

Dear Shareholder,

The months follow one after the other with noticeable inconsistency. Consequently, September 2019 marks a disruption in the general trend observed since the beginning of the year, and financial assets moved in September in the opposite direction to what had been observed in August.

Many positive signals have undoubtedly emerged. The hope of progress in the bilateral Sino-American negotiations on global trade has been reinforced by constructive statements. The hypothesis of a European fiscal stimulus has gained importance, with Germany announcing an investment programme for a sustainable economy of EUR 100 billion by 2030. After some deliberation, central banks eventually acted as the market wanted by lowering rates.

Against this backdrop, equity markets rose, thanks to the easing of the risk premium, and interest rates fell back, after reaching record negative levels in the Euro Zone in August. At the same time, there has been a strong rotation of styles and sectors within the equity markets. The Value style was most prominent, supported by the good performance of banks as well as by certain cyclical sectors, but remains a conspicuously underperforming style since the beginning of the year. This rotation will be followed by our momentum models, if it were to continue. "Recovery value" type investments could emerge and offer a diversified alternative to "growth" companies that are structurally well suited to our Momentum approach.

Digital funds ended September significantly higher but lower than small and large caps indices due to their cautious positioning and non-cyclical bias. The steepening of the yield curve, observed from 5<sup>th</sup> to 13<sup>th</sup> September, had a very negative impact on predictable cash-flow stocks (Utilities, Food, Real Estate) well represented in the portfolio. On the other hand, banking and cyclical stocks, i.e. stocks with poor momentum, rebounded strongly. This reversion to mean phenomenon is similar to the behaviour of the markets observed in April, with a more violent trend. It was partly corrected during the second half of the month, as long-term rates fell back. **Digital Stars Europe Acc's monthly performance was 2.1%**, compared to 3.5% for MSCI Europe Small Cap NR and 3.8% for MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended September at 1.1%** compared to 2.5% for MSCI Europe ex UK Small Cap NR and 3.3% for MSCI Europe ex UK NR.

The rebalancings carried out during the month were more diversified than previously, with less focus on "quality/growth" companies. The model selected stocks from all market capitalisations with no significant sector trend. There are industrial, food, insurance, healthcare and technology stocks in and out. We are globally overweight in technology, consumer discretionary and utilities; and underweight in financials (mainly banks), energy and commodities. The fund maintains a growth/non-cyclical profile. The weight of British stocks in Digital Stars Europe increases at 22.6%. Sweden is the second highest weighting with 13.9%. Digital Stars Europe's ex-ante tracking-error is 5.56% versus MSCI Europe. The beta ex-ante is 0.98.

**Digital Stars Europe Smaller Companies Acc ended September up 2%**, compared to 3.5% for the MSCI Europe Small Cap NR. The fund's overexposure to real estate was to the detriment of the fund due to the steepening of the yield curve, as well as negative publications on some stocks in the sector. But this lag was largely offset in the middle of the month thanks to the IT sector which boosted the fund returns.

The last portfolio review was quite diversified. The share of utilities has been reduced, and that of healthcare and materials has been increased. The weight of Swiss stocks has been slightly increased, contrary to the Dutch. The portfolio remains overweight in IT, healthcare, utilities and real estate, and underweight in financials and industrials. Sweden is still the largest geographical weight in the portfolio, ahead of the United Kingdom, which remains significantly underweight.

**Digital Stars US Equities Acc USD ended September up 0.5%**, compared to +1.8% for the S&P 500 NR and +2.0% for the Russell 2000 NR. Technology suffered, particularly software, feeling the full impact of the style reversal observed during the month. Discretionary consumption took over and was the sector that contributed most to performance, driven by retail stocks; helped by the relaunch of negotiations between China and the US around a trade deal.

The latest rebalancing was diversified, with a strengthening in Industrials and construction through the integration of MasTec Inc. On the exit side, some financials, especially regional banks. We remain overweight in Information Technology and Consumer Discretionary; however, we are underweight in Energy and Utilities.

30/09/2019	YTD	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	Since Inception	Inception Date
<b>Digital Stars Europe</b>	<b>21.0%</b>	<b>-19.5%</b>	<b>23.7%</b>	<b>0.7%</b>	<b>24.7%</b>	<b>3.5%</b>	<b>36.0%</b>	<b>22.7%</b>	<b>-16.0%</b>	<b>32.6%</b>	<b>37.0%</b>	<b>-48.3%</b>	<b>1.8%</b>	<b>36.6%</b>	<b>41.5%</b>	<b>493.9%</b>	13/11/1998
MSCI Europe Small Cap NR	17.6%	-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%	462.9%	<a href="#">Monthly Factsheet</a>
MSCI Europe NR	19.2%	-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%	153.7%	
<b>Digital Stars Europe Ex-UK</b>	<b>21.5%</b>	<b>-17.2%</b>	<b>25.0%</b>	<b>5.0%</b>	<b>24.7%</b>	<b>3.6%</b>	<b>37.1%</b>	<b>22.4%</b>	<b>-21.4%</b>	<b>32.3%</b>	<b>36.1%</b>	<b>-42.2%</b>	<b>9.7%</b>	n.s.	--	<b>201.9%</b>	30/06/2006
MSCI Europe ex UK Small Cap NR	17.1%	-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.	--	136.3%	<a href="#">Monthly Factsheet</a>
MSCI Europe ex UK NR	20.7%	-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.	--	79.5%	
<b>Digital Stars Europe Smaller Companies</b>	<b>15.0%</b>	<b>-21.2%</b>	<b>32.6%</b>	n.s.	--	--	--	--	--	--	--	--	--	--	--	<b>21.4%</b>	16/12/2016
MSCI Europe Small Cap NR	17.6%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	--	19.5%	<a href="#">Monthly Factsheet</a>
<b>Digital Stars US Equities</b>	<b>20.1%</b>	<b>-13.2%</b>	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	<b>7.8%</b>	16/10/2017
S&P 500 NR	20.0%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	19.6%	<a href="#">Monthly Factsheet</a>
Russell 2000 NR	13.8%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	3.3%	

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](mailto:info@chahinecapital.com)

Best Regards,

The Asset Management Team