

Dear Shareholder,

Equity indices declined in September (MSCI Europe NR -3.3%, S&P 500 NR -3.8%). It seems the impressive rally in equities which started in March has finally come to a halt. Fears related to the pandemic are again emerging and are increasing investor uncertainty, especially as the US presidential election is looming.

Nevertheless, even if the upward trend on the indices has just paused, the trends within the equity markets have remained intact. The Growth style continues to benefit relatively from a situation in which many companies are taking advantage of disruptions in society. In this respect, the Coronavirus crisis appears to be a gas pedal of trends that are already well underway. The green economy, Internet distribution and technology are all Growth themes that are benefiting from the current situation. Conversely, Value continues to lag behind, and is particularly affected by the decline in banks and the energy sector.

After such a powerful rebound in the markets, it seems natural to observe a consolidation of the indices. Investors could take advantage of this decline to re-expose themselves to the equity asset class that offers yield in a financial world that is without it, and which is otherwise liquid.

The Digital funds ended September close to breakeven, but outperformed their benchmarks. The very beginning of the month was difficult with profit taking on growth stocks, which are well represented in the portfolio. However, what followed was much more favourable with positive stock picking and good performance from internet distributors (ASOS, HelloFresh, Zalando), specialised distribution (DIY, furniture, sporting goods distribution), online video games (Paradox Interactive, Stillfront), and healthcare, particularly diagnostics (Diasorin, Biomerieux, Stratec), to summarise sectors and stocks ("COVID stars") that are benefiting from the deterioration of the health situation. We continue to observe significantly (70%) more upward revisions in estimated 2020 earnings than downward revisions in fund securities.

The monthly performance of Digital Stars Europe Acc is -0.1%, compared to -1.4% for the MSCI Europe NR. Digital Stars Europe Ex-UK Acc ended September at -0.5% versus -0.9% for the MSCI Europe ex UK NR. Digital Stars Eurozone Acc achieved +0.4% against -1.8% for the MSCI EMU NR.

The rebalancings carried out in September were diversified, oriented towards small and mid-caps and slightly more defensive than during previous months. In particular, our models selected stocks in food retailing, IT services and furnitures, and strengthened the gaming and internet retail sectors. We continue to exit from real estate and utilities and are beginning to take profits on hydrogen stocks. The profile of the fund remains broadly unchanged. We are overweight in technology and consumer discretionary; and underweight in energy, commodities and food. The United Kingdom becomes again the largest weighting: 18.6%, ahead of Sweden: 17.6% and Germany: 14.6%.

Digital Stars Europe Smaller Companies Acc ended the month at +0.9%, outperforming the MSCI Europe Small Cap NR which finished down -0.6%. Profit-taking on our growth stocks penalised the fund at the very beginning of the month, but subsequently the fund managed to catch up and outperform the market, confirming its good orientation. Consumer discretionary appears to be leading the way (HORNBAACH Baumarkt, Westwing, Plastic Omnium, XXL, Games Workshop), as well as gaming (Stillfront, Focus Home Interactive), and healthcare (Stratec, Valneva). On the losing side, we find industrials, particularly those linked to renewable energies (NEL, Alfen).

The latest monthly portfolio review, focused on the smallest caps, has mainly strengthened healthcare and energy, and reduced industrials, financials and consumer staples. Switzerland was significantly reduced, as was Denmark; and Germany was again strongly strengthened.

The portfolio is overweighted in consumer discretionary and IT, and underweighted in real estate, materials and finance. Sweden (22.7%) and Germany (22.6%), both significantly overweighted, are still the leading country weights, ahead of the UK (16.3%), which is itself significantly underweighted.

Digital Stars US Equities Acc USD posted a -2.7% return in September, but nevertheless outperformed both the S&P 500 NR (-3.8%) and the Russell 2000 NR (-3.4%). The IT sector stood out, allowing the fund to outperform the US market (Digital Turbine, SiTime, eGain, Manhattan Associates). The absence of GAFAM names in the fund helped as well.

The latest monthly review of the portfolio, focusing on the smallest stocks in the segment, has mainly strengthened energy and healthcare, and reduced financials and real estate.

The portfolio remains overweight in consumption (cyclical and non-cyclical) and materials, and underweight in communication services (media), IT and healthcare.

30/09/2020	YTD	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Since Inception	Inception Date
Digital Stars Europe	2.5%	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%	36.6%	560.7%	13/11/1998
MSCI Europe NR	-12.7%	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%	19.6%	134.0%	
MSCI Europe Small Cap NR	-10.3%	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%	29.9%	464.0%	
Digital Stars Europe Ex-UK	5.0%	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%	n.s.	239.6%	30/06/2006
MSCI Europe ex UK NR	-7.9%	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%	n.s.	74.1%	
MSCI Europe ex UK Small Cap NR	-2.5%	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%	n.s.	153.0%	
Digital Stars Eurozone	6.1%	30.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	11.9%	01/10/2018
MSCI EMU NR	-12.2%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-4.2%	
MSCI EMU Small Cap NR	-9.1%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-2.7%	
Digital Stars Europe Smaller Companies	9.1%	29.7%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	--	49.4%	16/12/2016
MSCI Europe Small Cap NR	-10.3%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	19.7%	
Digital Stars US Equities	5.3%	28.9%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	22.0%	16/10/2017
S&P 500 NR	5.1%	30.7%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	36.9%	
Russell 2000 NR	-9.0%	25.0%	-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

Best Regards,

The Asset Management Team