



**DIGITIAN
CAPITAL**



DIGITIAN VIEW

A monthly Investment outlook



FUTURE FOCUS

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“The secret is to hop off the elevator on one of the upper floors on the way up and not ride it back down again.....for the same you can use 20%-25% profit taking Zone with 8 week hold rule exception”

Disciplined Approach to Profit booking

DIGITIAN VIEW!

The October 2019 continued with a bullish strong outlook across most of the markets. In USA fed cut the rate for the 3rd Time in 2019 and the USA-China Phase 1 Trade deal is agreed. Especially the second one pushed markets to a bullish trend with S&P registering the Life time high while NASDAQ is on its way. India, China, Egypt, Kenya continues upward move.

Our USA Portfolio clocked a realised Gain of 28% in 2019 (YTD) while our Indian Portfolio is on the recovery path with the market, even after considerable correction with an annualised return of 18%. The African Portfolios have started upward movement in Egypt and Kenya with over 10% dividend Yield.

I just came across a research which highlights Warren Buffet made 99% of his current wealth after his 52nd Birthday. Today he is 89 years. That is our point in Digitian given your increasing life span you have to give up the last century thinking, you have to adopt to modern thinking... your age does not matter what matters is when you are starting with a strategy and starting investment for future consistently at whatever age you are. Buffet has achieved this.

Institutional Investors - Market Makers

In modern days Institutional Investors are market maker and are the key to understanding the market. This class of stock buyers cannot buy a full position all at once, so they must accumulate shares over a period of weeks or months — shares that they hope to hold for several years. *Continued Page 2*

MARKET WATCH

Equity Indices	Monthly Open	Monthly Close	Monthly Change %	2019 YTD %	2018 %
S & P	2976	3039	2.1%	21.2%	-11%
Nasdaq	7999	8292	3.7%	25.0%	-10%
FTSE 100	7408	7359	-0.7%	9.4%	-12.9%
Shanghai Compsite	2905	2929	0.8%	17.5%	-26.5%
NIFTY	11436	11877	3.9%	9.3%	2.9%
Nairobi SE 20	2431	2643	8.7%	-6.7%	-23.7%
Egypt SE 30	14257	14558	2.1%	11.7%	-11.8%
Tanzania All Shares	1928	1991	3.3%	-2.4%	-14.6%
Ghana Composite	2201	2155	-2.1%	-16.2%	-3.7%
Nigeria SE 30	1147	1064	-7.2%	-24.9%	-20.8%
Morocco All Shares	11562	11534	-0.2%	1.5%	-9.4%
Bangladesh DSE 30	1756	1627	-7.3%	-13.5%	-18.0%

Commodity	Monthly Open	Monthly Close	Monthly Change %	2019 YTD %	2018 %
Gold	1471.5	1514	2.9%	18.0%	-1.5%
Crude Oil	59.69	59.53	-0.3%	10.0%	-19.1%
WTI Oil	54.55	54.18	-0.7%	18.3%	-29.1%
Copper	2.556	2.64	3.3%	0.3%	-19.7%
Iron Ore	92.89	89.8	-3.3%	29.9%	-2.9%
Aluminium	1718	1757	2.3%	-22.1%	23.7%

COUNTRY DATA

Countries	GDP (USD Bn)	Market Cap (USD Bn)	GDP Growth 2019 %	Inflation %
USA	18570	29898	2.0%	1.8%
China	12238	6119	6.2%	2.7%
India	2260	2305	6.0%	3.1%
Egypt	331	53	5.8%	11.80%
Kenya	71	18	6.0%	4.4%
Tanzania	54	10	4.0%	3.1%
Ghana	43	20	6.0%	9.3%
Nigeria	405	101	2.40%	13.0%
Morocco	101	59	2.8%	1.0%
Bangladesh	221	40	7.0%	6.00%

Forex	Monthly Open	Monthly Close	Monthly Change %	2019 YTD %	2018 %
EUR USD	1.089	1.115	2.4%	-2.8%	-4.4%
GBP USD	1.229	1.295	5.4%	1.2%	-10%
USD INR	70.779	70.980	-0.3%	-1.8%	-8.1%
USD KES	103.850	103.300	0.5%	-1.4%	1.3%
USD EG POUND	16.280	16.140	0.9%	10.9%	-0.73%
USD TZS	2300.000	2304.000	-0.2%	-0.2%	-2.6%
USD CEDI	5.435	5.445	-0.2%	-10.5%	-6.9%
USD NAIRA	361.500	363.000	-0.4%	0.3%	-16.1%
USD TAKA	84.495	84.770	-0.3%	-1.6%	-0.7%

