

Dear Shareholder,

The bullish trend in the markets was maintained in October. US equities rose by +2.1% (S&P 500 NR) and European equities by +0.9% (MSCI Europe NR).

However, the macro-economy remains weak and downward revisions of economic growth prospects are still prevailing. Such an environment is generally unfavourable to cyclical assets such as equities, but this is not the case since the beginning of the year. The new monetary shift of central banks explains this behaviour, which may appear paradoxical. The 180° shift in monetary policies has compensated for the collapse of the economic momentum observed since spring 2018. The equity asset class is rising in order to adapt to an environment in which all financial assets are very expensive (with the exception of equities). In parallel, the stylistic rotation initiated in September continued in October. The halt in the decline in long-term rates and a return of autumnal softness in geopolitics (trade war, Brexit, etc.) explain this return of Value. This is the first time since 2016 that Value has been the best style in Europe for 2 consecutive months.

While this market is concerned about the last 2 months of the year, it should not be assumed that this bullish rally will not continue. Politics will certainly have to take over from monetary policy. Any progress on Sino-American trade negotiations, or on fiscal stimulus in Europe, would act as a powerful catalyst in a context where institutional investors remain massively underexposed to equities.

Digital funds end October with a small increase close to the large-cap indices. As witnessed in September, the rise in long-term rates had a negative impact on predictable cash-flow securities (Utilities, Food, Real Estate), all well represented in the portfolio. In contrast, banking and cyclical stocks continued to rebound. This negative sector effect, linked to a cautious and non-cyclical positioning, was offset by good quarterly earnings announcements on portfolio securities (Getinge, ASM International, Evolution Gaming, Aveva, Future Plc). **Digital Stars Europe Acc's** monthly performance was 0.8%, compared to 0.9% for MSCI Europe NR. **Digital Stars Europe Ex-UK Acc** ended October at 0.4% versus 1% for MSCI Europe ex UK NR. And **Digital Stars Eurozone** achieved 2.7% versus 1.2% for MSCI EMU NR.

The rebalancing carried out during the month was again diversified. The model, which began the integration of our new neural network-based momentum combining price and earnings momentum, selected stocks from all capitalizations with no significant sector trend. Stocks from the paper or shipping industry are reappearing, reflecting a slight return of cyclicals in the portfolio. We are overweight overall in technology, consumer discretionary and utilities; and underweight in finance (mainly banks), energy and commodities. The fund maintains a growth/non-cyclical profile. The weight of British stocks in Digital Stars Europe continues to increase, to 24.2%, and is close to that of the benchmark. Sweden is the second highest weighting with 13.3%. The ex-ante tracking-error of Digital Stars Europe is 6.01% against MSCI Europe. The beta ex-ante is 0.93.

Digital Stars Europe Smaller Companies Acc ended October up 2.5%, in line with the MSCI Europe Small Cap NR. The fund's IT overexposure played in its favour, as well as positive announcements on gaming, media and industry stocks. Conversely, real estate and utilities weighed on the fund's return.

The last portfolio review was diversified. The share of real estate, consumer staples and energy has been reduced, and the share of materials has increased. The weight of British stocks has been strengthened, unlike that of Swedish stocks, rebalancing geographical bets a little. The portfolio remains overweight in IT, healthcare and utilities, and underweight in finance, industrials and consumer staples. The United Kingdom remains underweight but is back to being the largest geographical weight in the portfolio, ahead of Sweden.

Digital Stars US Equities Acc USD ended October up 2.6%, compared to +2.1% for the S&P 500 NR and +2.6% for the Russell 2000 NR. A very good month for industrial stocks, particularly those related to construction. Consumer discretionary continued to be strong this month.

During the last portfolio review, the model reduced the weight of the two most overweight sectors: consumer discretionary and industrials. IT and especially healthcare have been strengthened. The portfolio remains overweight in consumer discretionary and industry and underweight in communication services.

In order to clarify our range of funds, and to clearly affirm their all-cap profile, Digital Stars Europe, Digital Stars Europe Ex UK and Digital Stars Eurozone funds changed their benchmarks on 1 October 2019. From now on, their reference indices are respectively MSCI Europe NR, MSCI Europe ex UK NR and MSCI EMU NR. We also inform you that Chahine Capital is now a signatory of the UN PRI.

31/10/2019	YTD	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	Since Inception	Inception Date
Digital Stars Europe	22.0%	-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%	498.8%	13/11/1998
MSCI Europe NR	20.3%	-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%	155.9%	Monthly Factsheet
MSCI Europe Small Cap NR	20.6%	-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%	476.9%	
Digital Stars Europe Ex-UK	22.0%	-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.	--	203.2%	30/06/2006
MSCI Europe ex UK NR	21.9%	-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.	--	81.2%	Monthly Factsheet
MSCI Europe ex UK Small Cap NR	19.2%	-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.	--	140.7%	
Digital Stars Eurozone	24.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	--	1.0%	01/10/2018
MSCI EMU NR	20.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	--	5.1%	Monthly Factsheet
MSCI EMU Small Cap NR	21.0%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	--	1.0%	
Digital Stars Europe Smaller Companies	17.9%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	--	--	24.5%	16/12/2016
MSCI Europe Small Cap NR	20.6%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	--	22.5%	Monthly Factsheet
Digital Stars US Equities	23.2%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	10.6%	16/10/2017
S&P 500 NR	22.6%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	22.1%	Monthly Factsheet
Russell 2000 NR	16.8%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	6.0%	

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