

Dear Shareholder,

Equity markets suffered a severe correction in February. The S&P 500 NR fell by 8.3% and the MSCI Europe NR by 8.5%. One had to go back to August 2011, in the midst of the sovereign crisis, to find a similar situation in Europe. In the United States, December 2018 had been even more painful, with a 10% fall in Wall Street's flagship index.

The global health crisis of the coronavirus is of course the cause of this brutal fall, and it was fuelled by the 2 following factors:

- 1- China's significant weight in the world economy is raising systemic fears. Any comparison with the SARS crisis in 2003 is obsolete due to the quadrupling of China's weight in the world economy (16% today vs. 4% in 2003).
- 2- The strong stock market rally of 30% observed since Christmas 2018 makes the indices more vulnerable to profit-taking

However, even if it is impossible at this stage to make a precise estimate of the consequences of this health crisis on the economy, it seems that equity markets offer good entry points at these levels for investors who are not very sensitive to short-term volatility. The economic recovery seen since the last fall may only be delayed and the trajectory of the global economy may be only slightly affected if the crisis does not last too long. The arguments in favour of equities are plentiful: the valuation level is attractive, central banks will act in parallel with the emergency fiscal measures implemented by the governments, and the declines in oil and commodities will help to bolster earnings.

Impacted by the fall in the financial markets caused by the coronavirus, Digital funds ended February sharply down. However, the month had started very well, with many positive surprises observed during the annual results announcements on stocks held in the portfolios (Evolution Gaming, Sinch, Dunelm, Lindab, Coloplast...) and with Atos/Worldline's offer on Ingenico. But then we experienced the worst weekly correction since autumn 2008. Despite that, Digital Stars funds ended February with an outperformance. The non-cyclical bias, the low interest rate positioning and the underweight in commodities and energy stocks offset the fall in our airlines and semiconductor stocks. **Digital Stars Europe Acc's** monthly performance was -7.5%, compared to -8.5% for MSCI Europe NR. **Digital Stars Europe Ex-UK Acc** finished February at -6.7% compared to -7.5% for MSCI Europe ex UK NR. **Digital Stars Eurozone Acc** achieved -6.8% against -7.9% for the MSCI EMU NR.

February's rebalancing was defensive. In particular the month-end screening, based on the Price Momentum, strongly influenced by the violent correction linked to Covid-19, which mainly included Real Estate or Utilities companies. The fund is therefore adapting to an uncertain environment and persistently low interest rates. We are globally overweight in technology, consumer discretionary and real estate; and underweight in financials (mainly banks), energy and food. The fund maintains a growth profile. It reinforces its non-cyclical bias. The weighting of British stocks in Digital Stars Europe stabilises at 29.8%, 3% overweight to the benchmark. Sweden remains the second largest weight at 14.4%. Digital Stars Europe's ex-ante tracking-error is 5.98% against the MSCI Europe. The ex-ante beta is 0.99.

**Digital Stars Europe Smaller Companies Acc** ended February down sharply by -7.5%, slightly outperforming the MSCI Europe Small Cap NR which ended at -8.0%. Positive sector bets in utilities and negative bets in energy benefited the fund, but it was mainly the good news on IT stocks that supported the excess return. The downturn in air transport penalised the fund, particularly through freight and airlines.

The latest portfolio review was biased towards smaller caps. The weights of health care, consumer discretionary and media were reduced, while real estate and utilities were significantly increased. The weighting of Italian stocks has been significantly reduced, as well as that of German stocks; the weight of Norway has been increased.

The portfolio is significantly overweight in technology and utilities and remains underweight in finance and consumer staples. The United Kingdom is still underweight, but represents the portfolio's largest geographical weighting, ahead of Sweden and Germany.

**Digital Stars US Equities Acc USD** ended February down sharply by -8.1%, slightly ahead of both the S&P 500 NR (-8.3%) and the Russell 2000 NR (-8.4%). The drop in oil benefited the fund since it holds no energy stocks. Conversely, the near absence of communication services and the overweight of financials weighed down in relative terms. Stocks in specialty retail and leisure/textile apparel, heavily represented in the portfolio, were hit hard by the coronavirus crisis. On the whole, however, the positive newsflow on the stocks in the portfolio enabled the fund to hold up well.

The latest portfolio review significantly strengthened the IT sector and significantly reduced the weighting of industrials.

The portfolio is overweight in consumer discretionary, financials and IT, and underweight in communication services and consumer staples.

28/02/2020	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>-6.8%</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>500.9%</b>	<b>13/11/1998</b>
MSCI Europe NR	-9.6%	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%	142.4%	<a href="#">Monthly Factsheet</a>
MSCI Europe Small Cap NR	-9.6%	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%	468.4%	
<b>Digital Stars Europe Ex-UK</b>	<b>-6.1%</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>203.6%</b>	<b>30/06/2006</b>
MSCI Europe ex UK NR	-8.3%	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.	73.4%	<a href="#">Monthly Factsheet</a>
MSCI Europe ex UK Small Cap NR	-8.0%	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.	138.5%	
<b>Digital Stars Eurozone</b>	<b>-5.6%</b>	<b>30.5%</b>	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	<b>-0.4%</b>	<b>01/10/2018</b>
MSCI EMU NR	-9.5%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-1.2%	<a href="#">Monthly Factsheet</a>
MSCI EMU Small Cap NR	-8.5%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-2.0%	
<b>Digital Stars Europe Smaller Companies</b>	<b>-6.9%</b>	<b>29.7%</b>	<b>-21.2%</b>	<b>32.6%</b>	n.s.	--	--	--	--	--	--	--	--	--	--	<b>27.4%</b>	<b>16/12/2016</b>
MSCI Europe Small Cap NR	-9.6%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	20.7%	<a href="#">Monthly Factsheet</a>
<b>Digital Stars US Equities</b>	<b>-8.3%</b>	<b>28.9%</b>	<b>-13.2%</b>	n.s.	--	--	--	--	--	--	--	--	--	--	--	<b>6.2%</b>	<b>16/10/2017</b>
S&P 500 NR	-8.4%	30.7%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	19.4%	<a href="#">Monthly Factsheet</a>
Russell 2000 NR	-11.4%	25.0%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	--	0.5%	

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