

Dear Shareholder,

The beginning of 2022 will long remain engraved in our memories. It is indeed rare that such a succession of events can be observed during such a short period. While January saw yields rise sharply in anticipation of monetary normalisation, causing the second most powerful style rotation (in favour of value) observed since 2003, the Russian invasion of Ukraine suddenly reshuffled the deck. Against this backdrop, equity indices fell (MSCI Europe NR -3.0%, MSCI USA NR -3.0%) and the rotation in favour of cyclical sectors was interrupted. Even if it is risky to anticipate the evolution of the conflict at this stage, it is important to take stock of the fundamental situation of the indices in the event that an exit door is found. The risk premium on European equities stands at 6.9%, a very generous level compared to the 20-year historical average of 5.0%. Furthermore, central banks are now obliged to postpone monetary normalisation and the 0.50% easing in the German 2-year yield shows that investors are not mistaken. Finally, important decennial technical supports such as the 2000 and 2007 highs in Europe are now very close, which in theory argues for a strengthening of the asset class at these levels in a medium/long term perspective.

In this difficult environment, Digital Stars funds ended February 2022 down. As bond yields continued to rise at the beginning of the month, growth stocks suffered again. The Russian invasion of Ukraine had a negative impact on the financial and industrial sectors, while the energy and commodities sectors surged. Interest rates then fell sharply at the end of the month.

The monthly performance of **Digital Stars Europe Acc is -5.2%**, compared to -3% for the MSCI Europe NR. The relative drawdown of the fund is similar to what it experienced in 2014 and 2018. More generally, in the 23-year history of Digital Stars Europe, each rolling 5-year period has seen such a short term relative drawdown. The fund has then adjusted and closed the gap, strictly following the quantitative model. **Digital Stars Europe Ex-UK Acc ended February at -5.4%** compared to -4.1% for the MSCI Europe ex UK NR. **Digital Stars Eurozone Acc achieved -6.5%** against -5.2% for the MSCI EMU NR.

The rebalancing carried out in February was heavily influenced by the sector rotation in January and the crisis in Ukraine. The strongest momentums were the stocks that passed these two periods favourably. The model has therefore mainly included basic materials stocks and to a lesser extent utilities and defensive stocks (food, telecoms). We continue to exit growth stocks and have stopped the integration of financials, which were badly impacted by the Ukrainian crisis.

Digital Stars Europe remains overweight in Industrials, Technology and Financials and is now overweight in Basic Materials, where exposure is up 3.2%. The fund is underweight in Food and Utilities. The UK remains the largest weighting at 18.7%, ahead of Germany at 13.4% and Italy at 12.2%.

Digital Stars Europe Smaller Companies Acc ended down at -3.5% in February, slightly outperforming the MSCI Europe Small Cap NR at -3.9%. Unsurprisingly, energy, which is well represented in the fund, posted the best performance over the month.

The latest monthly portfolio review has strengthened banks, as well as materials and food. Healthcare and industry were significantly reduced (especially in Sweden), as well as media, leisure and IT.

The portfolio is significantly overweight in technology and underweight in real estate and media. The United Kingdom (biggest underweight) is the largest weight with 19.2%, ahead of Italy (very underweighted) with 13.2%.

Digital Stars US Equities Acc USD ended February down -1.1%, significantly outperforming the MSCI USA NR at -3.0%, but lagging the MSCI USA Small Cap NR at -1.0%. The biggest contributors were among healthcare and industrial stocks. But it was technology that increased the positive difference with the market, notably through semiconductors and software.

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. Energy companies remain under-represented due to the widespread use among them of unconventional extraction, which is prohibited as a result of the Socially Responsible Investing criteria of the fund.



Historical net performance

28/02/2022	YTD	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	Since Inception	Inception Date
Digital Stars Europe	-14.8%	30.7%	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%	729.8%	13/11/1998
MSCI Europe NR	-6.1%	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%	204.6%	
MSCI Europe Small Cap NR	-10.4%	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%	629.6%	
Digital Stars Europe Ex-UK	-14.3%	33.9%	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%	345.6%	30/06/2006
MSCI Europe ex UK NR	-8.7%	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%	118.6%	
MSCI Europe ex UK Small Cap NR	-10.2%	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%	224.1%	
Digital Stars Eurozone	-14.0%	32.0%	18.3%	30.5%	n.s.	--	--	--	--	--	--	--	--	--	--	41.8%	01/10/2018
MSCI EMU NR	-8.5%	22.2%	-1.0%	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	20.7%	
MSCI EMU Small Cap NR	-6.9%	23.3%	5.5%	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	29.7%	
Digital Stars Europe Smaller Companies	-15.2%	33.6%	27.3%	29.7%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	97.5%	16/12/2016
MSCI Europe Small Cap NR	-10.4%	23.8%	4.6%	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	54.9%	
Digital Stars US Equities	-14.4%	37.9%	23.8%	28.9%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	69.2%	16/10/2017
MSCI USA NR	-8.5%	26.5%	20.7%	30.9%	-5.0%	n.s.	--	--	--	--	--	--	--	--	--	82.0%	
MSCI USA Small Cap NR	-7.1%	19.1%	18.3%	26.7%	-10.4%	n.s.	--	--	--	--	--	--	--	--	--	53.8%	

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

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.