

Dear Shareholder,

Inflation is reaching record levels, interest rates are tightening, war is taking hold in Europe and 180 million Chinese are being confined, meanwhile, the MSCI Europe NR index has only lost -5.9% in the first 4 months, including -0.6% in April, and is far more resilient than the bond indices. The headwinds are numerous and logically weigh on the psychology of investors. The temptation to be puzzled is great in such a context, which is why we feel it is important to share the main elements and signals that can be extracted from our "Top-Down" analysis. Our Economic Momentum indicator has fallen in 3 months from 61 (out of 100) to 42. The consensus of economists now expects GDP growth in the Eurozone to be +2.9% in 2022, compared to +4.4% 6 months ago. Q1 growth was +0.2%, and still signals an expansion. The recession is only materializing at this stage in the collapse of the sentiment indicators, which are approaching their historical lows. The Zew Expectation Eurozone is close to the levels of October 2008, November 2011 and March 2020, all good entry dates for investors. Despite the pressure on long-term interest rates, the risk premium on the European equity market remains intact. The decline in indices, coupled with expected earnings growth of +11.6% in 2022 has compensated. Thus, the risk premium of the STOXX Europe 600 index stands at +6.5%, a generous level compared to the average since 2000 of 5.0%. It should also be noted that the 2022 Earnings Momentum remains surprisingly well oriented. Finally, the behavioural dynamics are deteriorating as the major international indices broke through their 200-day moving averages in April. However, the strength of the major European indexes' support (2000 and 2007 highs), which was tested in early March before triggering a powerful rebound, is a positive signal for the medium/long term.

Relatively stable at the beginning of April, the financial markets fell violently at the end of the month due to the escalation of the Ukrainian conflict, the lack of prospects for a diplomatic agreement, but also the lockdowns in China following the rise in Covid cases. The expected negative impact of these lockdowns on global growth notably halted the rise in energy and basic materials stocks. Digital Stars funds ended April lower. Growth stocks, technology (especially semiconductors) and industrials were among the worst contributors this month. Defensive stocks (telecoms, food, utilities) are the winners.

The monthly performance of Digital Stars Europe Acc is -2.3%, compared to -0.6% for the MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended April at -3.0%** compared to -1.3% for the MSCI Europe ex UK NR. **Digital Stars Eurozone Acc achieved -3.0%** against -1.9% for the MSCI EMU NR.

The rebalancing in April was influenced by the conflict in Ukraine and the lockdowns in China. The model therefore mainly included Basic Materials and Energy stocks in the middle of the month, but moved towards more defensive stocks (Telecoms, Healthcare, Utilities) at the end of the month. We are selling cyclical stocks in the industrial, semiconductor and financial sectors.

Digital Stars Europe remains overweight in Basic Materials, Industrials, Technology and Financials. The overweight in Basic Materials increases, again, to 9%. The fund is underweight in Food and Healthcare. The UK remains the largest weighting at 15.3%, ahead of Germany at 14.8% and Sweden at 10.9%.

Digital Stars Europe Smaller Companies Acc ended down at -2.5% in April, slightly behind the MSCI Europe Small Cap NR at -1.9%. Three sectors stood out in terms of performance: materials (K+S, Elkem), utilities (Telecom Plus) and food (Grieg Seafood, Tate & Lyle). Healthcare equipment (Medartis, Ypsomed), technology and transport (MPC Container Ships, Wallenius Wilhelmsen) were the most affected.

The monthly portfolio reviews focused on energy and financials, as well as materials and utilities. Most of the sales were in technology and industrials, and to a lesser extent in healthcare and consumer staples.

The portfolio is significantly overweight in energy and technology, and underweight in industrials, as well as in real estate, healthcare and media. The United Kingdom (the most largely underweight country) is the largest country weight with 19.9%, ahead of Norway with 14.3% (the most largely overweight country).

Digital Stars US Equities Acc USD ended April down -8.9%, vs. -9.1% for the MSCI USA NR, and -8.4% for the MSCI USA Small Cap NR. Despite this general downturn, retailing recovered partially in the fund, allowing it to mitigate the impact. Some stocks in the sector even finished the month positive (AutoNation, Penske Automotive, MarineMax). The sharp decline in semiconductors pushed some of its stocks out of the portfolio (Alpha & Omega, Synaptics).

The latest monthly portfolio review strengthened energy, materials and real estate, and reduced financials, consumer discretionary, media and healthcare.

The portfolio is still overweight in banks, industrials and retailing, and underweight in media, technology (software) and pharmaceuticals.



Historical net performance

29/04/2022	YTD	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	Since Inception	Inception Date
Digital Stars Europe	-15.1%	30.7%	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%	726.8%	13/11/1998
MSCI Europe NR	-5.9%	25.1%	-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%	205.4%	
MSCI Europe Small Cap NR	-11.5%	23.8%	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%	620.8%	
Digital Stars Europe Ex-UK	-14.7%	33.9%	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%	343.9%	30/06/2006
MSCI Europe ex UK NR	-9.2%	24.4%	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%	117.4%	
MSCI Europe ex UK Small Cap NR	-10.5%	24.6%	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%	223.1%	
Digital Stars Eurozone	-15.2%	32.0%	18.3%	30.5%	n.s.	--	--	--	--	--	--	--	--	--	--	39.8%	01/10/2018
MSCI EMU NR	-10.9%	22.2%	-1.0%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	17.5%	
MSCI EMU Small Cap NR	-7.2%	23.3%	5.5%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	29.3%	
Digital Stars Europe Smaller Companies	-14.0%	33.6%	27.3%	29.7%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	100.1%	16/12/2016
MSCI Europe Small Cap NR	-11.5%	23.8%	4.6%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	53.0%	
Digital Stars US Equities	-23.7%	37.9%	23.8%	28.9%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	50.8%	16/10/2017
MSCI USA NR	-13.9%	26.5%	20.7%	30.9%	-5.0%	n.s.	--	--	--	--	--	--	--	--	--	71.2%	
MSCI USA Small Cap NR	-13.9%	19.1%	18.3%	26.7%	-10.4%	n.s.	--	--	--	--	--	--	--	--	--	42.7%	

Past performance is not indicative of future returns

Do not hesitate to reach your sales contact for more information about Digital Funds.

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.