

DIGITAL STARS EUROPE

MONTHLY UPDATE

Financial markets began the year 2016 with a severe beating led by a slowdown of the Chinese economy and compounded by a continuation of the fall of energy and raw material prices. The Stoxx Europe 600 lost in January -6.4% (in EUR), whilst the S&P 500 ended the month at -5.1% in USD. In Europe, cyclical sectors were, unsurprisingly, most affected, but also banks. Bad debts of Italian banks were a major concern. Mixed macroeconomic statistics for the United States and disappointing results announcements didn't do investors any favours. Only the spontaneity of the ECB and the BoJ helped to limit the damage at the end of the month.

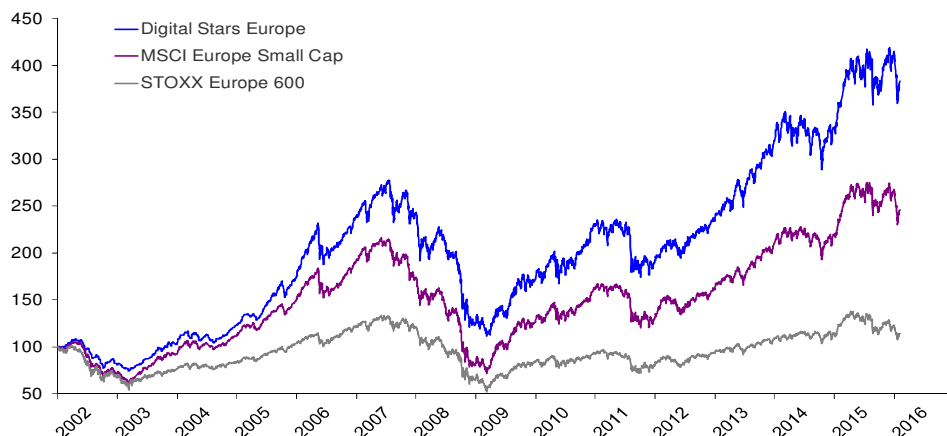
The small and mid cap stocks, which had resisted well in December, suffered. Thus Digital funds end January with negative performance, outperforming small caps and underperforming large caps. Digital Stars Europe lost -7.9% (in EUR) over the month against -8.2% for the MSCI Europe Small Cap and -6.4% for the Stoxx Europe 600. The last rebalancing was rather defensive, with a selection of companies in the sectors of healthcare, utilities and technology. This defensive bias was mitigated however end of the month by the application of our smoothing tool "Top versus Bottom". An excessive decorrelation between strong and weak momentums, and a strong likelihood of a future episode of bargain hunting has been detected, and the portfolios have been optimized by introducing alternatives to our usual selection of good momentum stocks; 20 companies likely to benefit from bargain hunting, weighting approximately 15% of the assets. These introduced stocks belong to our previously underweight sectors: energy, raw materials, industrials, automobile or banks.

PROFILE

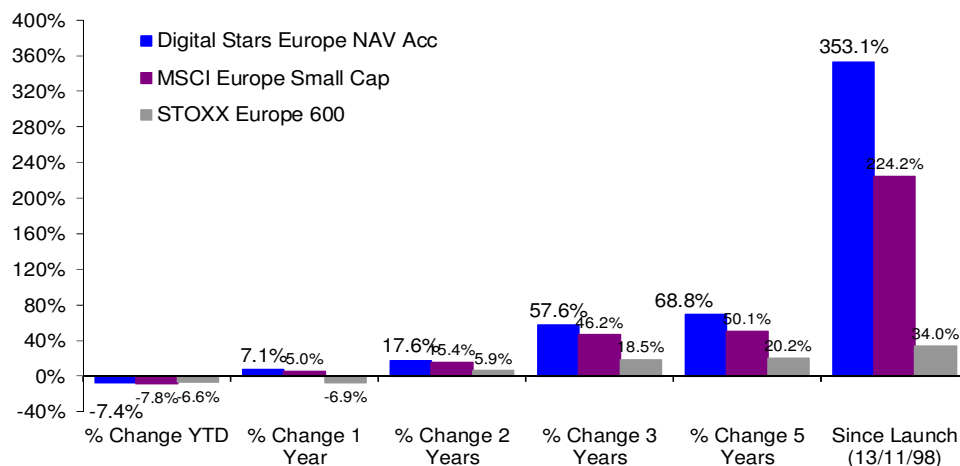
A diversified portfolio, within the all cap universe with a purely quantitative management style. The investment universe embraces approximately 1,700 stocks originating in the European Union, Switzerland and Norway. The minimum capitalisation of the stock selected is €100m. The portfolio will be invested up to a maximum 50% by weight in large caps (members of Stoxx 50).

