

Dear Shareholder,

September was a challenging month for equity indices, which are now trading below their early March lows in Europe and below their June lows in the US. This decline has been global, and the various equity styles suffered uniformly, a sign that macroeconomic news has dominated investors' minds and taken the lead over more fundamental and microeconomic considerations. Inflation releases have been disappointing and economic momentum continues to deteriorate, mainly due to sharp rises in key interest rates by central banks, in their efforts to tackle inflation. It is important in this depressed environment to remember that the best investment opportunities take root in times of crisis and there is no reason why the current period should be any different. There are many reasons for this. Sentiment indicators are down and some are at historic lows - a traditionally contrarian indicator, which suggests that a lot of bad news is already priced in. Central banks are expected to reverse their monetary policy towards a more accommodative stance as early as Q2 2023, according to the shape of the yield curves. Finally, valuations are at levels not seen for a long time. In the US, 12-month forward P/E is 15.3x compared with a historical average of 16.3x since 2000. In Europe, the discount is as high as 25% (current P/E of 10.5x vs. historical average of 14.0x).

These market falls have led investor expectations of a recession to have risen sharply. Cyclical stocks (Technology, Industrials - especially shipping) have suffered, while defensive stocks (Food, Health) held up well. Banks, benefiting from rising interest rates, also slightly outperformed the indices. In this risk-averse environment, small and mid-caps were particularly affected, with only the large defensive caps limiting their losses. As may appear logical; the absence of a stable trend and the weak influence of news flow and company fundamentals on stock performances, constitute an unfavourable environment for our momentum approach. October will be marked by the announcement of half year results, a period that is usually favourable to our strategy, especially as the stocks in the portfolio continue to see their estimated profits revised upwards.

The full month performance of Digital Stars Europe Acc is -9.5% compared to -6.3% for the MSCI Europe NR and -10.9% for the MSCI Europe Small Cap NR. The main explanation for the monthly underperformance comes from the fund's underweight in mega-caps, and the necessary exposure to small and mid-caps to identify Stars.

Digital Stars Continental Europe Acc (formerly Digital Stars Europe Ex-UK) ended September at -9.2% compared to -6.2% for the MSCI Europe ex UK NR. **Digital Stars Eurozone Acc achieved -8.9%** against -6.3% for the MSCI EMU NR.

The September rebalancing has a non-cyclical bias. Food and health care stocks were included, while exposure to basic materials, shipping and semiconductors was reduced. A few banks were also included. Digital Stars Europe is overweight energy (7.8%), basic materials (3.8%), and technology (3.2%). The fund is underweight in healthcare (10.2%), food (4.6%) and consumer discretionary (3.7%). Germany is the largest weighting at 13.3%, ahead of the UK at 13.2% and Norway at 9.6%.

Digital Stars Europe Smaller Companies Acc finished down at -9.9% in September, resisting well the -10.9% drop of the MSCI Europe Small Cap NR. The fund's relative resilience is mainly due to industrials (PNE, Implemia, BIC) and financials (Jyske Bank, Valiant Holding). Apart from a few standout stocks (TORM, Energiean), energy and materials have penalised the fund.

The monthly portfolio reviews focused on strengthening insurance, industry and consumer discretionary. Sales have mainly occurred in food.

The portfolio is still significantly overweight in energy, as well as in utilities, and underweight in real estate, media and finance.

The United Kingdom (the most largely underweight country) is still the largest country weight with 19.3%, ahead of Germany (12.6%). Norway's weight was reduced to 9.4%, but the country remains the most largely overweight.

Digital Stars US Equities Acc USD finished -6.9% lower in September, ahead of the MSCI USA NR at -9.3% and of the MSCI USA Small Cap NR at -9.5%. The healthcare sector (pharma) held up best in the US equity market, but the portfolio was under-represented. It was mainly a few financial stocks that helped the fund hold up well in the general downturn.

The latest monthly portfolio review strengthened IT, as well as industry, real estate and healthcare. Consumer discretionary has been reduced further (especially retailing), as well as to a lesser extent materials, food and energy.

The portfolio is clearly overweight in industry and banks, and underweight in IT, pharmaceuticals and media.



Historical net performance

30/09/2022	YTD	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	Since Inception	Inception Date
Digital Stars Europe Acc	-32.5%	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%	557.8%	13/11/1998
MSCI Europe NR	-17.4%	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%	168.1%	
MSCI Europe Small Cap NR	-30.1%	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%	469.1%	
Digital Stars Continental Europe Acc	-32.1%	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%	253.3%	30/06/2006
MSCI Europe ex UK NR	-20.7%	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%	89.8%	
MSCI Europe ex UK Small Cap NR	-28.9%	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%	156.5%	
Digital Stars Eurozone Acc	-30.7%	32.0%	18.3%	30.5%	n.s.	--	--	--	--	--	--	--	--	--	--	14.2%	01/10/2018
MSCI EMU NR	-22.3%	22.2%	-1.0%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	2.5%	
MSCI EMU Small Cap NR	-26.4%	23.3%	5.5%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	2.5%	
Digital Stars Europe Smaller Companies Acc	-28.1%	33.6%	27.3%	29.7%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	67.3%	16/12/2016
MSCI Europe Small Cap NR	-30.1%	23.8%	4.6%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	20.8%	
Digital Stars US Equities Acc	-30.6%	37.9%	23.8%	28.9%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	37.1%	16/10/2017
MSCI USA NR	-25.1%	26.5%	20.7%	30.9%	-5.0%	n.s.	--	--	--	--	--	--	--	--	--	49.0%	
MSCI USA Small Cap NR	-23.6%	19.1%	18.3%	26.7%	-10.4%	n.s.	--	--	--	--	--	--	--	--	--	26.6%	
Digital Market Neutral Europe Acc EUR	0.4%	9.4%	-9.0%	--	--	--	--	--	--	--	--	--	--	--	--	-0.1%	27/01/2020
€STR Compounded Index	-0.3%	-0.6%	-0.5%	--	--	--	--	--	--	--	--	--	--	--	--	-1.4%	

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. Chahine Capital cannot guarantee that any capital invested will maintain or increase in value.