

Dear Shareholder,

January was marked by a strong rebound for equities. The MSCI Europe NR rose by 6.2% and the S&P 500 NR by 8.0%, thus allowing the major indices to recover around 60% of the correction experienced in the last quarter of 2018.

However, the macro-economic environment continues to show signs of slowing down, but it is likely that a substantial part of this has already been integrated into the prices. As is often the case, the fundamental resilience of valuations made it possible to partially correct the downward excesses of the end of the year, especially as the first publications in January were rather comforting. 71% of S&P 500 companies that have already reported their quarterly results posted earnings above expectations. In Europe, some emblematic names have also reassured (LVMH, Roche...).

Moreover, the shift on 4 January in the Fed's speech towards more monetary accommodation, even if expected, strongly supported the January rebound. Jerome Powell, showed himself sensitive to the presidential pressure of D. Trump, as well as that of the market, by evoking a necessary patience in the rhythm of rate hikes in 2019. In addition, the reduction in the size of the Fed's balance sheet should be more gradual than initially envisaged. It should be recalled that this balance sheet now stands at 4000 billion dollars against 4500 billion dollars at the peak in September 2017.

Finally, some comforting messages about the bilateral trade negotiations between China and the United States have eased the perceived risk. However, the March deadline is approaching, and the resurgence of some volatility cannot be ruled out, in a still complex geopolitical context.

Digital funds took full advantage of the rebound. Despite a defensive, non-cyclical profile, they ended January with a sharp rise, outperforming the small and large cap indices. Stocks that suffered late 2018, mainly in technology (Soitec, Aveva) and energy (DNO, Lundin Petroleum, Aker BP), vigorously rallied. Small and mid cap stocks outperformed and Neste Corporation, our biggest position in the portfolio, continued to increase. **Digital Stars Europe Acc's monthly performance was 9.5%**, compared to 9% for MSCI Europe Small Cap NR and 6.2% for MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended the month at 9%** compared to 8.1% for MSCI Europe ex UK Small Cap NR and 6% for MSCI Europe ex UK NR.

The monthly portfolio rebalancing was more diversified. As risk aversion was decreasing, our price momentum model has again selected some small and mid caps. We have introduced companies in the sectors of air transport, insurance, electronics and distribution. Overall, we are overweight in Healthcare, Food, Technology and Utilities; and remain underweight in Finance, Real Estate and Industry. The weight of UK stocks in Digital Stars Europe has increased to 20%, with the Nordic countries representing 23% of the portfolio and Switzerland 13%. Despite market volatility, Digital Stars Europe's ex-ante tracking-error remains reasonable at 4.72%. The ex-ante beta drops to 0.90, indicating the fund remains defensive.

Digital Stars Europe Smaller Companies Acc achieved a 9.2% return in January, compared to 9% for the MSCI Europe Small Cap NR. Among the highest contributors to the January rebound were stocks which ended December badly, such as industrials TOMRA and Fiera Milano. The Healthcare sector has also progressed well, with the equipment manufacturers Eckert & Ziegler and Carl Zeiss Mediatech.

The last rebalancing reinforced the utilities and the consumer discretionary sectors and reduced the weight of healthcare stocks. The portfolio is now overweight in real estate and utilities, and underweight mainly in financials, industrials and materials. The United Kingdom – the most represented country in the portfolio – was reinforced as well but remains underweight.

Digital Stars US Equities Acc USD performance was +10.4% in January, compared to +8.0% for the S&P 500 NR. The fund benefited from the rebound in growth and cyclical stocks. Technology (software), Health Care and Consumer Discretionary were the best contributors to the month's performance. Coupled with some good results announcements (Xilinx, K12...).

The last rebalancing was marked by a surge in Financials stocks (regional banks). In contrast, outgoing stocks were very balanced by sector. We remain overweight in Industrials and Consumer Discretionary; however, we are underweight in Energy and Utilities.

31/01/2019	YTD	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	Since Inception	Inception Date
Digital Stars Europe	9.5%	-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%	437.2%	13/11/1998
MSCI Europe Small Cap NR	9.0%	-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%	421.6%	Monthly Factsheet
MSCI Europe NR	6.2%	-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%	126.0%	
Digital Stars Europe Ex-UK	9.0%	-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.	--	171.0%	30/06/2006
MSCI Europe ex UK Small Cap NR	8.1%	-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.	--	118.3%	Monthly Factsheet
MSCI Europe ex UK NR	6.0%	-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.	--	57.7%	
Digital Stars Europe Smaller Companies	9.2%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	--	--	15.3%	16/12/2016
MSCI Europe Small Cap NR	9.0%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	--	10.7%	Monthly Factsheet
Digital Stars US Equities	10.4%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-0.9%	16/10/2017
S&P 500 NR	8.0%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	7.6%	Monthly Factsheet
Russell 2000 NR	11.2%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	1.0%	

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