

## Dear Shareholder,

Equity indices are entering 2022 with a first month of decline and a resurgence of volatility (MSCI Europe NR -3.2%, MSCI USA NR -5.7%). This is in stark contrast to 2021. In the United States, we have to go back to the "Covid crash" of March 2020 to find any trace of such a monthly underperformance of the equity indices. At the same time, significant sector and style performance differentials were observed on both sides of the Atlantic, extending the rotation in favour of Value that began last September. In Europe, the monthly performance spread between the "Visibility/Quality" style and the "Value" style is 14.5%. Since 2003, only the month of November 2020, when the vaccines were discovered, had revealed such a discrepancy according to our proprietary style indices. This rotation is justified by the awareness of the non-transitory nature of inflation and the now less accommodative stance of the Fed, and to a lesser extent the ECB. It also rectifies, albeit only partially, a fundamental configuration in which valuation differences between the various market segments appear excessive in the light of historical observations.

After an exceptional year in 2021 when returns exceeded 30%, Digital funds ended January 2022 with a significant decline. The violent sector rotation had a negative impact on momentum stocks, particularly on technology, med-tech and healthcare equipment companies. High PE and high growth companies in the portfolio suffered from rising interest rates amidst fears of overvaluation, and this was not sufficiently offset by our cyclical stocks. Of course, this is not the first time we have experienced such a downturn due to mean reversion and the fund has historically proven its ability to adapt and recover. As rates stabilised at the end of the month and the earnings announcement period began, we saw some normalisation of the markets. The funds were able to recover a small part of their underperformance during the last week. The monthly performance of **Digital Stars Europe Acc is -10.2%**, compared to -3.2% for the MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended January at -9.5%** compared to -4.8% for the MSCI Europe ex UK NR. **Digital Stars Eurozone Acc achieved -8%** against -3.5% for the MSCI EMU NR.

While it is difficult to say whether the "value" trend will continue, the impact on momentum signals was strong enough to have an immediate influence on the last rebalancing made in January. The model has almost exclusively included value stocks, mainly financials, and has reduced exposure to the technology and healthcare sectors.

Digital Stars Europe remains overweight in Industrials and Technology (despite lower exposure), and becomes overweight in Financials, where exposure is up 4%. The fund is underweight in Food and Utilities. The UK remains the largest weighting at 19.5%, followed by Italy at 12.7% and Germany at 11.5%.

**Digital Stars Europe Smaller Companies Acc ended down at -12.1% in January**, underperforming the MSCI Europe Small Cap NR at -6.8%. The ongoing style rotation particularly affected technology and healthcare stocks. The winning sectors of the month were energy, banking and insurance.

The latest monthly portfolio review has significantly strengthened banks, as well as utilities and food, and significantly reduced healthcare and technology.

The portfolio is significantly overweight in technology and underweight in materials and real estate. Sweden's weight is reduced to 17.2%, just behind the UK (18.7%), which is still very underweight.

**Digital Stars US Equities Acc USD ended January down -13.4%**, significantly underperforming the MSCI USA NR at -5.7% and the MSCI USA Small Cap NR at -8.0%. The violent style shift that began at the end of 2021 continued, but in a falling market, to the detriment of cyclical and growth stocks. In particular, our retail/apparel stocks, semiconductors and lending platforms suffered the most from the downturn.

The latest monthly portfolio review significantly strengthened banking, and reduced retail distribution.

The portfolio is now mainly overweight in banking, industrials (transport) and consumer discretionary, and underweight in technology, media and healthcare.



## Historical net performance

31/01/2022	YTD	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	Since Inception	Inception Date
<b>Digital Stars Europe</b>	<b>-10.2%</b>	<b>30.7%</b>	<b>15.6%</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>774.9%</b>	<b>13/11/1998</b>
MSCI Europe NR	-3.2%	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%	214.1%	
MSCI Europe Small Cap NR	-6.8%	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%	659.5%	
<b>Digital Stars Europe Ex-UK</b>	<b>-9.5%</b>	<b>33.9%</b>	<b>20.2%</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>370.8%</b>	<b>30/06/2006</b>
MSCI Europe ex UK NR	-4.8%	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%	127.9%	
MSCI Europe ex UK Small Cap NR	-6.6%	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%	237.1%	
<b>Digital Stars Eurozone</b>	<b>-8.0%</b>	<b>32.0%</b>	<b>18.3%</b>	<b>30.5%</b>	n.s.	--	--	--	--	--	--	--	--	--	--	<b>51.7%</b>	<b>01/10/2018</b>
MSCI EMU NR	-3.5%	22.2%	-1.0%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	27.4%	
MSCI EMU Small Cap NR	-3.9%	23.3%	5.5%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	33.8%	
<b>Digital Stars Europe Smaller Companies</b>	<b>-12.1%</b>	<b>33.6%</b>	<b>27.3%</b>	<b>29.7%</b>	<b>-21.2%</b>	<b>32.6%</b>	n.s.	--	--	--	--	--	--	--	--	<b>104.7%</b>	<b>16/12/2016</b>
MSCI Europe Small Cap NR	-6.8%	23.8%	4.6%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	61.2%	
<b>Digital Stars US Equities</b>	<b>-13.4%</b>	<b>37.9%</b>	<b>23.8%</b>	<b>28.9%</b>	<b>-13.2%</b>	n.s.	--	--	--	--	--	--	--	--	--	<b>71.1%</b>	<b>16/10/2017</b>
MSCI USA NR	-5.7%	26.5%	20.7%	30.9%	-5.0%	n.s.	--	--	--	--	--	--	--	--	--	87.6%	
MSCI USA Small Cap NR	-8.0%	19.1%	18.3%	26.7%	-10.4%	n.s.	--	--	--	--	--	--	--	--	--	52.4%	

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](mailto:info@chahinecapital.com)

Best Regards,  
**The Asset Management Team**

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