

Dear Shareholder,

After a very successful year in 2019, the equity markets started the calendar year on a high note, before correcting abruptly at the end of January due to the Coronavirus outbreak in China, which is by nature unpredictable.

Fears of a global pandemic are weighing on the world economy and any comparison with the SARS crisis in 2003 is made obsolete by China's now significant weight in the global economy.

Although the situation remains worrying and unfortunately affects many people in their flesh and blood, it must be borne in mind that this type of event often gives rise to exaggerated concerns. All the more so since, after 5 months of uninterrupted rise since mid-August, equity indices could appear overheated. This health crisis is therefore the perfect pretext for the market to take advantage of a healthy breathing period, and there is no indication today that the powerful uptrend in equities can be challenged at this stage.

Economic Momentum is recovering around the world, and our proprietary indicator is reaching levels not seen in Europe for two years. Central banks are maintaining a very accommodative monetary policy (real rates are close to -2% in the euro zone). Valuation remains attractive, as the risk premium of European equities is back above 7%, compared to a 20-year average of less than 5%. And finally, expected earnings growth remains robust (+8.4% for the EuroStoxx in 2020). All these arguments point to a positive future for equities.

Despite the market correction at the end of the month, linked to Coronavirus, Digital funds ended January up, clearly outperforming the indices. The positive surprises observed during the annual results announcements on stocks held in the portfolios (HelloFresh, ASM International, Sartorius Stedim, Encavis, Lonza Group, etc.) largely explain this good resistance. Our funds also benefited from their non-cyclical bias and a beta slightly below 1. The defensive sectors like Utilities and Real Estate posted the best monthly returns, while Industrials, Financials and Basic Materials were negative. **Digital Stars Europe Acc's** monthly performance was +0.8%, compared to -1.3% for MSCI Europe NR. **Digital Stars Europe Ex-UK Acc** finished January at +0.6% compared to -0.8% for MSCI Europe ex UK NR. **Digital Stars Eurozone** achieved +1.3% against -1.7% for the MSCI EMU NR.

The rebalancing carried out during the month was diversified. Our models selected all-capitalization stocks in the Technology, Construction, Airlines and Utilities sectors. The price momentum screening of Digital Stars Europe continues to include UK domestic stocks (construction, real estate, retail). The latter will benefit from the removal of uncertainties regarding Brexit. 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. The weight of British stocks in Digital Stars Europe continues to grow and now stands at 29.4%, 3% overweight to the benchmark. Sweden is down but remains the second largest weight at 14.4%. Digital Stars Europe's ex-ante tracking-error is 5.97% against the MSCI Europe. The ex-ante beta is 0.95.

Digital Stars Europe Smaller Companies Acc ended January up +0.6%, compared with -1.7% for the MSCI Europe Small Cap NR. Renewable energy was the winning theme of the month, both in energy production (Falck Renewables, Scatec Solar, Encavis) and in design/engineering (Eolus Vind +41%). The portfolio's British stocks performed well despite the market downturn, but it was mainly Germany (LPKF, HelloFresh, Tele Columbus) and Sweden that had a positive impact on the fund's performance. Healthcare stocks (Eckert & Ziegler, El.En) lagged, as did oil-sensitive stocks (TORM, Energean Oil & Gas).

The latest portfolio review was directed towards smaller caps. The share of IT and healthcare has been reduced, while that of industrials has increased significantly. The weight of UK stocks has been increased again, in contrast to the weight of Danish stocks. The portfolio is overweight in IT, consumer discretionary and utilities, and underweight in financials, consumer staples and industrials. The United Kingdom is still underweight, but represents the portfolio's largest geographical weight, ahead of Sweden and Germany.

Digital Stars US Equities Acc USD ended January slightly down -0.2%, in line with the S&P 500 NR (-0.1%), but well ahead of the Russell 2000 NR (-3.2%). As the portfolio stayed away from the energy sector, the fall in oil had a limited impact on absolute performance, but was positive in relative terms. On the other hand, consumer discretionary (Tilly's, WW International, Murphy, Crocs, Hibbett Sports) penalized the fund, particularly in apparel and apparel retail.

The latest portfolio review has strongly reinforced financials, and reduced the weight of healthcare, consumer discretionary and consumer staples. The portfolio is overweight in consumer discretionary, industrials and financials, and underweight in communication services.

31/01/2020	YTD	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Since Inception	Inception Date
Digital Stars Europe	0.8%	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%	549.5%	13/11/1998
MSCI Europe NR	-1.3%	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%	164.8%	Monthly Factsheet
MSCI Europe Small Cap NR	-1.7%	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%	518.1%	
Digital Stars Europe Ex-UK	0.6%	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.	225.4%	30/06/2006
MSCI Europe ex UK NR	-0.8%	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.	87.5%	Monthly Factsheet
MSCI Europe ex UK Small Cap NR	-1.3%	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.	156.0%	
Digital Stars Eurozone	1.3%	30.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	6.8%	01/10/2018
MSCI EMU NR	-1.7%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	7.3%	Monthly Factsheet
MSCI EMU Small Cap NR	-1.7%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	5.2%	
Digital Stars Europe Smaller Companies	0.6%	29.7%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	--	37.7%	16/12/2016
MSCI Europe Small Cap NR	-1.7%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	31.2%	Monthly Factsheet
Digital Stars US Equities	-0.2%	28.9%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	15.5%	16/10/2017
S&P 500 NR	-0.1%	30.7%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	30.1%	Monthly Factsheet
Russell 2000 NR	-3.2%	25.0%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	--	9.8%	

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