

# DIGITAL FUNDS

Investment Company with Variable Capital

Registered under Part I of the Luxembourg law of December 20, 2002

October 2009

## Simplified prospectus of the Sub-Fund

### DIGITAL FUNDS Stars Europe

This simplified prospectus contains key information about the "DIGITAL FUNDS Stars Europe" (the "Sub-Fund"), one sub-fund of the DIGITAL FUNDS (the "Fund"). Should you need any further information before you invest, please consult the full prospectus of the Fund or its web-site [www.chahinecapital.com](http://www.chahinecapital.com). Within this full prospectus, the rights and duties of the investors are fully described. The full prospectus as well as the yearly and half-yearly financial reports may be obtained free of charge at the registered office of the Fund, of the Central Administration (see also "Local Agents"). For details about the Sub-Fund's holdings, please see the Fund's most recent audited annual report or un-audited semi-annual report.

<b>Investment objective</b>	The objective of the Sub-Fund is to achieve long-term appreciation of its capital and outperform the broad European markets, through the use of a sophisticated quantitative model to identify the "stars" performers.
<b>Investment policy</b>	<p>The Sub-Fund will invest at least 2/3 of its assets in equities of companies which are domiciled or carry out predominantly their economy activity in the EU country members, Norway and Switzerland. The universe consists currently of approximately 4.000 listed equities covered by the research of at least one broker. For safety reasons, the Sub-Fund will currently be interested only in approximately 1.700 equities followed by at least 3 brokers and whose capitalization exceeds EUR 100 M.</p> <p>It should be noted that the Sub-Fund will be invested across all markets capitalization spectrum including Large Cap equities. But because of the investment techniques, such Large Cap members of the DJ Stoxx 50 will not exceed 50% of the net assets depending on the market conditions. The Sub-Fund is eligible to the regulations governing the French PEA.</p> <p>This strategy has the benefit of keeping constantly in the Sub-Fund very liquid assets in case of any major crisis.</p> <p>The Sub-Fund will constantly invest at least 80% of its net assets in equities part of the universe defined above. However, a maximum of 10% of the net assets of the Sub-Fund can be invested in equities whose capitalization is below EUR 100 M.</p> <p>The Sub-Fund may also invest up to 10% of its net assets in transferable debt securities rated at least A by Standard and Poor's or similar by other rating agencies at the time of their purchase.</p> <p>The Sub-Fund is authorized, for the purpose of efficient portfolio management, to use techniques and instruments relating to transferable securities, techniques and instruments intended to provide protection against exchange risks in the context of the management of its assets and liabilities and to enter into synthetic equity swaps with a first financial institution which specialize in this kind of transaction to seek exposure to transferable securities. The Sub-Fund may enter into transactions which are undertaken for purposes other than hedging provided those transactions have no negative effect on the quality of the investment policy. The Sub-Fund exposure to the equity market will remain between 80 and 100%.</p> <p>The asset rotation is theoretically one per year (purchases of 100% and sales of 100% of assets). This figure can be exceeded in the case of significant important movements in the assets of the Sub-Fund.</p> <p>The reference currency of the Sub-Fund as well as of the Fund is EUR.</p> <p>The Net Asset Value of the Classes Acc and R is calculated in EUR.</p> <p>The Net Asset Value of the Class GBP is calculated in GBP. Class "GBP" Shares participates in the portfolio according to its entitlements. Class "GBP" Shares may occasionally seek to benefit from a specific hedging complement on a case-by-case basis under which the non-GBP portfolio assets attributable to it are intended to be hedged against the GBP on a roll-over monthly basis. The hedging costs are born by the Class "GBP".</p> <p>The Net Asset Value of the classes "Gulf" and "USD" is calculated in USD. Classes "Gulf" and "USD" Shares participate in the portfolio according to their entitlements. Classes "Gulf" and "USD" Shares may occasionally seek to benefit from a specific hedging complement on a case-by-case basis under which the non-USD portfolio assets attributable to them are intended to be hedged against the USD on a roll-over monthly basis. The hedging costs are born by the respective class.</p> <p>It is not the intention to fully hedge and no insurance is given that this hedging objective will be achieved.</p>
<b>Risk's profile</b>	<p>The risks associated with investments in equity (and equity-type) securities include significant fluctuations in market prices, adverse issuer or market information and the subordinate status of equity in relation to debt paper issued by the same company. The Sub-Fund is also vulnerable to liquidity issues associated with small cap equities. Potential investors should also consider the risks attached to fluctuations in exchange rates, possible imposition of exchange controls and other restrictions. Due to possible use of techniques and instruments relating to transferable securities for efficient portfolio management, investors might be exposed to greater risks and there can be no assurance that the objective sought to be obtained from such use will be achieved. It should be remembered that the net asset value of the Sub-Fund can go down as well as up. An investor may not get back the amount he has invested, in particular if shares are redeemed soon after they have been issued. Prospective investors should carefully consider whether an investment in shares is suitable for them in the light of their own circumstances and financial resources.</p> <p>List of risk factors (use of swap agreement, counterparty risk, income risks, use of derivatives) detailed in full prospectus does not purport to be a complete explanation of the risks involved in shares of the Fund.</p> <p>As at the end of March 2009: 195.43%</p> <p>Europe Small Cap Index during the Period. The Sub-Fund's objective is however to outperform Caps indices when this segment is favourable to investors.</p>

