatory impact for Plus500, disappointing publications for Elekta and Borussia Dortmund, etc. The consumer discretionary and techno sectors performed well, but their weighting too close to that of the index did not allow the fund to benefit from them.

The latest portfolio review strengthened industry, consumer discretionary and technology sectors, and reduced the weight of health care, finance and real estate. The portfolio remains overweight in real estate and utilities, and underweight mainly in finance, materials and industry. The United Kingdom - the most represented country in the portfolio - was further strengthened but still remains significantly underweight.

The monthly performance of **Digital Stars US Equities Acc USD** in February was **+7.3%** compared to +3.1% for the S&P 500 NR. The fund's rather offensive profile (β ex-ante: 1.09), sector bets (IT, consumer discretionary) and stock selection enabled this strong outperformance. We also benefited from the publication of very positive earnings for certain stocks (Yeti Holding, Heidrick & Struggles, Workiva...). It should be noted that since January, 87% of the stocks held in the portfolio have reported better than expected earnings.

The last rebalancing was marked by the exit of technology stocks (mainly software), at the same time we entered diversified stocks (health, consumer discretionary, air transport). We remain overweight in Industrials and Consumer Discretionary; however, we are underweight in Energy and Utilities.

| 28/02/2019 | YTD | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | Since Inception | Inception Date |
|---|--------------|---------------|--------------|-------------|--------------|-------------|--------------|--------------|---------------|--------------|--------------|---------------|-------------|--------------|--------------|-----------------|-----------------------------------|
| Digital Stars Europe | 12.7% | -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% | 453.2% | 13/11/1998 |
| MSCI Europe Small Cap NR | 12.7% | -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% | 439.2% | Monthly Factsheet |
| MSCI Europe NR | 10.6% | -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% | 135.3% | |
| Digital Stars Europe Ex-UK | 10.9% | -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. | -- | 175.8% | 30/06/2006 |
| MSCI Europe ex UK Small Cap NR | 11.1% | -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. | -- | 124.2% | Monthly Factsheet |
| MSCI Europe ex UK NR | 10.4% | -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. | -- | 64.2% | |
| Digital Stars Europe Smaller Companies | 9.2% | -21.2% | 32.6% | n.s. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 15.3% | 16/12/2016 |
| MSCI Europe Small Cap NR | 12.7% | -15.9% | 19.0% | n.s. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 14.5% | Monthly Factsheet |
| Digital Stars US Equities | 18.4% | -13.2% | n.s. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 6.3% | 16/10/2017 |
| S&P 500 NR | 11.4% | -4.9% | n.s. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 11.0% | Monthly Factsheet |
| Russell 2000 NR | 17.0% | -11.4% | n.s. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 6.2% | |

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