They generally keep their moves secret so that other investors cannot buy ahead of them, raising the price. But even if we don't know who is buying, we can see the effect on the chart and gauge that the stock is under accumulation. Thus **technical stock reading is a must in the world of stock trading especially before buying and selling;**

A **tight chart** position means that a stock closes near the prior close, especially on a weekly chart, and that the daily or weekly ranges show little fluctuation in price - the stock appears boring. **In reality, it reveals that institutional investors are showing no urgency to sell,** even if the stock has gone on a big run. On the contrary, they will not let the stock go down, nibbling at any small show of weakness, adding to their positions in anticipation of a continued rise. To identify a **BASE**, you have to look for tight weekly closes, and this shows resilience of the Big investor who considers the stock **as a bargain. Three Weeks Tight** is a pattern which is defined as **three straight weekly closes in which each is not more than 1% to 1.5% higher or lower than the previous week's close.**

Stock Break out - a stock that has already broken out and is extended from a primary buy point . It shows that those big investors still see price upside in the stock and are preventing it from falling. A breakout from a three-weeks-tight pattern is considered a Secondary Buy Point. It is usually not stable or safe enough for taking a full position, especially if it develops well above a proper base and its correct buy point. You can add 5% or 10% to an existing position, so that you get extra punch if the stock keeps moving higher.

Profit Booking

Sometimes profit booking is also a better strategy. This I have discussed in **Value**

Trading in case of volatile market or when the market bull run is continuing for long. You do not need to hit sixer to win the investing game. Focus on getting singles. **To grow your portfolio substantially, take most gains in the 20%-25% range.**

It is contrary to human nature, the best way to sell a stock is while it is on the way up, still advancing and looking strong to everyone. **"The secret is to hop off the elevator on one of the upper floors on the way up and not ride it back down again."**

Typically, growth stocks tend to advance 20% to 25% after breaking out of a proper base, then decline and set up new bases, and (beware) in some cases resume their advances. This is mainly due to profit booking by Institutional Investors.

So in most cases (after following the 8-week hold-rule exception), you are better off locking in your gains to avoid watching your profits disappear as the stock corrects. And you can potentially compound those gains by shifting that money into other stocks or re entry on the same stock when it formed a new base. (refer Face book Case)

The eight-week hold rule helps you identify such stocks, and helps you sit tight so you can reap potential rewards. Once the eight weeks from the original buy point have passed, you can sell to lock in your gains if already 20% profit is made or continue to hold or book partial profit.

The most important part is the calculation of **20%-25% profit-taking zone, that is based on the stock's ideal buy point.** That may differ from your own purchase price. So let's say you bought 4% above the ideal buy point. If the stock then goes up 20%-25% from the ideal buy point, your profit would be 16% to 21%.

Continued Page 3

New Service : Surrogate Investment

Digitian Capital (DC) has launched a new service "Surrogate Investment". We have come across many of our readers who may not have USD 100,000 or equivalent to join the club and make their investment fortune. Further, we understand **TRUST & BELIEF** are two big factors confronting the medium value investors. The service is designed to address these issues while creating a family of DIGITIAN investors :

The features of Surrogate Investment (SI) :

1. Invest your own Money through your own custodian account (so no money transfer)
2. Only two markets : India and USA
3. Atleast investable funds of USD 20,000 or AED 10,000 or INR 10,00,000
4. Digitian Capital would give you names of only 1(one) share (on the basis of our model **WINGS to freedom**)
5. You will invest yourself on the basis of that Tips on that share
6. Digitian will advice you to sell the the shares at right point in time.
7. You transfer 20% of the profit you generated out of the sale of shares. (Say you invested USD 20000/-

in Apple and you sold it at USD 24000 then you will pay DC, USD 800 (20% of gain of USD 4000)
8. On receipt of USD 800 DC will provide you another name of shares where you will invest again USD 20000 or more

So it is **SIMPLE .. SIMPLE**

Why You should avail this service?

- You do not have time like Professional Fund Managers like us, so you are getting a professional specific advise
- Your money is in your own account. You can sell whenever you want
- Digitian capital is doing all the hard work, Selecting the share, monitoring the performance of the company, attending AGM and Investors Conference, advising you the buy and sell time with entry and exit price.