VISA 2009/54195-2372-3-PS

L'apposition du visa ne peut en aucun cas servir d'argument de publicité

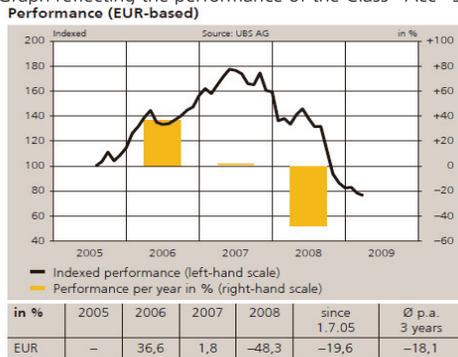
Luxembourg, le 12/10/2009

Commission de Surveillance du Secteur Financier



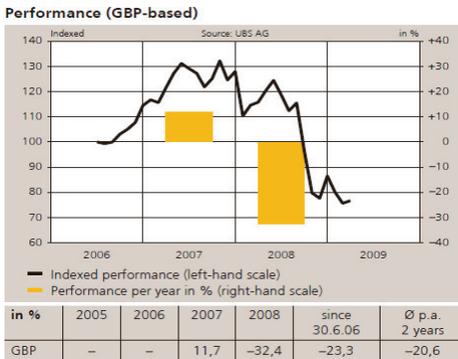
**Performance**

Graph reflecting the performance of the Class "Acc" shares, ending March 2009



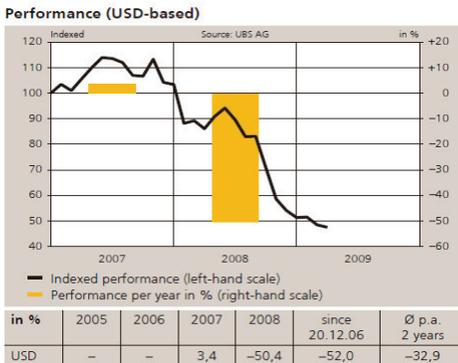
These figures refer to the past. Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units.

Graph reflecting the performance of the Class "GBP", ending March 2009



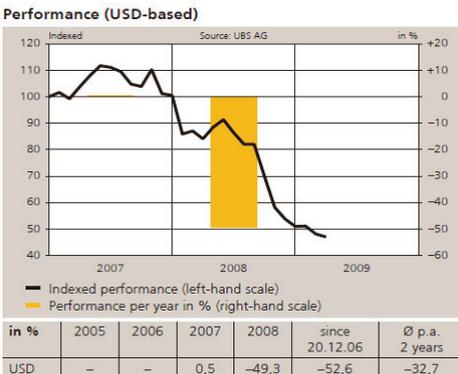
These figures refer to the past. Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units.

Graph reflecting the performance of the Class "Gulf", ending March 2009



These figures refer to the past. Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units.

Graph reflecting the performance of the Class "USD", ending March 2009



These figures refer to the past. Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units.

Graph reflecting the performance of the Class "R", ending March 2009

**Performance (EUR-based)**



in %	2005	2006	2007	2008	since 15.11.07	Ø p.a.
EUR	-	-	-	-48,8	-53,2	-

These figures refer to the past. Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units.

