

Dear Shareholder,

After the stock market crash in March, equity markets rose sharply in April (MSCI Europe NR +6.1%, S&P 500 NR +12.8%). Half of the historic fall that occurred between the end of February and low point on March 16 has been recovered. However, the economic reality is reflected in unprecedented figures. World GDP could contract by 5% to 10%. PMI indices are at their lowest point, as are indicators of economic surprise, but the prospect of a gradual but widespread relaxing of restrictions on movement supports the hope that the worst of the health crisis is now behind us.

Many questions obviously remain unanswered at this stage. Will there be new waves of epidemics? Will we find a vaccine and within what timeframe? What will be the consequences on society, on the population's consumption habits?

It is therefore to be expected that the market will maintain, in the coming weeks, a regime of high volatility that many investors could take advantage of in order to build a long-term equity position.

Assuming a 90% recovery in European corporate earnings in 2021 compared to 2019, European markets are valued at 14x (PER 2021), close to the historical average, and offer a risk premium of 7.7%, which is attractive in a context of persistently low interest rates.

The Digital funds took April's rebound perfectly and clearly outperformed their benchmarks. The gaming sector (Evolution Gaming, Flutter Entertainment, GVC) posted a performance of more than 30% over the month. The cyclical sectors (industrial, specialized distribution) recovered. Healthcare stocks that are benefiting from the current crisis (Shop Apotheke, Zur Rose, Diasorin, Biomerieux) continued their rally, as did gold stocks. The monthly performance of **Digital Stars Europe Acc** was +10.3%, compared with +6.1% for the MSCI Europe NR. **Digital Stars Europe Ex-UK Acc** ended April at +9.8% against +6.4% for the MSCI Europe ex UK NR. **Digital Stars Eurozone Acc** achieved +10.3% against +6.5% for the MSCI EMU NR.

Our "Short Circuit" signal was triggered on the close of April 24th, which means that over a year rolling the Price Momentum theoretical portfolio of Digital Stars Europe outperformed the equally weighted universe of the fund by more than 20% (Same for Digital Stars Europe ex UK and Digital Stars Eurozone). The portfolios were therefore adjusted by taking profits on the stocks that contributed most to performance and by integrating "opposite" stocks, allowing for better diversification and an ability to better manage sector rotation if it materialises. The strategy remains the same for 87.5% of the portfolio, but is diversified by the introduction of 12.5% of Value stocks, mainly in financials, but also in industrials, automobiles, basic materials and energy. The growth/non-cyclical/low interest rate bias therefore remains but is mitigated. Do not hesitate to contact us for more information on the application of this tool.

Prior to the application of the "Short Circuit", the mid-April rebalancings based on the hybrid Momentum and earnings momentum had been defensive, and had mainly included healthcare or food distribution stocks. Overall, we remain overweight in technology, consumer discretionary and real estate; and underweight in energy, commodities and food. The weighting of UK stocks in Digital Stars Europe is stable at 25.7%. Sweden remains the second largest weight at 14.3%, ahead of Switzerland with 11.3%.

In April, small caps rebounded well: **Digital Stars Europe Smaller Companies Acc** finished at +11.3%, in line with the MSCI Europe Small Cap NR (+11.4%). Among the best contributors, this month, were gaming, communications services and gold.

During the last portfolio review, the share of real estate and industrials was reduced in favour of retail and media. The weighting of Belgian stocks was reduced; that of Swiss and Swedish stocks was increased.

The portfolio is clearly overweight in IT and utilities, and remains underweight in finance. The United Kingdom is still underweight, but represents the portfolio's leading geographical weighting (19.7%), ahead of Sweden (significantly overweight), Switzerland and Germany.

Digital Stars US Equities Acc USD ended April up sharply by +17.6%, clearly outperforming the S&P 500 NR (+12.8%) and the Russell 2000 NR (+13.7%). IT and consumer discretionary stocks led the way, as did some healthcare and construction-related stocks.

The latest portfolio review significantly strengthened food, healthcare and utilities, and sharply reduced the weight of industrials.

The portfolio remains overweight in consumer discretionary and underweight in communication services (media) and industrials.

30/04/2020	YTD	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Since Inception	Inception Date
Digital Stars Europe	-12.8%	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%	36.6%	462.0%	13/11/1998
MSCI Europe NR	-17.9%	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%	120.3%	Monthly Factsheet
MSCI Europe Small Cap NR	-20.8%	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%	398.3%	
Digital Stars Europe Ex-UK	-11.3%	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%	n.s.	186.7%	30/06/2006
MSCI Europe ex UK NR	-15.9%	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.	58.9%	Monthly Factsheet
MSCI Europe ex UK Small Cap NR	-17.8%	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.	113.2%	
Digital Stars Eurozone	-11.1%	30.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-6.2%	01/10/2018
MSCI EMU NR	-20.2%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-12.9%	Monthly Factsheet
MSCI EMU Small Cap NR	-20.2%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	-14.6%	
Digital Stars Europe Smaller Companies	-15.1%	29.7%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	--	16.2%	16/12/2016
MSCI Europe Small Cap NR	-20.8%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	5.8%	Monthly Factsheet
Digital Stars US Equities	-17.6%	28.9%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	-4.6%	16/10/2017
S&P 500 NR	-9.5%	30.7%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	17.9%	Monthly Factsheet
Russell 2000 NR	-21.2%	25.0%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	--	-10.6%	

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