Fees for the Service :

- a) ZERO UPFRONT Fees
- b) Upside of 20% of the profit **only on realision** of the profit (So Zero risk)

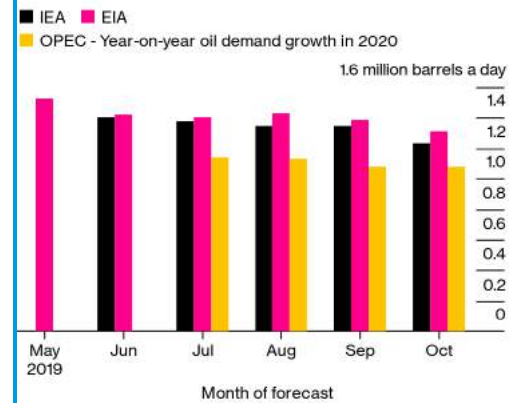
Process :

- 1) Sign up : digitiancapital.com
- 2) Start Your millionaire Journey

BEST CHART OF THE MONTH

Catching the Same Cold

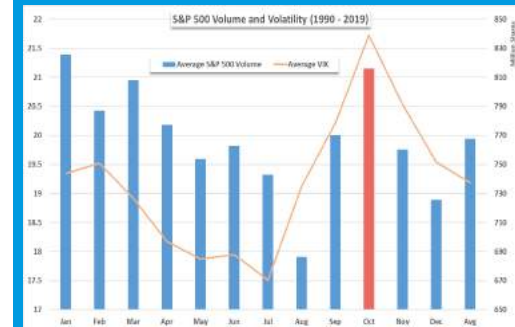
The agencies are also starting to cut their forecasts for next year's oil demand growth



Source: Bloomberg, IEA, EIA, OPEC

Bloomberg

“ Demand for Oil is falling as projected by all agencies ”



“ Like always October is the highest Volatile month ”



In the pictures, In Egypt Saugata with CEO & Top Executives of Prime Securities, Our Custodian, shaking hands with Head Investment Banking of Commercial Investment Bank and Discussing with CEO of Egypt Capital Market Authority, In Dubai with Debashish & Ravi



VALUE INVESTING

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“ It refers to a method of conducting due diligence about a company and its investment merits by talking to all kinds of people related to it like customers, vendors , trade associations, competitors and employees ”

Investing Through Scuttlebutt Method (Part 1)

Scuttlebutt is a term that generally refers to rumors or gossip. The origin of the term is related to sailing. Water for consumption on sailing ships was typically stored in a scuttled butt - a butt (cask) which had been scuttled by making a hole in it so the water could be withdrawn. Since sailors exchanged gossip when they gathered at the scuttled butt for a drink of water, scuttlebutt became slang for gossip or rumors.

As it relates to investing, the Scuttlebutt Method was coined by **Phil Fisher in his seminal book "Common Stocks and Uncommon Profits"**. It refers to a method of conducting due diligence about a company and its investment merits by talking to all kinds of people related to it like customers, vendors , trade associations, competitors and employees (former and current).

When it comes to micro and small cap, we in Digitian have embedded the process of scuttlebutt investing. Last week this process took me to Ahmedabad for the second time in last one year, to do scuttlebutt on **one**

of our investment in one NBFC company. This investment in our portfolio has already doubled and hence it made sense to do scuttle butt in much more detail as we plan to hold this investment for a very long time.

When we called the promoter to tell him that we want to meet his second and third level team members, we were amazed to see the openness and transparency of him for the visit. He actually wrote an email to his second and third level down to ensure we have a fruitful visit. He directed his team members to show whatever we wanted to see.

We wanted to do a field visit in interiors of Ahmedabad and not in the city which is why we started early at 7 am in the morning to be in Godhra rural which is more than 150 km from our hotel in Ahmedabad. This NBFC have three divisions – one micro finance itself which is 70% of the business. The balance is almost split equally between MSME and 2 wheeler business. What surprised us that given it is a small cap (less than INR 500 crore company), both ,the operations with respect to team and infrastructure are completely kept separate .We first went to the MFI branch after spending sometime there, we wanted to see(picture below

below) the underlying business of the branch ie how they lend to the women in groups .

