

Dear Shareholder,

In March, equity indices continued their spectacular rebound that started at the end of December. US equities, up +13.6% since the beginning of the year (S&P 500 NR), posted their best quarter since Q3 2009, while European indices had similar performances (MSCI Europe NR +12.8% YTD).

This ongoing rally was largely driven by the combined action of central banks. The Fed confirmed that rates would no longer be raised before the end of the year, something the market had been anticipating over the last few weeks. In parallel, the ECB postponed the first monetary increase until at least 2020. It also announced the implementation of a TLTRO, a long-term financing programme for banks, to support their profitability, which is threatened by a negative deposit rate, and to improve the liquidity of the system more generally. In this context, long-term rates eased sharply. They are in negative territory in Europe (10-year German rate -0.07%, close to the 2016 lows). In the United States, the yield curve has inverted for the first time since July 2006. This can be interpreted as a form of bond market capitulation rather than the anticipation of a future recession. Indeed, investors have now become aware of a new monetary paradigm embodied in persistently low key rates. It should also be noted that this is the 7th inversion since 1970, and that in half of the previous occasions the equity market has risen sharply in the following 3 years (median 3-year performance of the S&P 500 following the inversion of the curve: +11.9% excluding dividends).

Although the lack of visibility regarding Brexit and the Sino-American trade negotiations are likely to fuel short-term volatility, we consider the investment conditions to be favourable. Companies are returning to profitable growth, and valuation is attractive, especially within the current framework of low interest rates. In addition, investors remain underexposed. It is not surprising in this context that the major equity indices have validated a future phase of expansion by crossing their 200-day moving average upwards.

Digital funds took advantage from this rising market and have outperformed both small and large cap indices. The quality/growth stocks, well represented in the portfolios, benefited from lower interest rates. On the other hand, the financial sector, underweight in our funds, posted a negative performance in March. The stock picking effect was again very positive. Our largest holding, Nestle Corporation, jumped 12%, and all the funds benefited from positive surprises in earnings announcements (Nemetschek, Fevertree, Falck Renewables, LEG Immobilien,...). **Digital Stars Europe Acc's monthly performance was +2.9%**, compared to +1.4% for MSCI Europe Small Cap NR and +2% for MSCI Europe NR. **Digital Stars Europe Ex-UK Acc ended the month at +3%** compared to +1.6% for MSCI Europe ex UK Small Cap NR and +1.9% for MSCI Europe ex UK NR.

Whilst the rebalancing based on the earnings momentum component of our stock selection model has been diversified, selecting all caps stocks mainly in the industrial and technology sectors (with a strong presence for Swedish equities); the price momentum rebalancing has favored defensive large-caps: Utilities, Food, Cosmetics,... We are, on the whole, overweight in technology, food and utilities; and remain underweight in financials, basic materials and real estate. The weight of UK stocks in Digital Stars Europe has stabilized at 25%; the Nordic countries represent 24% of the portfolio and Switzerland 11%. Digital Stars Europe's ex-ante tracking-error remains reasonable at 4.66%. The beta ex-ante is at 0.89, confirming the defensive profile of the fund.

Digital Stars Europe Smaller Companies Acc progressed by +1.8% in March, while the MSCI Europe Small Cap NR gained +1.4%. The fund's defensive profile contributed positively, thanks to good stock picking in the most overweight sectors: real estate (Montea, Warehouses De Pauw) and utilities (Acciona, Falck Renewables). The negative performance of financials was beneficial to the fund in relative terms, thanks to the clear underweight in the sector. Some stocks produced strong returns over the month, like Nemetschek, TOMRA, Eurotech, Tinexta. The latest portfolio review strengthened industry, consumer discretionary and technology sectors, in line with the previous month, and reduced the weight of consumer staples (sale of salmon farms). The portfolio remains overweight in real estate, utilities and consumer discretionary, and underweight mainly in finance and materials. The United Kingdom - the most represented country in the portfolio - was further strengthened but still remains significantly underweight.

The monthly performance of **Digital Stars US Equities Acc USD** in March was **-2.1%** compared to +1.9% for the S&P 500 NR and -2.1% for the Russell 2000 NR. We therefore performed in line with the small cap index. Our negative performance is due to a downturn in the technology and industrial sectors, which are widely represented in the Russell 2000 universe. However, our best contributions came from discretionary consumption with surprising stocks such as YETI Holdings (+26%) and Abercrombie & Fitch (+25%).

The last rebalancing did not affect the sector exposure. However, we are seeing the emergence of equities related to sport and well-being in the Consumer Discretionary sector, as well as the exit of certain air carriers affected by

the Boeing 737 MAX case. We remain overweight in Industrials and Consumer Discretionary; however, we are underweight in Energy and Utilities.

29/03/2019	YTD	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	Since Inception	Inception Date
Digital Stars Europe	16.0%	-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%	469.2%	13/11/1998
MSCI Europe Small Cap NR	14.2%	-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%	446.5%	Monthly Factsheet
MSCI Europe NR	12.8%	-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%	140.1%	Monthly Factsheet
Digital Stars Europe Ex-UK	14.3%	-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.	--	184.1%	30/06/2006
MSCI Europe ex UK Small Cap NR	12.9%	-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.	--	127.9%	Monthly Factsheet
MSCI Europe ex UK NR	12.4%	-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.	--	67.2%	Monthly Factsheet
Digital Stars Europe Smaller Companies	11.2%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	--	--	17.4%	16/12/2016
MSCI Europe Small Cap NR	14.2%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	--	16.0%	Monthly Factsheet
Digital Stars US Equities	16.0%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	4.1%	16/10/2017
S&P 500 NR	13.5%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	13.1%	Monthly Factsheet
Russell 2000 NR	14.5%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	3.9%	Monthly Factsheet

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