

Dear Shareholder,

Nearly two and a half years after the discovery of the Coronavirus, we continue to observe a rare succession of major economic, monetary, geopolitical and health events, and this seems to have accelerated over the past year. On the health front, the Delta and Omicron variants have forced governments to implement the largest vaccination campaigns in history, and, in the case of China, to recently re-confine 300 million people. The war in Ukraine is emerging as one of the most important geopolitical events of the post-war era. Finally, powerful reflation, fueled by exogenous health and military shocks, is pushing central banks to adjust their accommodating monetary policies. In this unstable environment and lacking short-term visibility, equities gave up -0.8% in Europe in May (MSCI Europe NR). However, the earnings revisions by the analysts' consensus continue to be well oriented (EPS 2022 MSCI Europe raised by +9.2% since the beginning of the year). The fundamental situation therefore remains favourable. The risk premium for the European market stands at +6.5%, well above the historical average of +5.0%.

Financial markets fell in early May. After Shanghai, new anti-covid measures were implemented in Beijing. The resulting negative impact of these lockdowns on global growth strongly affected Basic Materials stocks, one of the main overweights in our portfolios. The technology sector also corrected. Reassuring macro-economic figures in the US (industrial production, consumption) initiated a rebound that continued in line with the gradual lifting of the lockdown in Shanghai. The Digital Stars funds suffered in the first days of May before recovering. Digital Stars Europe Acc posted a month to date performance of -8.8% on 12 May, compared with -5.3% for the MSCI Europe NR. It then rebounded stronger than the index (+5.9% compared to +4.7% since 12 May), recovering part of the relative drawdown. **The full month performance of Digital Stars Europe Acc is -3.4%**, compared to -0.8% for the MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended May at -2.8%** compared to -1.1% for the MSCI Europe ex UK NR. **Digital Stars Eurozone Acc achieved -1.6%** against 0.6% for the MSCI EMU NR.

With oil prices still at their highest, the May rebalancing again included Energy and Paper Pulp stocks, but also Financials and Healthcare stocks. We are mainly selling "growth" stocks in the industrial sectors and real estate companies, which are suffering from higher interest rates.

Digital Stars Europe remains overweight in Basic Materials, Industrials, and Technology and is becoming overweight Energy. The overweight in commodities remains close to 9%. The fund is underweight in Food and Healthcare. The UK remains the largest weight at 14.7%, which is a clear underweight, ahead of Germany at 14.5% and Norway at 11.3%.

Digital Stars Europe Smaller Companies Acc ended down at -2.7% in May, behind the MSCI Europe Small Cap NR at -1.7%. The German government's criticisms on biofuels affected VERBIO, preventing the fund from taking full advantage of the good performance of the energy sector. Some positive publications by companies in renewable energy, technology, finance and materials sectors benefited the fund.

The monthly portfolio reviews focused on materials, as well as healthcare, energy and industrials. Most of the sales concerned banks, and to a lesser extent consumer discretionary, software and food.

The portfolio is significantly overweight in energy and technology, and underweight in real estate and industrials. The United Kingdom (the most largely underweight country) is the largest country weight with 19.1%, ahead of Norway with 17.5% (the most largely overweight country).

Despite a turbulent US market in May **Digital Stars US Equities Acc USD ended the month flat**, in line with the MSCI USA NR at -0.3% and the MSCI USA Small Cap NR at +0.1%. The energy sector was the best performer, but the fund benefited most from technology, particularly semiconductors. Conversely, real estate was a major detractor for the fund.

The latest monthly portfolio review strengthened technology, materials, industrials and consumer discretionary, and reduced financials, healthcare and energy.

The portfolio is overweight in industrials, retail and banks, and underweight in pharma, media and technology.



Historical net performance

31/05/2022	YTD	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	Since Inception	Inception Date
Digital Stars Europe	-18.0%	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%	698.4%	13/11/1998
MSCI Europe NR	-6.6%	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%	203.0%	
MSCI Europe Small Cap NR	-13.0%	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%	608.6%	
Digital Stars Europe Ex-UK	-17.1%	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%	331.5%	30/06/2006
MSCI Europe ex UK NR	-10.2%	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%	115.1%	
MSCI Europe ex UK Small Cap NR	-11.6%	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%	218.9%	
Digital Stars Eurozone	-16.5%	32.0%	18.3%	30.5%	n.s.	--	--	--	--	--	--	--	--	--	--	37.6%	01/10/2018
MSCI EMU NR	-10.4%	22.2%	-1.0%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	18.2%	
MSCI EMU Small Cap NR	-7.0%	23.3%	5.5%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	29.5%	
Digital Stars Europe Smaller Companies	-16.4%	33.6%	27.3%	29.7%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	94.7%	16/12/2016
MSCI Europe Small Cap NR	-13.0%	23.8%	4.6%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	50.4%	
Digital Stars US Equities	-23.7%	37.9%	23.8%	28.9%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	50.8%	16/10/2017
MSCI USA NR	-14.1%	26.5%	20.7%	30.9%	-5.0%	n.s.	--	--	--	--	--	--	--	--	--	70.7%	
MSCI USA Small Cap NR	-13.8%	19.1%	18.3%	26.7%	-10.4%	n.s.	--	--	--	--	--	--	--	--	--	42.8%	

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 Investment 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.