Before I take you through the lending model let me take you through how a microfinance (MFI) companies in India work. Like their global counterparts, MFI charge very high interest rates (but still lower than informal sector).Some argue that this is not fair. Interest rates of 25-27% are too high for poor people to pay and lead to defaults.

However, if the data is to be believed, Non-performing assets (NPAs) are very low (around 1%). Interestingly, these companies charge high interest rates and still have low NPAs. Yes, this sounds counter intuitive. This is one of the main reason I wanted to have a field visit.

We travelled quite a bit from the MFI Godhra branch to reach a village where the Group Lending team meeting was being anchored by the field officer of the company . A Joint Liability Group (JLG) is an informal group comprising of 4-10 individuals coming together for the purpose of availing bank loan on individual basis or through group mechanism against mutual peer to peer guarantee.

Continued Page 5

The group we first attended had 10 members with a center lady. This center lady is an informal leader of the group who ensures that as a group the interest and reputation of the members are protected. Hence there is peer pressure to pay . If for some unforeseen reason any one member is not able to pay, other members pay for the same and later recovers. This becomes a win win for both the borrowers and the lender MFI company. This aroused further question in my mind as to how when the entire country is suffering from asset quality and NPA risk, how people at the bottom of the pyramid is able to pay and pay consistently .

Here's the reason as to "why", the actual story on ground goes like thisSuppose you are a women and a landless agricultural labour. You don't have any property to offer as collateral. You approach a microfinance company for a loan - just twenty five to forty thousand rupees to buy a cow .

A cow typically gives birth once a year. The value of one offspring is generally less than 50% of the original cow .Then there is milk ,we calculated the value of the milk the cow gives –its sold at local market for Rs 1500 for every 10 days .This cycle continues for 6-7 years .Original cost of the cow was Rs 40000/- . So, by the end of the year, one would have earned anything between 100-150% on investment .

Even if we take a cost of capital of 25%, the borrower is making close to 100% return on the invested capital. Every individual women can pay the monthly loan installments by selling the cows milk only. I specifically checked the underlying business for which the loan is being taken. The first group had all 10 as cow or either buffalo as the reason for the borrowing.



The MFI operates in 4 more states. We found out that overall the company has more than 70% dependence on cattle as the underlying for their micro finance business which is very healthy. MFI and their other businesses the company has more than 350,000 clients and hence there is enough opportunity to up sell and cross sell to the client base. MFI and their other businesses the company has more than 3.5 lac clients and hence there is enough opportunity to up sell and cross sell to the client base .They have started in small way by selling Solar panel to a select few customers.

Then we moved to the 2nd line of business for the company - MSME .We have a very detail discussion with separate team / branch of MSME .We knew the NPA for this business segment is abysmally low at 0.2% which arouse curiosity and hence we wanted a field visit also .We got our answer as to why the NPA is low – its low because the loan is typically not MSME ,it's like a personal loan given to owner /individual who is doing a business. Most of the loan is to open Kirana stores/further investment in the store.



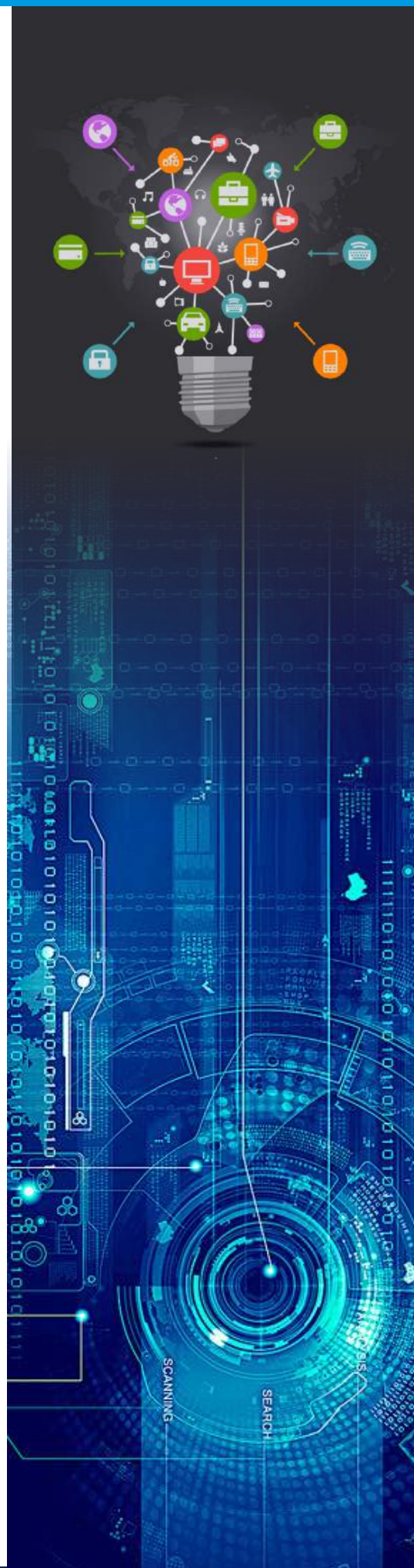
The ticket size is around Rs65k and a stringent process is followed to access the credit worthiness and ability to pay back .The credit team and the disbursement team structure and their reportees are completely different . We also had an understanding of the 2 wheeler business .

