

Dear Shareholder,

Equity indices continued their progression in July (MSCI Europe NR +1.85%, S&P 500 NR +2.35%), reaching new historical records on both sides of the Atlantic. However, the health crisis is back in the spotlight with the emergence of the Delta variant, leading to a new acceleration of the pandemic. The market seems to conveniently ignore this, preferring instead to direct focus towards renewed support by central banks, corporate publications, which are reassuring, and a positive economic momentum.

In this context, the relative behaviour of the various market components is reversing. Cyclical and value stocks are seeing their relative momentum deteriorate. At the same time, the Visibility style, which includes defensive stocks with solid balance sheets and strong predictability of future results, is benefiting from the uncertain environment and the fall in long-term interest rates. Finally, the Growth style continues to perform well in relative terms and benefits from an economy undergoing a major transformation. Since the beginning of the year, the gaps between the different styles are now very narrow.

Digital funds posted their ninth consecutive month of gains, outperforming their benchmarks in July. The month was favourable for growth stocks, which are well represented in the portfolio. They benefited from the fall in long-term interest rates due to the uncertainty surrounding the health situation. Technology, including semi-conductors, and healthcare drove performance. The basic materials sector (metals) was also a very positive contributor, despite its cyclical bias. In addition, the portfolio benefited from positive surprises in quarterly earnings announcements (Reach Plc, Nordic Semiconductor, Indutrade, MIPS,...).

The monthly performance of Digital Stars Europe Acc was +3.4%, compared to +1.9% for the MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended July at +4%** compared to +2.1% for the MSCI Europe ex UK NR. **Digital Stars Eurozone Acc achieved +2.9%** against +1.3% for the MSCI EMU NR.

The rebalancing carried out in July favoured large caps. In line with June, they are more diversified and less cyclical than at the beginning of the year. The models still select stocks in the industrial, logistics and construction sectors, but also more defensive stocks in the health and food sectors. They are selling energy and renewable energy companies and tourism. Digital Stars Europe remains overweight industrials, technology and consumer discretionary. The fund is underweight food, healthcare and utilities, and is almost neutral on commodities and financials. The UK remains the largest weighting at 17.7%, ahead of Sweden 12.7% and Italy 11%.

Digital Stars Europe Smaller Companies Acc rose by +4.9% in July, outperforming the MSCI Europe Small Cap NR (+3.7%). Three sectors helped the fund significantly: Industrials (Instalco, Hexatronic, NTG Nordic), Healthcare (Cellink, Swedencare) and Consumer Discretionary (Harvia, New Wave Group).

During latest monthly portfolio review, the models reduced holdings in technology, financials and industrials, and increased holdings in healthcare and consumer discretionary.

The portfolio is still significantly overweight Industrials and underweight Real Estate and Financials. Following the reduction in Germany, Sweden (19.2%) has become the largest country in the fund, just ahead of the UK (17.9%), which remains very underweight.

Digital Stars US Equities Acc USD finished slightly up by +0.1% this month, behind the S&P 500 NR at +2.3%, but ahead of the Russell 2000 NR at -3.6%. As in June, the portfolio's low representation in growth/quality stocks explains much of the month's underperformance. The best contributors were companies that published good results over the period (Crocs, Perficient, MarineMax, West Pharma, etc.). The fund is up 28.8% since the beginning of the year. The portfolio is overweight in industrials, consumer cyclicals and banking, and underweight in media, technology and healthcare.

30/07/2021	YTD	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	Since Inception	Inception Date
Digital Stars Europe	24.4%	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%	1.8%	827.0%	13/11/1998
MSCI Europe NR	17.5%	-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%	2.7%	204.7%	
MSCI Europe Small Cap NR	19.7%	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%	-7.5%	687.5%	
Digital Stars Europe Ex-UK	25.9%	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%	9.7%	389.3%	30/06/2006
MSCI Europe ex UK NR	17.6%	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%	5.2%	126.2%	
MSCI Europe ex UK Small Cap NR	20.2%	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%	-2.0%	248.2%	
Digital Stars Eurozone	25.8%	18.3%	30.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	57.1%	01/10/2018
MSCI EMU NR	16.8%	-1.0%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	26.2%	
MSCI EMU Small Cap NR	19.6%	5.5%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	35.0%	
Digital Stars Europe Smaller Companies	26.0%	27.3%	29.7%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	119.6%	16/12/2016
MSCI Europe Small Cap NR	19.7%	4.6%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	67.2%	
Digital Stars US Equities	28.8%	23.8%	28.9%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	84.6%	16/10/2017
S&P 500 NR	17.7%	17.8%	30.7%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	80.5%	
Russell 2000 NR	13.1%	19.5%	25.0%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	53.4%	

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

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.