

Dear Shareholder,

March saw the equity markets continuing their upward trend (MSCI Europe NR +6.5%, S&P 500 NR +4.3%), the entire impact of the Covid crisis on the European indices has been erased, while in the US the S&P 500 index is recording new highs. The economic recovery will be strong. Earnings publications surprise positively and our European Economic Momentum indicator is at a 3-year high. The market seems to be confident in the effectiveness of the vaccines and the 3rd wave of the pandemic severely affecting an unvaccinated Europe is nothing but a small delay. Central banks will remain accommodating for as long as necessary. Moreover, the stimulus plans will be massive, and consumption will be stimulated by abundant savings. Despite the rise in indices, valuation remains relatively healthy, especially in Europe where the risk premium is 5.6% above its 20-year average of 5.0%. In the US, it is at 3.0%, its historical average.

In such a context, it seems difficult not to consider equities favourably. However, the rise has been rapid, and a sound short-term consolidation is obviously not to be excluded.

The Digital Funds continued to grow in March and performed in line with their benchmarks. Following on from the end of February, the first few days of March saw profit-taking on “growth” stocks, which were affected by rising interest rates. The Internet retail sector and semiconductors suffered particularly badly... before recovering during the rest of the month. Performance was then driven by the technology sector (ASM, ASML, Besi, Softcat, Qt Group), online gaming (Evolution Gaming, Kindred, Gamesys), logistics stocks (PostNL, Royal Mail) and shipping (MPC Container Ships, Kuehne+Nagel). The cyclical bias of the funds leads to an ex-ante beta of 1.1, which explains the slight amplification of market movements.

The monthly performance of Digital Stars Europe Acc is +6.2%, compared to +6.5% for the MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended March at +6.2%** compared to +6.6% for the MSCI Europe ex UK NR. **Digital Stars Eurozone Acc achieved +4.1%** against +6.6% for the MSCI EMU NR.

The rebalancings carried out in March were diversified, with a selection covering all market capitalisations. The cyclical bias of the funds is again reinforced by the introduction of stocks in basic materials, construction, shipping and banking. We continued to sell stocks in renewable energies, utilities and healthcare, in a nutshell: stocks affected by rising interest rates. Digital Stars Europe remains overweight in technology and consumer discretionary; and underweight in healthcare and food. The fund is neutral on financials and commodities. The United Kingdom remains the largest country weight at 17.7%, now joined by Sweden also at 17.7%, and ahead of Germany at 15.3%.

Digital Stars Europe Smaller Companies Acc rose by +4.4% in March, slightly behind the MSCI Europe Small Cap NR (+5.1%). Technology weighed negatively on performance: after a difficult start to the month for the sector as a whole, the recovery in semiconductors was not enough to turn the tide. Industrials shone, particularly in freight (John Menzies, NTG) and logistics (PostNL, Royal Mail). The UK also performed well (CMC Markets, Tremor, Kin and Carta), boosted by the strength of the pound.

During the last monthly portfolio review, the model significantly reduced the weight in healthcare and technology stocks, and clearly increased the weight in industrials.

The portfolio is now overweight industrials and underweight real estate, materials and healthcare. The UK (22%), which is still very underweight, remains the largest country in the fund, ahead of Germany (19%), which remains significantly overweight.

Digital Stars US Equities Acc USD finished up +4.0% this month, slightly behind the S&P 500 NR at +4.3%, but ahead of the Russell 2000 NR at +1.0%. The financial sector was the big winner this month, particularly in banking (Live Oak Bank, Silvergate Capital, Pacific Premier) and mortgages (PennyMac, MrCooper). Technology, the best contributor since the beginning of the year, suffered a setback this month, both in software (Agilysys, Trade Desk) and semiconductors (Alpha and Omega Semiconductor).

The latest monthly portfolio review strengthened core mid-cap companies. Technology and healthcare were strengthened; consumer staples and industrials were reduced.

The portfolio is overweight in banks and industrials, and underweight in media and food.

31/03/2021	YTD	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	Since Inception	Inception Date
Digital Stars Europe	10.7%	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%	725.3%	13/11/1998
MSCI Europe NR	8.4%	-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%	181.0%	
MSCI Europe Small Cap NR	9.7%	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%	621.3%	
Digital Stars Europe Ex-UK	11.4%	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%	332.8%	30/06/2006
MSCI Europe ex UK NR	7.7%	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%	107.2%	
MSCI Europe ex UK Small Cap NR	8.8%	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%	215.4%	
Digital Stars Eurozone	10.8%	18.3%	30.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	38.3%	01/10/2018
MSCI EMU NR	9.0%	-1.0%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	17.7%	
MSCI EMU Small Cap NR	11.0%	5.5%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	25.3%	
Digital Stars Europe Smaller Companies	8.2%	27.3%	29.7%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	88.5%	16/12/2016
MSCI Europe Small Cap NR	9.7%	4.6%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	53.1%	
Digital Stars US Equities	22.0%	23.8%	28.9%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	74.9%	16/10/2017
S&P 500 NR	6.1%	17.8%	30.7%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	62.7%	
Russell 2000 NR	12.6%	19.5%	25.0%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	52.7%	

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

The future performance of an investment cannot be deduced from previous market value, i.e. the value of an investment may fall as well as rise. An investment may also lose value due to changes in rates of foreign exchange. J.Chahine Capital cannot guarantee that any capital invested will maintain or increase in value.