Due to the optimization, our fund is now slightly overweight raw materials, neutral on energy but still remain underweight on financials. It remains also overweight in Technology and consumer discretionary. The ex-ante tracking error is down to 3.99% after this optimization, the beta climbs slightly to 1.03.

COMPARISON WITH MAJOR INDICES



CUMULATIVE PERFORMANCE AS OF 1st FEBRUARY 2016



OBJECTIVE

Achieve long-term appreciation of its capital and outperform the broad European markets, through the experienced usage of a sophisticated and proprietary quantitative model developed by Dr Jacques Chahine to identify the "stars" performers.

FUND FACTS

Launch: 13.11.1998
Profile: All Cap
Currency: EUR
Benchmark: MSCI Europe Small Cap
AUM: € 344.74 mio

Acc Class: LU0090784017
BILDSCE LX
GBP Class: LU0259627379
DFSEGBP LX
USD Class: LU0274905818
DFSEUSD LX
R Class: LU0323041763
DFSTARR LX
D Class: LU0905713201
DFSTARD LX

Mgt. Fees: 1.5% (R Class : 2%)
Perf. Fees: 15% of the outperformance vs benchmark (R Class: 20%)
Valuation Date: Daily
Cut-off: 30m. Luxembourg time

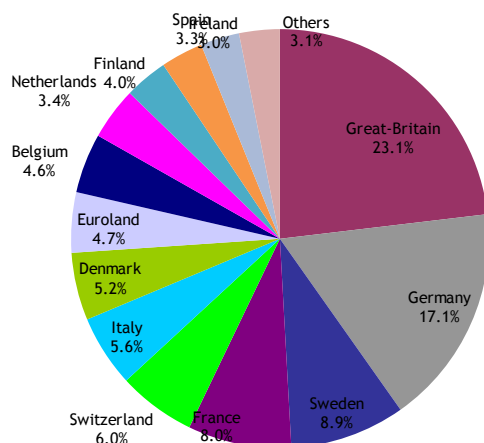
MAIN INVESTMENTS AND CONTRIBUTIONS OVER THE MONTH TO 01/02/2016

	Weights		1 Month perf	1 month contribution
SIVA Solar Technology AG	1.90%	Betfair Group plc	9.95%	0.19%
Betfair Group plc	1.85%	Sartorius Stedim Biotech S	8.42%	0.10%
Kingspan Group Plc	1.62%	Sartorius AG Pref	4.24%	0.07%
Temenos Group AG	1.49%	Neste Corporation	11.19%	0.06%
Securitas AB Class B	1.41%	Avfood AB	4.76%	0.05%

PERFORMANCE ATTRIBUTION (EXCL. FEES) OVER 3 MONTHS

	Weight 02/11/15 Morning	Weight 01/02/16 Evening	Port. Average Weight	Port. Total Return	Port. Contribution To Return
Total	100.00%	100.00%	100.00%	-3.29%	-3.29%
Consumer Discretionary	20.78%	21.17%	20.58%	-2.47%	-0.45%
Consumer Staples	8.72%	4.89%	8.46%	-2.77%	-0.42%
Energy	0.73%	3.69%	0.94%	-4.25%	0.07%
Financials	13.65%	12.44%	13.15%	-7.44%	-1.03%
Health Care	14.07%	9.66%	13.60%	4.14%	0.32%
Industrials	14.12%	15.23%	14.27%	-1.39%	-0.19%
Information Technology	13.82%	13.04%	14.18%	-1.02%	-0.23%
Materials	6.38%	9.91%	6.28%	-10.88%	-0.65%
Telecommunication Services	2.94%	1.67%	2.72%	-6.64%	-0.20%
Utilities	1.65%	3.64%	2.51%	-7.30%	-0.18%
Futures Euro Stoxx 50	3.15%	4.66%	3.31%	-11.62%	-0.35%

