

Dear Shareholder,

After the market euphoria of the end of 2020, equity indices fell by -0.7% in Europe (MSCI Europe NR) and -1.0% in the United States (S&P 500 NR). The identification of new variants of the coronavirus and the laborious deployment of the vaccination campaign explain a return of risk aversion, albeit moderate. The scenario of an imminent return to an almost normal life is not being questioned but simply delayed. Initial evidence from countries that are vaccinating on a large scale is very encouraging and seems to indicate that herd immunity is an achievable goal. Additionally, the fear of a shortage of vaccines reinforces demand and public support for the vaccination campaign. The economic recovery is expected to be significant. The basic effects are favourable and households have accumulated reserves. The central banks will also have no choice but to maintain their accommodating monetary policy. The ECB's emergency support plan represents nearly 17% of the zone's GDP, and the US fiscal stimulus plan could reach 10% of US GDP.

Equity index valuations remain attractive on both sides of the Atlantic. The risk premium of the US market is 3.5%, and remains above the historical average of 3.2%. In Europe, it stands at 6.1% vs. 5.0% on average over 20 years. The Momentum for earnings revisions is also well oriented, as is the medium-term stock market Momentum for equities, as all the major world indices are above their 200-day moving average.

After an exceptional year in 2020, during which performances exceeded 15%, the Digital funds continued to grow in January and once again outperformed their benchmarks. The month's best contributors were mainly stocks that had performed well last year. These include Internet distribution stocks (HelloFresh, Shop Apotheke, Global Fashion Group, B&M), online games (Kindred, Gamesys) and semiconductors (ASM International, ASML, BE semiconductor), in short the big winners of the health crisis. Health diagnostics stocks (Sartorius Stedim, Eurofins) also benefited from the spread of variants of the virus. Healthcare, Energy and Technology were the best sectors of the month. There was increased volatility in the second half of the month on the relative performance of the different styles ("value", "growth", "quality"), with performance differentials sometimes significant over the course of a day, offsetting each other globally.

Digital Stars Europe Acc's monthly performance was +0.6%, compared to -0.7% for MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended January at +0.4%** against -1.1% for the MSCI Europe ex UK NR. **Digital Stars Eurozone Acc achieved +3.1%** compared to -1.3% for the MSCI EMU NR.

The rebalancings carried out in January were diversified, favouring small and mid caps. The "digital" theme is once again present, as are renewable energies. The cyclical bias of the funds is reinforced by the introduction of industrial stocks with strong growth potential. In contrast, stocks in the food distribution or precious metals sectors are sold. Digital Stars Europe remains overweight in technology and consumer discretionary; and underweight in healthcare and food. The fund is neutral on financials. The UK remains the largest weighting and rose to 18.9%, ahead of Germany 16.7% and Sweden, down to 15.9%.

January was hesitant but hectic for the small and mid cap markets: **Digital Stars Europe Smaller Companies Acc finished at a flat -0.1%**, slightly lagging the MSCI Europe Small Cap NR at +0.4%. Over the month, the theme of renewable energies once again stood out, with significant successive rises and falls. VERBIO and Solarpack finished respectively best and worst contributors to the fund. In relative terms, cyclical consumption weighed the most negatively on the fund (Dufry, BHG Group, B&O, Games Workshop).

The latest monthly review of the portfolio has clearly favoured smaller caps. The model continued to push more cyclical stocks in industry and technology, and to lighten cyclical consumption and finance. The weights of Finland, Sweden and Austria were decreased, and that of Germany and France was increased.

The portfolio is overweight industrials and energy, and underweight real estate, finance and healthcare. Germany (21%), still significantly overweight, becomes the fund's largest country, ahead of the UK (20%) which remains very underweight.

Helped by the strong trend on small caps, **Digital Stars US Equities Acc USD finished up again this month, with a performance of 4.9%**, clearly beating the S&P 500 NR at -1.0%, but in line with the Russell 2000 NR at 5.0%. Several US stocks such as Gamestop experienced a short squeeze, peaking on 27 January. National Beverage and B&G Foods were the only stocks in the portfolio to experience it. They were sold on this occasion before their inevitable downfall, finishing among the best contributors to the fund. Consumer discretionary (Chuy's Holdings, Hibbett Sports, MarineMax) and IT (Cambium Networks, Alpha & Omega Semiconductors, Plantronics) again contributed significantly to performance.

The latest monthly review of the portfolio has been diversified. Finance, industry and materials were strengthened, and consumption was reduced.

The portfolio is now overweight in industrials, banks and consumer discretionary, and underweight in media and healthcare.

29/01/2021	YTD	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	Since Inception	Inception Date
Digital Stars Europe	0.6%	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%	649.9%	13/11/1998
MSCI Europe NR	-0.7%	-3.3%	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%	157.4%	
MSCI Europe Small Cap NR	0.4%	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%	560.5%	
Digital Stars Europe Ex-UK	0.4%	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%	290.3%	30/06/2006
MSCI Europe ex UK NR	-1.1%	1.7%	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%	90.2%	
MSCI Europe ex UK Small Cap NR	0.6%	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%	191.6%	
Digital Stars Eurozone	3.1%	18.3%	30.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	28.7%	01/10/2018
MSCI EMU NR	-1.3%	-1.0%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	6.6%	
MSCI EMU Small Cap NR	1.5%	5.5%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	14.6%	
Digital Stars Europe Smaller Companies	-0.1%	27.3%	29.7%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	74.1%	16/12/2016
MSCI Europe Small Cap NR	0.4%	4.6%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	40.2%	
Digital Stars US Equities	6.5%	23.8%	28.9%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	52.7%	16/10/2017
S&P 500 NR	-1.0%	17.8%	30.7%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	51.8%	
Russell 2000 NR	5.0%	19.5%	25.0%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	42.4%	

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

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