

Dear Shareholder,

After three months of a strong equity rally, the month of July ended on a more stable note. There was a significant reduction in volatility, and a return to a trend in favour of Growth and Momentum stocks at the detriment of Value. This is consistent with a normalisation of the markets after the first semester having been impacted by the health crisis.

The robustness of equity markets may seem surprising given the severity of the current crisis and its impact on the GDPs of Western countries. However, this can be explained by a combination of several factors. Unlike in 2008 (the Lehman crisis) and 1929 (the Great Depression), it is the economy that has come to a sudden halt, raising fears of contagion to the financial system. In theory, this situation is easier to overcome than a situation in which the poor health of the financial system poses a risk to the economy. In this scenario, the authorities must apply "barrier measures", as we have seen they have done, and will likely continue to do. Government support plans are unprecedented, having only been made possible by the central banks' implementation of ultra-accommodative monetary conditions. We should therefore not rule out the possibility of a further re-rating of equities, which in the current context have no liquid alternative on the financial markets.

The Digital funds finished July up and significantly outperformed their benchmarks. Industrial stocks, the gaming sector and precious metals stocks led the performance. The stock picking effect largely explains the outperformance. It was particularly positive in the healthcare sector (Getinge, Sartorius, Recipharm, Amplifon, Shop Apotheke,...). We also benefited from positive surprises in the quarterly results announcements (Inwido, Avanza Bank, Premier Foods, Sweco, etc.). For the first time since the start of the health crisis, there are 20% more upward revisions on estimated 2020 earnings than downward revisions for the stocks composing the funds. **The monthly performance of Digital Stars Europe Acc is +2.1%, compared with -1.4% for the MSCI Europe NR. Digital Stars Europe Ex-UK Acc ended July at +2.1% compared with -0.7% for the MSCI Europe ex UK NR. Digital Stars Eurozone Acc achieved +1.1% against -1.4% for the MSCI EMU NR.**

The rebalancings carried out in July were diversified. In particular, our models selected mining stocks (precious metals), specialised distribution (drugstores, DIY), internet distribution and handling equipment. We continue to withdraw from real estate and food. We are globally overweight in technology and consumer discretionary; and underweight in energy, basic materials and food. The weight of UK stocks in Digital Stars Europe is again down to 18%. Sweden remains the second largest contributor at 17.7%, ahead of Germany at 14.3%.

July was a good month for small-cap stocks: **Digital Stars Europe Smaller Companies Acc** continued its progression and finished the month at +4.6%, largely outperforming the MSCI Europe Small Cap NR which finished at +1.1%. Performance was driven by industrials (Sdiptech, Sweco, NKT), specialised distribution (XXL, Hornbach Baumarkt) and our gold "star" stock Petropavlovsk. The good news on some stocks in the portfolio is reflected in the portfolio's earnings forecasts, which are now revised upwards over 3 months, unlike those of the index, which are still revised downwards.

The latest monthly review of the portfolio, which focuses on the smallest caps, has strengthened industrials and specialised retailing, and reduced finance and utilities. The UK and Switzerland were significantly reduced, and Sweden was significantly strengthened.

The portfolio is overweight in consumer discretionary, technology and media, and underweight in real estate, healthcare and finance. Sweden (23.9%) is significantly overweight and becomes the largest geographical weighting ahead of the UK (17.8%), heavily underweight, Germany and France.

Digital Stars US Equities Acc USD posted a very strong +8.8% increase in July, once again clearly outperforming the S&P 500 NR (+5.6%) and the Russell 2000 NR (+2.8%). The fund's profile was still well oriented: the overweight of consumer discretionary, the best sector of the month, drove the fund's performance. Internet and/or specialised distribution stood out in particular (Lumber Liquidators, Stamps, Purple Innovation, MarineMax, Nautilus, D.R. Horton).

The portfolio remains overweight in consumer discretionary, financials and consumer staples, and underweight in communication services (media), technology and industrials.

31/07/2020	YTD	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Since Inception	Inception Date
Digital Stars Europe	-2.7%	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%	527.1%	13/11/1998
MSCI Europe NR	-14.0%	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%	130.6%	Monthly Factsheet
MSCI Europe Small Cap NR	-14.7%	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%	436.8%	
Digital Stars Europe Ex-UK	1.0%	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.	226.7%	30/06/2006
MSCI Europe ex UK NR	-9.8%	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.	70.5%	Monthly Factsheet
MSCI Europe ex UK Small Cap NR	-8.1%	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.	138.3%	
Digital Stars Eurozone	-0.6%	30.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	4.9%	01/10/2018
MSCI EMU NR	-13.6%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-5.7%	Monthly Factsheet
MSCI EMU Small Cap NR	-13.0%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-6.8%	
Digital Stars Europe Smaller Companies	0.5%	29.7%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	--	37.5%	16/12/2016
MSCI Europe Small Cap NR	-14.7%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	14.0%	Monthly Factsheet
Digital Stars US Equities	2.4%	28.9%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	18.5%	16/10/2017
S&P 500 NR	2.0%	30.7%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	32.9%	Monthly Factsheet
Russell 2000 NR	-10.8%	25.0%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	--	1.2%	

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