What amazed us in the two day visit is no one talks about AUM, disbursement growth, everyone talks about collection – from Top to Bottom. The culture is “a person who has taken money has to return 100% of the money and not 99%”.This is engrained in everything the company does – also in the incentive structure of the entire field force of more than 1800 people ! (To be continued)

NEWS FROM FRONTIER & EMERGING MARKETS WE FOLLOW

Courtesy : DIGITIAN Global Consulting

USA	Digitian Country Rating AAA
»	The USA Market is completely under the bull grip on the back of good employment number, stable PMI, Fed rate Cut and China Trade Deal; S&P 500 already clocked the Life time Peak, NASDAQ and Doe Jones are showing achieving life Time Peak in November 2019
»	Fed cut rate further in October 2019 for the third time in 2019 given the fall in the Quarterly growth to 1.9% while inflation below 2%
»	Finally, US- China Trade talk appears to be heading for Phase 1 deal between the two countries by November end or December 2019.
India	Digitian Country Rating AA
»	The market is continuously moving up post special income Tax rate cut and withdrawals of some newly imposed taxes on FPI and capital Gain. Market Posted a gain of 3.9% which shows the bulls are back in Deewali Season and the market is again approaching the high.;
»	GDP growth has been surely slowing and now expected to be around 6.0% (falling) in 2019/20. Inflation slightly inched up further. Further, Currency depreciated back to INR 71-72 / Dollar
»	According to various reports, several key indicators are not just slowing, but in absolute decline, including non-oil imports (-6.6 per cent in current dollars), non-oil exports (-1.6 percent in current dollars), and the index of production of capital and infrastructure goods (-3.5 per cent up to August 2019)
China	Digitian Country Rating AA
»	China Market maintained the upward movement by 0.8% although decelerated taking into account the possibility of Trade deal Phase 1 with USA.
»	GDP growth slowed down to 6% in Jul-sept 2019 and as per IMF is expected to slow down to 5.8% in 2020. However Industrial production rate is 1.6% higher and Energy production rate is 4.7% higher in September shows nascent recovery.
Kenya	Digitian Country Rating B +
»	Kenya capital market registered a spectacular rebound by 8.7% (like Egypt in September) wiped out YTD decline to 6.9% However, the performance in November will determine whether a short bull run will be seen;
»	Kenya Central Bank's demonetization process for KES 1000 note did not bring the targetted Success as more than 40% of the circulated bank note not returned with drive ending 31st Oct;
»	Parliament Committee backs President's Demand to repeal interest rate cap for commer bank after 3 years of rate cap imposed by Parliament. This will boost up the price of the Bank Stocks
Ghana	Digitian Country Rating C
»	Ghana Stock market continued slippage by 2.1%; Overall the market is still strongly under bear with a YTD decline of 16.2% (2018 : 3.1%) World's Bank forecast on economy to grow @8% is way off the target;
»	Ghana's Cedi continued its downward slide with a YTD drop over 11% after it slided 6.9% in 2018; This remain the perennial problem of African countries.



