

Dear Shareholder,

August was dominated by a revival of geopolitical tensions. The Sino-American struggle over international trade has indeed intensified. Donald Trump's furious tweets have caused an escalation in tariffs. In the United Kingdom, Boris Johnson is threatening a Brexit without an agreement, but his majority is so narrow that the outcome remains more uncertain than ever. Moreover, the revolt in Hong Kong is taking a hostile turn and adding to the general instability, which investors traditionally do not taste very well!

Nevertheless, the end of the month allowed a break. The leaders, led by Donald Trump, were keen to spread more constructive messages, particularly during the G7 summit.

In this context, equity markets fell modestly in August (-1.6% for STOXX Europe 600 and -1.8% for the S&P 500) thanks to their end-of-month rebound, and it is the Growth and Earnings Visibility Themes that performed best at the cost of Value, penalised by financials and cyclicals.

The start of the season will be carefully scrutinised. The ECB and the Fed will have to act. While the climate is challenging, equity markets remain highly attractive in the medium term due to strong economic fundamentals, support from central banks, attractive valuations in a context of low interest rates and massive under-investment by institutional investors.

In this difficult environment, Digital funds ended August down, close to small and large cap indices. The Technology and Industrials sectors had a negative impact on performance. On the other hand, the defensive sectors (Food, Utilities, Real Estate), which are well represented in the portfolio, made a positive contribution. The results announcements were mixed, with good and bad surprises. **Digital Stars Europe Acc's monthly performance was -2.1%**, compared to -1.7% for MSCI Europe Small Cap NR and -1.4% for MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended August at -1.4%** compared to -1.8% for MSCI Europe ex UK Small Cap NR and -0.7% for MSCI Europe ex UK NR.

The rebalancings carried out during the month have a non-cyclical bias. The model mainly selected large-cap stocks in the Healthcare, Real Estate and Utilities sectors and sold Industrials. We remain globally overweight in Technology, Food and Utilities; and are underweight in Financials, Industrials and Commodities. The fund therefore maintains its growth/non-cyclical profile. The weight of British stocks in Digital Stars Europe is stable at 19.9%. Sweden is the second highest weighting with 13.9%. Digital Stars Europe's ex-ante tracking-error remains reasonable at 4.63%. The beta ex-ante stabilises at 0.97.

Digital Stars Europe Smaller Companies Acc ended August down -1.5%, compared to -1.7% for MSCI Europe Small Cap NR. The publications have blown hot and cold in the markets. Industrials, very present in the portfolio, had a significant negative impact on performance. Among the sectors that benefited the fund most were again real estate and healthcare, followed by utilities.

The last portfolio review significantly reduced the share of industrial stocks, and mainly strengthened real estate. The share of Swiss stocks has been increased, contrary to the Dutch. The portfolio is now overweight in IT, utilities, real estate and healthcare, and underweight in financials and industrials.

Sweden remains the largest geographical weight in the portfolio, ahead of the United Kingdom, which remains significantly underweight.

August was a turbulent month, but **Digital Stars US Equities Acc USD ended down -2.6%**, significantly outperforming the **Russell 2000 NR** Small Cap Index: **-5.0%**, the S&P 500 NR was down -1.8%. Financials and Consumer Discretionary had a negative impact on performance. These are clearly the sectors most affected by the current unstable macroeconomic environment. On the positive side, there were some nice results announcements during the month: Weight Watchers, Digital Turbine and Shoe Carnival. Finally, only the basic consumption sector is positive (+5.7%) ; it should be noted that the technology has resisted rather well (only -0.58%).

The latest rebalancing strengthened industrials and small-cap stocks. Conversely, the weight of Consumption sectors has been reduced, in particular with the exclusion of SeaWorld Entertainment for ESG reasons. We remain overweight in Information Technology and Consumer Discretionary; however, we are underweight in Energy and Utilities.

30/08/2019	YTD	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	Since Inception	Inception Date
Digital Stars Europe	18.6%	-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%	41.5%	481.7%	13/11/1998
MSCI Europe Small Cap NR	13.6%	-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%	37.0%	443.6%	Monthly Factsheet
MSCI Europe NR	14.9%	-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%	26.1%	144.5%	
Digital Stars Europe Ex-UK	20.2%	-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.	--	198.8%	30/06/2006
MSCI Europe ex UK Small Cap NR	14.3%	-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.	--	130.7%	Monthly Factsheet
MSCI Europe ex UK NR	16.9%	-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.	--	73.8%	
Digital Stars Europe Smaller Companies	12.8%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	--	--	19.1%	16/12/2016
MSCI Europe Small Cap NR	13.6%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	--	15.4%	Monthly Factsheet
Digital Stars US Equities	19.5%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	7.3%	16/10/2017
S&P 500 NR	17.9%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	17.4%	Monthly Factsheet
Russell 2000 NR	11.6%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	1.3%	

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