

Dear Shareholder,

Equity indices were up again in July, although the performance was modest. Once again it was the central banks' communication that attracted the full attention of investors. The ECB thus prepared the ground for a forthcoming reduction in its key interest rate in September, which nevertheless still stands at a very low level (-0.40%), while the Fed announced at the end of the month a 0.25% reduction in Fed Funds. This is the first time in more than a decade that target interest rates have been cut in the United States. In this context, long-term rates continued to ease to historically unprecedented levels in the euro zone (10 years German yield -0.40%).

The spectacular shift in monetary policy observed over the past eight months is now probably integrated into prices and a new sequence of market "stalling" could begin, during which people will pay more attention to the World Economic Momentum, which is slow to recover in a context of commercial tension. However, equity markets remain highly attractive in the medium term due to robust economic fundamentals, support from central banks, valuations that are still attractive in a context of low interest rates and massive under-investment by institutional operators.

Despite a hesitant market, Digital funds ended July slightly higher, outperforming again small and large cap indices. The prospect of a fall in US interest rates, which materialised at the end of July, continued to favour growth stocks with predictable cash flow, which are very present in portfolios. Conversely, cyclical sectors, which were underweight overall, underperformed, with the notable exception of semiconductors. The funds also benefited from positive Q2 earnings announcements (ASM International, Evolution Gaming, Carl Zeiss, AAK, MTU Aero Engines,...). **Digital Stars Europe Acc's monthly performance was +0.4%**, compared to -0.2% for MSCI Europe Small Cap NR and +0.3% for MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended July at +0.7%** compared to +0.2% for MSCI Europe ex UK Small Cap NR and +0.3% for MSCI Europe ex UK NR.

The rebalancings carried out during the month were diversified. The model selected mainly mid-cap stocks primarily in the technology and healthcare sectors. We remain globally overweight in technology, food and utilities; and are underweight in finance, commodities and real estate. The fund maintains its growth/non-cyclical profile. The weight of British stocks in Digital Stars Europe fell to 19.9%. We continued to strengthen Sweden, our second highest weighting at 14.3%. Digital Stars Europe's ex-ante tracking-error remains reasonable at 4.68%. The beta ex-ante slightly increases to 0.97.

Digital Stars Europe Smaller Companies Acc ended July slightly down -0.5%, a little bit lower than the MSCI Europe Small Cap NR (-0.2%). The healthcare sector was the most profitable for the fund during the month thanks to good earnings publications (Eckert & Ziegler, Carl Zeiss, CellaVision), followed by real estate (Dios Fastigheter). Some bad publications, particularly on Koninklijke Bam Groep, Interroll Holding and Valmet, had a particular impact on the industrial sector, which is strongly present in the portfolio.

The last portfolio review mainly strengthened technology stocks and reduced industrials. The share of Swedish stocks has been reduced in favour of the French. The portfolio is now significantly overweight in IT, as well as in utilities and healthcare, and remains underweight in finance and materials. Sweden remains the largest geographical weight in the portfolio, followed by the United Kingdom, which remains significantly underweight.

Digital Stars US Equities Acc USD continued to rise in July: **+3.0%**, outperforming both US large and small cap indices: S&P 500 NR +1.4% and Russell 2000 NR +0.6%. Year-to-date performance has reached **+22.7%**. The fund benefited from excellent earnings announcements from several stocks: Enphase Energy, Manhattan Associates, Sonic Automotive, etc., as well as from the strong performance of the technology sector (+8.3% in July) which represents the largest sector in the portfolio. To date, 85% (41/48) of the companies in the portfolio have published better earnings than expected by the analysts' consensus.

The latest rebalancing reduced the weight of the industrial sector, with the sale of transport related values (Norfolk Railroad, SkyWest, Timken...). On the entry side, the model selected diversified growth stocks. We remain overweight in Information Technology and Consumer Discretionary; however, we are underweight in Energy and Utilities.

| 31/07/2019 | YTD | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | Since Inception | Inception Date |
|---|--------------|---------------|--------------|-------------|--------------|-------------|--------------|--------------|---------------|--------------|--------------|---------------|-------------|--------------|--------------|-----------------|-----------------------------------|
| Digital Stars Europe | 21.1% | -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% | 494.1% | 13/11/1998 |
| MSCI Europe Small Cap NR | 15.6% | -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% | 453.0% | Monthly Factsheet |
| MSCI Europe NR | 16.6% | -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% | 148.1% | |
| Digital Stars Europe Ex-UK | 21.9% | -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. | -- | 203.1% | 30/06/2006 |
| MSCI Europe ex UK Small Cap NR | 16.3% | -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. | -- | 134.8% | Monthly Factsheet |
| MSCI Europe ex UK NR | 17.6% | -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. | -- | 74.9% | |
| Digital Stars Europe Smaller Companies | 14.5% | -21.2% | 32.6% | n.s. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 20.9% | 16/12/2016 |
| MSCI Europe Small Cap NR | 15.6% | -15.9% | 19.0% | n.s. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 17.4% | Monthly Factsheet |
| Digital Stars US Equities | 22.7% | -13.2% | n.s. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 10.2% | 16/10/2017 |
| S&P 500 NR | 19.8% | -4.9% | n.s. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 19.4% | Monthly Factsheet |
| Russell 2000 NR | 17.4% | -11.4% | n.s. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 6.6% | |

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