COUNTRY BREAKDOWN AS OF 01/02/2016



STRUCTURE AND MANAGEMENT

Managers:	Julien Bernier Jean-Baptiste Fargeau
Location:	Luxembourg
Man. Company:	J. Chahine Capital, a Luxembourg Asset Management Company regulated by the CSSF.
Legal Form:	Sub-Fund of the DIGITAL FUNDS, a Luxembourg-based investment company with variable capital under Part I of the Luxembourg Law of December 20, 2002.
Custodian:	UBS (Luxembourg) S.A.
Paying Agent:	UBS (Luxembourg) S.A.
Administration:	UBS Fund Services (Lux) S.A.
Auditor:	PricewaterhouseCoopers
Registration:	Luxembourg, France, Switzerland, UK, Belgium, Italy, Sweden, Germany, Austria, Spain

KEY FIGURES (01/02/2016)

NAV (Acc):	€ 690.73
NAV (GBP):	£ 242.83
NAV (USD):	\$ 152.62
NAV (R) :	€ 147.93
NAV (D):	€ 140.19
Beta 1Y vs Benchmark:	1.03
Volatility 1Y:	20.15%
Sharpe Ratio 1Y:	0.35
Median Capitalisation:	€ 3.06 Bio
Median % of Market Volume:	28.5%

01/02/2016	Perf 2016	Perf 2015	Perf 2014	Perf 2013	Perf 2012	Perf 2011	Perf 2010	Perf 2009	Perf 2008	Perf 2007	Perf 2006	Perf 2005	Perf 2004	Perf 2003	Perf Since Inception
Digital Stars Europe	-7.4%	24.7%	3.5%	36.0%	22.7%	-16.0%	32.6%	37.0%	-48.3%	1.8%	36.6%	41.5%	18.7%	29.0%	389.1%
MSCI Europe Small Cap	-7.8%	21.0%	4.3%	30.4%	23.8%	-19.3%	27.4%	55.7%	-53.1%	-9.0%	27.7%	34.4%	20.4%	30.8%	251.9%
Stoxx600	-6.6%	6.8%	4.4%	17.4%	14.4%	-11.3%	8.6%	28.0%	-45.6%	-0.2%	17.8%	23.5%	9.5%	13.7%	43.5%

Important information: Digital Funds Stars Europe is a sub-fund of Digital Funds, a SICAV incorporated under Luxembourg law, authorised in Luxembourg and regulated by the Luxembourg supervisory authority Commission de Surveillance du Secteur Financier (CSSF). The Fund complies with the requirements of the UCITS Directive 2009/65/EC. Investors are invited to carefully read the risk warnings and the regulations set out in the prospectus and/or in any appendices thereto, applicable in the country of distribution, and to seek professional counsel from their financial, legal and tax advisors. Information about DIGITAL FUNDS, its sub-funds and classes, the latest prospectus, annual and semi-annual reports, can be obtained free of charge, in English, French, German and Italian from the Central Administrator, the Custodian Bank or online at www.chahinecapital.com. The Fund's prospectus for Switzerland, the Key Investor Information's, constitutive documents and annual and semi-annual financial reports can be obtained free of charge from the Fund representative in Switzerland, Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Genève, Suisse, Tel. +41 22 705 11 77, www.carnegie-fund-services.ch. The paying agent in Switzerland is Banque Cantonale de Genève, 17 Quai de l'Île, 1204 Genève. The Fund's centralizing agent in France is RBC Investors Services France. This document is confidential and is intended only for the use of the person to whom it was delivered; it may not be reproduced or distributed. The present document constitutes neither an offer nor a solicitation to subscribe for shares in the funds in any jurisdiction where such an offer or solicitation would not be authorised, or to any person to whom it would be unlawful to make such an offer or invitation. J.Chahine Capital is authorised in Luxembourg and regulated by the CSSF. 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.