

Dear Shareholder,

Equity indices fell in December and ended the powerful rally seen since the end of September. As we approach 2023, equity markets, which are 12 months ahead of the real economy, now have their eyes on 2024. 2023 will undoubtedly be a difficult year on the economic front with an expected recession. However, with an almost 5% increase in earnings in 2022 coupled with a c. 20% decline in US indices, it seems to us that a tough scenario was already anticipated by the markets last year, and that the weaker improvement in visibility, could continue to support a US equity market whose valuation is close to the historical average, as we have seen since end September.

In this bearish environment, financial stocks held up particularly well, benefiting from rising interest rates and earnings estimates that were again revised upwards. Conversely, cyclical sectors (energy, basic materials, consumer discretionary) suffered amid fears of a coming recession. Technology, which had rebounded in November, was the worst performer with a decline of 8.8% in December, ending a year of devaluation at -28.7%. The Digital funds' exposure to banking stocks compensates its cyclical and technology bets and explains a monthly performance close to their benchmarks. **Digital Stars Europe Acc posted a monthly performance of -3.8%** against -3.5% for the MSCI Europe NR. **Digital Stars Continental Europe Acc (formerly Digital Stars Europe Ex-UK Acc) ended December at -2.8%** versus -3.4% for the MSCI Europe ex UK NR. **Digital Stars Eurozone Acc achieved -1.7%** versus -3.6% for the MSCI EMU NR.

Rebalancing in December continued to strengthen banking stocks, which represent almost half of the stocks introduced. Financials have seen their weighting increased by 4.5% in one month and become the second overweight in Digital Stars Europe. We have also integrated some industrial stocks. The exposure to basic materials is lowered again. We are also selling defensive stocks in food (production or distribution), cosmetics and healthcare. Digital Stars Europe is overweight energy (5.8%), financials (5.2%) and technology (3.5%). The fund is underweight in healthcare (10.3%), consumer staples (7.1%) and consumer discretionary (2.4%). Italy becomes the fund's top weight at 12.4%, ahead of the United Kingdom (the most underweight country) at 12.3% and Germany (11.2%).

Digital Stars Europe Smaller Companies Acc finished down at -1.8% in December, outperforming the MSCI Europe Small Cap NR at -2.5%. The year 2022 ended with an excess return of +2.6% for the fund (-19.9% vs. -22.5% for the index). In December, the good performance of the fund in relative terms comes mainly from marine transportation and other industrials. They offset the underperformance of energy.

The monthly portfolio reviews focused on strengthening industrials and financials. Sales were mainly in energy, utilities and healthcare.

The portfolio is significantly overweight in energy and industry, as well as in utilities, and underweight in real estate. The weight of finance is now aligned to the index.

The United Kingdom (the most largely underweight country) is still the largest country weight with 16.2%, ahead of Italy (the most largely overweight country) at 12.2%. Norway weighs 10.2%, and is the 2nd most overweight country, behind Italy.

Digital Stars US Equities Acc USD fell by -7.5% in December, behind the MSCI USA NR at -5.9% and the MSCI USA Small Cap NR at -6.0%. The fund's good positioning (underweight) in technology and media was not enough to offset the main sources of underperformance: healthcare, as well as industrials and banks.

The latest monthly portfolio review strengthened consumer discretionary, as well as technology, telecoms and healthcare. Sales were mainly in industrials and energy, as well as food.

The portfolio remains significantly overweight in finance and industry, and underweight in pharmaceuticals, as well as technology and media.



Historical net performance

30/12/2022	YTD	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	Since Inception	Inception Date
Digital Stars Europe Acc	-27.5%	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%	606.4%	13/11/1998
MSCI Europe NR	-9.5%	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%	193.7%	
MSCI Europe Small Cap NR	-22.5%	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%	531.2%	
Digital Stars Continental Europe Acc	-26.3%	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%	283.2%	30/06/2006
MSCI Europe ex UK NR	-12.6%	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%	109.3%	
MSCI Europe ex UK Small Cap NR	-20.6%	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%	186.6%	
Digital Stars Eurozone Acc	-24.1%	32.0%	18.3%	30.5%	n.s.	--	--	--	--	--	--	--	--	--	--	25.1%	01/10/2018
MSCI EMU NR	-12.5%	22.2%	-1.0%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	15.5%	
MSCI EMU Small Cap NR	-17.1%	23.3%	5.5%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	15.4%	
Digital Stars Europe Smaller Companies Acc	-19.9%	33.6%	27.3%	29.7%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	86.6%	16/12/2016
MSCI Europe Small Cap NR	-22.5%	23.8%	4.6%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	34.0%	
Digital Stars US Equities Acc	-26.9%	37.9%	23.8%	28.9%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	44.4%	16/10/2017
MSCI USA NR	-19.8%	26.5%	20.7%	30.9%	-5.0%	n.s.	--	--	--	--	--	--	--	--	--	59.4%	
MSCI USA Small Cap NR	-17.6%	19.1%	18.3%	26.7%	-10.4%	n.s.	--	--	--	--	--	--	--	--	--	36.6%	
Digital Market Neutral Europe Acc EUR	-5.3%	9.4%	-9.0%	--	--	--	--	--	--	--	--	--	--	--	--	-5.8%	27/01/2020
€STR Compounded Index	0.0%	-0.6%	-0.5%	--	--	--	--	--	--	--	--	--	--	--	--	-1.1%	

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

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