For more up to date performances, please see on [www.chahinecapital.com](http://www.chahinecapital.com)

<p><b>Notice</b></p>	<p>The above graphs show the past performance. Past performance is not a guarantee for future trends. There is no guarantee that the investments will appreciate in value. The value of investments and the income derived there from may as well fall as rise and investors may not get back the amount invested. Future returns will mainly depend on the development of the equity stock markets and how successful the portfolio manager is in implementing the Sub-Fund's investment policy.</p>
<p><b>Profile of the typical investors</b></p>	<p>The Sub-Fund is suitable for long-term investors who consider investments in the Sub-Fund as a convenient way of participating in capital markets movements. The investor must be able to accept a fair amount of volatility significant fluctuations in the net asset value but not as much as a portfolio invested exclusively in equity stocks. As a consequence, the Sub-Fund is suitable for investors who can afford, in principle, to set aside their capital for a period of 5 years. It is designed for the investment objective of building up capital over a long-term period.</p>
<p><b>Allocation of income</b></p>	<p>Classes "Acc", "Gulf", "USD" and "R" Shares bring them no rights to distributions and as a consequence, investment incomes and realised capital gains attaching to these shares are automatically reinvested. Class "GBP" Shares entitle the shareholders to an annual distribution paid out of investment incomes and realised capital gains after deduction of all fees and expenses.</p>
<p><b>Sub-Fund expenses</b></p>	<p><b>Annual fee to be borne by the Sub-Fund:</b> Management Fees: For Classes "Acc", "GBP" and "USD" shares: max 1.75% p.a. For Classes "Gulf" and "R" shares: max 2% p.a.  Performance fee: max 15% for Classes "Acc", "GBP" and "USD" shares, max 20% for Class "R" and max 25% for Class "Gulf" shares p.a. (excluding taxes) of the net assets (converted in shares classes currency) outperformance of the MSCI Europe Small Cap Index during the Period (adjusted on a pro rata temporis basis for subscriptions and redemptions made in the Sub-Fund during the Period). For the unhedged shares classes, the benchmark is converted into shares class currency. For the hedged shares classes, the benchmark is hedged against the shares class currency. The performance fee is crystallized for redemptions. The performance fee will be accrued daily and paid out to the Management Company within five business days of the last business day of each Period.  Custody, Administration: Max 0.25% p.a. Total Expense Ratio (TER) as per end of March 2009 (incl. performance fee): 3.18% for Class "Acc"; 2.87% for Class "GBP"; 4.25% for Class "R"; 4.50% for Class "Gulf" and 3.56% for Class "USD"</p> <p>(* This TER includes also costs in connection with registration abroad, the "taxe d'abonnement", external audit as well as costs for extraordinary measures carried out in the interests of the shareholders but does not include customary brokerage fees and commissions charged by brokers or banks for securities transactions.</p>
<p><b>Taxation</b></p>	<p>With the exception of the "taxe d'abonnement" equal to 0.05% p.a. and payable quarterly in arrears, the Fund is neither liable to any Luxembourg tax on capital gains or income nor on any dividends paid by the Fund liable to any withholding tax in Luxembourg. Shareholders are not subject to any Luxembourg withholding tax or tax on capital gains, income, gift or any other tax in Luxembourg (except for shareholders domiciled, resident or having a permanent establishment in Luxembourg and except for certain former residents of Luxembourg if owning more than 10% of the shares). The tax consequences will vary for each investor in accordance with the laws, regulations and practices currently in force in an investor's country of citizenship, residence or temporary domicile, and in accordance with his or her personal circumstances. Investors should therefore ensure they are fully informed in this respect and should, if necessary, consult their financial advisor.</p>

