

Dear Shareholder,

May appears to be the first month of decline for equities in 2019. This consolidation may seem logical after the strong appreciation of the major equity indices observed since last Christmas. The deterioration in the climate surrounding the Sino-American trade negotiations following particularly vindictive tweets by D.Trump, as well as the generally poor macroeconomic publications (although consumer confidence is at its highest level in 20 years and the unemployment rate is at its lowest since 1965) were the main catalysts for this correction, which we consider healthy.

At the same time, interest rates have eased sharply. At the end of the month, the German 10-year yield reached its all-time low of 2016 at around -0.20%. In this context, it is the "Visible Growth" type stocks, or those classified as domestic (Telecom, Utilities) that have distinguished themselves in relative terms, offsetting nearly half of the monthly decline in the indices. On the other hand, "Value" stocks suffered strongly. Financials were adversely affected by the fall in interest rates and cyclicals by the deterioration of the World Economic Momentum.

Nevertheless, the correction we have just undergone may only be temporary. Many institutional investors, who are on average under-exposed, could take advantage of this decline to reinvest in equities as the 200-day moving average approaches, while global growth remains robust (+2.9% expected in 2019), central banks have confirmed their support and valuations are still attractive in a context of persistently low rates.

Digital funds ended May lower but significantly higher than small and large cap indices. The defensive profile and underweighting of cyclical sectors made it possible to resist the correction at the beginning of the month. The fall in interest rates favoured growth stocks, which are very present in portfolios. The funds also benefited again from very positive earnings announcements (Greggs, Future Plc, ICA Gruppen, Bechtle, Falck Renewables, Fingerprint). **Digital Stars Europe Acc's monthly performance was -2.4%**, compared to -5.9% for MSCI Europe Small Cap NR and -4.9% for MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended the month at -1.9%** compared to +5.6% for MSCI Europe ex UK Small Cap NR and -4.7% for MSCI Europe ex UK NR.

The rebalancings carried out during the month were diversified. No significant buying or selling trends emerged: the model selected stocks from all capitalisations, mainly in the industrial, healthcare, utilities and food sectors. But these sectors are also appearing among the securities sold. We remain globally overweight in technology, food and utilities; and are underweight in finance, commodities (excluding oil) and real estate. The fund is therefore adapted to an environment of economic slowdown and low interest rates. The weight of British stocks in Digital Stars Europe is stable at 24%; Sweden remains the second largest weighting with 12.6%. The ex-ante tracking-error of Digital Stars Europe remains reasonable at 4.76%. The beta ex-ante increases slightly to 0.94, the profile remains defensive.

Digital Stars Europe Smaller Companies Acc ended May down -1.4%, significantly outperforming the MSCI Europe Small Cap NR which fell -5.9%. The fund's still quite defensive profile explains this outperformance, as well as a series of good news on the earnings announcements of many stocks, be it for the more cyclical ones (Greggs, Tinexta, Pets At Home, MIPS) or the more defensive (Future Plc, Falck Renewables).

The latest portfolio review has strengthened healthcare, industry, but also real estate and utilities, and the weight of retail has been significantly reduced. The portfolio is now substantially overweight in utilities, consumer discretionary and industry, and remains underweight in finance and commodities. The United Kingdom, the largest geographical weight of the portfolio, remains well underweight.

Digital Stars US Equities Acc USD ended the month down -8.6% compared to -7.8% for the Russell 2000 NR and -6.4% for the S&P 500 NR. This decline comes after the renewed tensions between China and the US against the backdrop of a trade war, which has overshadowed the good quarterly earnings announcements by US companies. It should be noted that nearly 90% of the securities held in the portfolio have reported better than expected earnings since April. The Technology and Consumer Discretionary sectors - importers of Chinese products - had a significantly negative impact on the performance, while Materials and Healthcare (Veeva Systems, Molina Healthcare) enabled us to limit the decline.

The latest rebalancing strengthened financial services (loan companies, investment managers, etc.). Conversely, the weight of the technology sector decreased, as EPS estimates were significantly revised downwards during the month. We remain overweight in Industrials and Consumer Discretionary; however, we are underweight in Energy and Utilities.

31/05/2019	YTD	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	Since Inception	Inception Date
Digital Stars Europe	16.4%	-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%	41.5%	470.9%	13/11/1998
MSCI Europe Small Cap NR	12.5%	-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%	438.2%	Monthly Factsheet
MSCI Europe NR	11.3%	-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%	136.9%	
Digital Stars Europe Ex-UK	15.5%	-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.	--	187.2%	30/06/2006
MSCI Europe ex UK Small Cap NR	11.3%	-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.	--	124.6%	Monthly Factsheet
MSCI Europe ex UK NR	11.7%	-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.	--	66.1%	
Digital Stars Europe Smaller Companies	11.8%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	--	--	18.0%	16/12/2016
MSCI Europe Small Cap NR	12.5%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	--	14.2%	Monthly Factsheet
Digital Stars US Equities	10.5%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-0.8%	16/10/2017
S&P 500 NR	10.4%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	10.1%	Monthly Factsheet
Russell 2000 NR	9.1%	-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