

Dear Shareholder,

The climate suddenly darkened in October with the resurgence of the Coronavirus epidemic in Europe and the rise in terrorist pressure. That is all it took for the equity indices to drop following their nice upward run since mid-March. All the more so with the US election contributing to the general lack of visibility.

Nevertheless, it seems that the situation from a strictly financial point of view has not changed significantly. The health crisis will come to an end, either through the introduction of a vaccine or a treatment; and the governments and central banks will continue their support measures for as long as it is necessary.

The European market offers a risk premium of 7% based on estimated results for 2021. This is well above the 20-year historical average (5%), in a context where yields have disappeared in the bond class. The preservation of dividends, the acceleration of merger/acquisition operations or corporate share buyback programmes are all potential catalysts for stocks entering a period of favourable seasonality.

The Digital funds ended October down, but again outperforming their benchmarks. The beginning of the month was very positive, driven by internet stocks. But the worsening health situation and the announcement of lockdowns caused the markets to plunge. In particular, technology stocks corrected sharply. The monthly performance of **Digital Stars Europe Acc** was -2.7%, compared with -5.0% for MSCI Europe NR. **Digital Stars Europe Ex-UK Acc** ended October at -3.6% compared to -5.2% for MSCI Europe ex UK NR. **Digital Stars Eurozone Acc** achieved -3.9% compared to -5.6% for the MSCI EMU NR.

Our profit-taking and diversification tool, which was triggered on April 24<sup>th</sup>, was extended at the end of October, as the outperformance trend remained extremely strong. The portfolios were therefore adjusted by selling stocks that had contributed most to performance (internet distribution, online games, digital marketing) and by integrating or keeping "opposite" companies, allowing for better diversification and an ability to better manage sector rotation if it materializes. "Value" stocks now represent 20% of our funds. They include financial, industrial, telecom and energy stocks. The growth bias remains, since 80% of the assets are still the result of selection by our momentum model, but it is mitigated. Do not hesitate to contact us for further explanation.

Previously, the rebalancings carried out in mid-October on the basis of the hybrid momentum and earnings momentum had been diversified, and had mainly integrated securities from internet distribution, technology consulting, healthcare and construction. We remain overweight in technology and consumer discretionary; and underweight in energy, commodities and food. As a result of the month end rebalancing, the United Kingdom, which is the biggest country weight in the portfolio, has been further reinforced: 20.7%, ahead of Germany: 14%. Sweden is down to 13.7%.

Small and mid caps also followed the decline: **Digital Stars Europe Smaller Companies Acc** fell by -4.7% in October, slightly behind the MSCI Europe Small Cap NR which finished at -4.4%. Technology stocks corrected significantly (Crayon Group), especially in IT services (SNP, Bechtle, Solutions30, GFT Technologies). Retailing stocks (Westwing, Boozt, BHG) helped the fund to resist in relative terms. The indicators of our profit-taking and diversification tool remained on, even after 6 months, so the process was extended as of the end of October. In this context we sold large contributors to performance and selected/kept stocks of "opposite" nature allowing for better diversification and improving the resilience of the portfolio in case of stylistic rotation.

The latest monthly review of the portfolio, resulting from the profit-taking/diversification tool, sold internet retailing, game/entertainment and healthcare stocks, mainly from Sweden and Germany. We have selected stocks in real estate, finance (banking and insurance), construction and energy, mainly in the UK.

The portfolio is overweight in consumer discretionary, IT and energy, and underweight in real estate, materials and consumer staples. Sweden (22.5%) and Germany (16.5%) are still significantly overweight, but the UK (21.3%) is reducing its underweight to become the second largest country in the portfolio.

Boosted by the surge of US small caps over the month (+2.1% for the Russell 2000 NR), **Digital Stars US Equities Acc USD ended October up +0.8%**, well ahead of the S&P 500 NR (-2.7%). Although technology was the worst sector of the month on the markets, it was the best contributor to the fund's performance, thanks to our selection, which benefited from remarkable publications (Cambium Networks, Calix).

The latest monthly portfolio review has significantly strengthened industrials, and reduced consumer staples and healthcare.

The portfolio is now overweight in consumer discretionary and industrials, and underweight in media/entertainment and healthcare.

30/10/2020	YTD	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Since Inception	Inception Date
<b>Digital Stars Europe</b>	<b>-0.3%</b>	<b>31.4%</b>	<b>-19.5%</b>	<b>23.7%</b>	<b>0.7%</b>	<b>24.7%</b>	<b>3.5%</b>	<b>36.0%</b>	<b>22.7%</b>	<b>-16.0%</b>	<b>32.6%</b>	<b>37.0%</b>	<b>-48.3%</b>	<b>1.8%</b>	<b>36.6%</b>	<b>542.8%</b>	<b>13/11/1998</b>
MSCI Europe NR	-17.1%	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%	19.6%	122.3%	
MSCI Europe Small Cap NR	-14.3%	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%	29.9%	439.2%	
<b>Digital Stars Europe Ex-UK</b>	<b>1.2%</b>	<b>30.1%</b>	<b>-17.2%</b>	<b>25.0%</b>	<b>5.0%</b>	<b>24.7%</b>	<b>3.6%</b>	<b>37.1%</b>	<b>22.4%</b>	<b>-21.4%</b>	<b>32.3%</b>	<b>36.1%</b>	<b>-42.2%</b>	<b>9.7%</b>	n.s.	<b>227.3%</b>	<b>30/06/2006</b>
MSCI Europe ex UK NR	-12.6%	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%	n.s.	65.1%	
MSCI Europe ex UK Small Cap NR	-8.3%	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%	n.s.	137.7%	
<b>Digital Stars Eurozone</b>	<b>2.0%</b>	<b>30.5%</b>	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	<b>7.6%</b>	<b>01/10/2018</b>
MSCI EMU NR	-17.1%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-9.5%	
MSCI EMU Small Cap NR	-15.0%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-9.0%	
<b>Digital Stars Europe Smaller Companies</b>	<b>4.0%</b>	<b>29.7%</b>	<b>-21.2%</b>	<b>32.6%</b>	n.s.	--	--	--	--	--	--	--	--	--	--	<b>42.4%</b>	<b>16/12/2016</b>
MSCI Europe Small Cap NR	-14.3%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	14.5%	
<b>Digital Stars US Equities</b>	<b>6.2%</b>	<b>28.9%</b>	<b>-13.2%</b>	n.s.	--	--	--	--	--	--	--	--	--	--	--	<b>22.9%</b>	<b>16/10/2017</b>
S&P 500 NR	2.3%	30.7%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	33.2%	
Russell 2000 NR	-7.1%	25.0%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	--	5.5%	

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](mailto:info@chahinecapital.com)

Best Regards,

The Asset Management Team