	<p>On 3 June 2003 the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income which came into force on 1 July 2005. Under the directive each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.</p>																																												
<b>Net asset value publication</b>	<p>The net asset value per share is made public on each valuation day at the SICAV's registered office and at the institutions responsible for the SICAV's financial service. The net asset value is also available on the website: <a href="http://www.chahinecapital.com">www.chahinecapital.com</a></p>																																												
<b>How to purchase/ repurchase/ convert shares</b>	<p>Subscription as well as redemption and conversion requests for the shares of the Sub-Fund will be dealt on the basis of the net asset value per share and will have to be sent to the Fund, the Central Administration, the Custodian Bank or any appointed distributors.</p> <p><b>Cut-off time for subscription and redemption orders:</b> orders must be received at the latest by 3:00 pm Luxembourg time (the "cut-off-time") on the business day in Luxembourg preceding a Valuation Day (defined as any business day for the Central Administration) and shall be settled at the issue price calculated on that Valuation Day. In this context, "business day" refers to the normal bank business day (i.e. each day on which banks are open during normal hours) in Luxembourg, with the exception of individual, non-statutory rest days as well as days on which exchanges in the main countries in which the Sub-fund invests are closed or 50% or more Sub-fund investments cannot be adequately valued. Non-statutory rest days are days on which individual banks and financial institutions are closed.</p> <p>Payment relating to subscription and redemption orders will be made at the latest two business days after the relevant Valuation Day.</p> <p>Minimum holding for Class "Gulf": USD 50.000,-</p> <p>Subscription fee: up to 5%</p> <p>Redemption fee: none</p> <p>Conversion fee: up to 0.5%</p>																																												
<b>Additional important information</b>	<table> <tr> <td>Legal structure:</td> <td>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.</td> </tr> <tr> <td>Fund:</td> <td>DIGITAL FUNDS</td> </tr> <tr> <td>Sponsor:</td> <td>UBS AG</td> </tr> <tr> <td>Management Company:</td> <td>UBS Third Party Management Company S.A., Luxembourg</td> </tr> <tr> <td>Investment Advisor:</td> <td>J.Chahine Advisory, Luxembourg</td> </tr> <tr> <td>Supervisory Authority:</td> <td>Commission for the Supervision of the Financial Sector</td> </tr> <tr> <td>Central Administration:</td> <td>UBS Fund Services (Luxembourg) S.A., Luxembourg</td> </tr> <tr> <td>Custodian Bank:</td> <td>UBS (Luxembourg) S.A., Luxembourg</td> </tr> <tr> <td>Auditor:</td> <td>PricewaterhouseCoopers S.à.r.l, Luxembourg</td> </tr> <tr> <td>Listing:</td> <td>Shares are listed on the Luxembourg Stock Exchange</td> </tr> <tr> <td>Incorporation date of the Fund:</td> <td>September 21, 1998</td> </tr> <tr> <td>Total Net Assets of the Sub-Fund:</td> <td>EUR 62'638'018.51 as per end of March 2009</td> </tr> <tr> <td>ISIN Code for Class "Acc" shares:</td> <td>LU0090784017</td> </tr> <tr> <td>Telekurs code for Class "Acc" shares:</td> <td>949405</td> </tr> <tr> <td>ISIN Code Class "GBP" shares:</td> <td>LU0259627379</td> </tr> <tr> <td>Telekurs Code Class „GBP" shares:</td> <td>2611207</td> </tr> <tr> <td>ISIN Code Class "USD" shares:</td> <td>LU0274905818</td> </tr> <tr> <td>Telekurs Code Class "USD" shares:</td> <td>2777174</td> </tr> <tr> <td>ISIN Code Class "Gulf" shares:</td> <td>LU0274905495</td> </tr> <tr> <td>Telekurs Code Class "Gulf" shares:</td> <td>2777171</td> </tr> <tr> <td>ISIN Code Class "R" shares:</td> <td>LU0323041763</td> </tr> <tr> <td>Telekurs Code Class "R" shares:</td> <td>3422813</td> </tr> </table>	Legal structure:	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.	Fund:	DIGITAL FUNDS	Sponsor:	UBS AG	Management Company:	UBS Third Party Management Company S.A., Luxembourg	Investment Advisor:	J.Chahine Advisory, Luxembourg	Supervisory Authority:	Commission for the Supervision of the Financial Sector	Central Administration:	UBS Fund Services (Luxembourg) S.A., Luxembourg	Custodian Bank:	UBS (Luxembourg) S.A., Luxembourg	Auditor:	PricewaterhouseCoopers S.à.r.l, Luxembourg	Listing:	Shares are listed on the Luxembourg Stock Exchange	Incorporation date of the Fund:	September 21, 1998	Total Net Assets of the Sub-Fund:	EUR 62'638'018.51 as per end of March 2009	ISIN Code for Class "Acc" shares:	LU0090784017	Telekurs code for Class "Acc" shares:	949405	ISIN Code Class "GBP" shares:	LU0259627379	Telekurs Code Class „GBP" shares:	2611207	ISIN Code Class "USD" shares:	LU0274905818	Telekurs Code Class "USD" shares:	2777174	ISIN Code Class "Gulf" shares:	LU0274905495	Telekurs Code Class "Gulf" shares:	2777171	ISIN Code Class "R" shares:	LU0323041763	Telekurs Code Class "R" shares:	3422813
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