

Dear Shareholder,

June was characterized by a strong appreciation of the equity markets, which returned to their end-April level, the highest level of the year. The first semester will be remembered as the best first semester for European equities since 1998. However, macroeconomic fundamentals remain weak, in a context where trade wars are weighing heavily. Once again, it is the very accommodating monetary policy of Western central banks that has acted as a powerful driver for risky asset markets.

Thus, German sovereign rates have bypassed the previous record of 2016 and are now trading at a historically unprecedented level of -0.35% for the German 10-year bund. The latter therefore has a return equivalent to the ECB's deposit rate, which means that the market considers that the current monetary policy will be maintained for at least 10 years. This observation is a double support for the "Equity" markets. This drives flows towards equities, as bond yields are negative in real terms. Moreover, such a situation justifies an increase in the valuation of financial assets, including equities.

The second half of the year should be a key time for market orientation in the medium to long term. With one year to go before Donald Trump's term of office expires, will there be a sequence during which the Fed lowers its key rates, at the same time as a major trade agreement between China and the United States is announced? if this were the case, the equity market outlook would be very attractive.

Digital funds ended June significantly higher, halfway between small and large cap indices, and are now exceeding 20% performance in 2019. The decline in interest rates continued at the beginning of the month to favour growth stocks with predictable cash flows, which are very present in our portfolios. The end of the month was a little more favourable to the value theme, with interest rates stabilizing on hopes of resuming discussions between the USA and China during the G20. Very few companies announced their results this month and the stock-picking effect was almost nil. **Digital Stars Europe Acc's monthly performance was +3.7%**, compared to +2.9% for MSCI Europe Small Cap NR and +4.4% for MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended the month at +4.8%** compared to +-4.4% for MSCI Europe ex UK Small Cap NR and +5.1% for MSCI Europe ex UK NR.

The rebalancings carried out during the month were diversified. The model selected stocks from all capitalizations primarily in the industrial, healthcare, technology and food sectors. Telecom, catering and food distribution companies were sold. We remain globally overweight in technology, food and utilities; and are underweight in finance, commodities (excluding oil) and real estate. The fund maintains its growth/non-cyclical profile. The weight of British stocks in Digital Stars Europe fell to 21.3%. We continued to strengthen Sweden, our second highest weighting at 13.3%. Digital Stars Europe's ex-ante tracking-error remains reasonable at 4.97%. The beta ex-ante is stable at 0.93, the profile remains defensive.

Digital Stars Europe Smaller Companies Acc ended June up +2.9%, in line with the MSCI Europe Small Cap NR. The IT sector was the one that benefited the fund the most during the month, thanks in particular to some positive announcements, such as the acquisition of Altran Technologies by Capgemini, or the contract granted by Thales to Eurotech SpA. But some of the less good news tainted the fund, such as the incident at a hydrogen station co-owned by NEL ASA.

The latest portfolio review mainly strengthened industrial stocks (almost all of them Swedish or Swiss), and reduced consumer discretionary, particularly pubs (UK). The portfolio is now significantly overweight in industrials, utilities and IT stocks, and remains underweight in financials and commodities. Sweden is now the largest country weight in the portfolio, just ahead of the United Kingdom, which is once again significantly underweight.

Digital Stars US Equities Acc USD ended June up +7.8%, outperforming both US large and small cap indices: S&P 500 NR +7.0%, Russell 2000 NR +7.0%. Year-to-date performance has been **+19.1%**. This rise is due to the strong market rebound and the positive contribution of sectors such as Healthcare and Industrials (UniFirst Corp., Repligen Corp.). As a new earnings season approaches, it should be noted that portfolio companies are significantly revised upwards (ratio 3:1), whereas the US markets has a ratio below 1 (more downward than upward revisions).

The latest rebalancing strengthened Consumer Discretionary (home building, car dealership...) and Technology. Conversely, the weight of Healthcare decreased, with the sale of securities such as Bio-Rad Laboratories and Chemed Corp. We remain overweight in Industrials and Consumer Discretionary; however, we are underweight in Energy and Utilities.

28/06/2019	YTD	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	Since Inception	Inception Date
Digital Stars Europe	20.6%	-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%	491.9%	13/11/1998
MSCI Europe Small Cap NR	15.7%	-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%	453.9%	Monthly Factsheet
MSCI Europe NR	16.2%	-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%	147.4%	
Digital Stars Europe Ex-UK	21.1%	-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.	--	201.0%	30/06/2006
MSCI Europe ex UK Small Cap NR	16.1%	-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.	--	134.4%	Monthly Factsheet
MSCI Europe ex UK NR	17.3%	-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.	--	74.5%	
Digital Stars Europe Smaller Companies	15.1%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	--	--	21.5%	16/12/2016
MSCI Europe Small Cap NR	15.7%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	--	17.6%	Monthly Factsheet
Digital Stars US Equities	19.1%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-0.8%	16/10/2017
S&P 500 NR	18.2%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	10.1%	Monthly Factsheet
Russell 2000 NR	16.7%	-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