Egypt	Digitian Country Rating BB
<ul style="list-style-type: none"> • Egypt EGx30 index registered a turnaround with a 2.7% jump and 11.7% YTD • The core inflation further dropped to 2.6% with M2 grew 11.8% y-o-y and Egyptian Pound appreciated in October with a YTD gain of 10.9% and GDP growth may be crossing 6%. • For the market bad news is that Net Portfolio Investment dropped to USD 4.2 billion from USD 12 billion along with dropping FDI; • The Solar Energy Park of 1.4 GW (USD \$ 2 billion) will be ready for commission in Nov'19 • Tourism revenue surged to USD 12 .6 Billion from USD 9.8 Billion. 	
Tanzania	Digitian Country Rating C
<ul style="list-style-type: none"> • Dar Es Salaam Index (DSE 20) registered a come back with 3.3.% rise it has to continue for another 2 months before we can consider a bull run. • Tanzania Inflation is slightly dropped to 3.4% p.a. However, the Tshiling holds ground and almost remained at the same level. YTD fall of only 0.2% • Tanzania Gold export grew by 25% Y-o-y and Barick has settled all disputes with Tanzania Government which will increase the gold export further; • Tanzania Revenue Authority Collected 97% of the Target for the first time in a month; 	
Nigeria	Digitian Country Rating D
<ul style="list-style-type: none"> • Nigerian Stock market continued the fall with a big monthly drop of 7.2% with this YTD fall is 24.9% and the total fall in the last 2 year reached 45.7% the country is a free fall mode • Nigerian Naira showing some sign of consolidation and may recover in the coming months; • Nigerian Central Bank raised the Loan deposit ration to 65% with 150% mortgage for SME Mortgage, retail lending in a way o increase the share of these loans & more credit availability 	
Bangladesh	Digitian Country Rating BB
<ul style="list-style-type: none"> • Bangladesh market continued witnessed consecutive monthly fall and completely in bear grip with a biggest fall of 7.3% (YTD 13.5%) , In the last two years 32% of the value disappeared • Export again fall by 7% in July-sept 2019 quarter to USD 9.65 billion. • Taka devaluated only 1.3% YTD. Call for Devaluation of Taka is high among business community to make export competitive (vis-a-vis competing countries) atleast by 5% in 2019-20 • The World Bank has revised its GDP growth figure to 7% in 2019-20 with less than 65 inflation target; but it appears to be optimistic, 	



5 G Revolution - It's coming

We all know G in the 5G means it is a new generation of wireless technology. A generation is technically marked by a break in encoding methods, or "air interfaces," that make it incompatible with the previous generation. Just to recall, 3G technologies, such as EVDO, HSPA, and UMTS, brought speeds from 200kbps to a few megabits per second(mbps) while 4G technologies, such as WiMAX and LTE, now scaling up from 100 mbps to 1 gigabit-level speeds. 5G brings three new aspects to the table: **greater speed** (to move more data), **lower latency** (to be more responsive), and the **ability to connect a lot more devices at once** (for sensors and smart devices). beyond 4G technologies can achieve.

5G primarily runs in two kinds of airwaves: below and above 6GHz. Rural networks will likely stick with low-band 5G, because low-frequency bands have great range from towers. How fast the world will move to 5 G will depend upon its usage and appeal to Digitians and Millennials

- ❖ **Internet of things:** Another aspect of 5G is that it will connect many more devices. 5G will accept small, inexpensive, low-power devices, connecting a lot of smaller objects and different kinds of ambient sensors to the internet. This will create the base for IoTs.
- ❖ **Driverless cars** may need 5G to really kick into action, the future generation of driverless cars will interact with other cars and smart roads to improve safety and manage traffic. Basically, the cars will all be exchanging very small packets of information, they need to do so almost instantly(one-millisecond processing time) that requires extremely low latencies.
- ❖ **Industrial Uses** : 5G will be most important for automating seaports and industrial robots
- ❖ **Home internet/ Media Streaming** : 5G provides huge capacity. most homes now expect 190GB of monthly usage. 5G home internet is also much easier for carriers to roll out than house-by-house fiber optic lines.
- ❖ **Other Uses** : Game Streaming service or use of Virtual Realty (VR) and Augmented Reality(AR) enabled Services say in Health field a stroke rehab through VR; smart bandages that track your healing; parents interaction with babies while away from home, or physical therapy, or in security areas high-resolution wireless surveillance cameras,

All of these ideas need either the high bandwidth, low latency, or low-power-low-cost aspects of 5G. In order to enable these seamless possibilities, the backbone support system like devices and wifi protocol need also to be 5G enabled. The stocks to be looked for : a) Wireless service providers like Verizon (VZ), AT&T (T), T Mobiles(TMUS); b) Smartphone and tablet makers like Apple (AAPL) and Samsung (SSNLF), c) Network gear makers like Ericsson (ERIC) Nokia (NOK), Huawei, Cisco or d) Chipmakers like Qualcomm (QCOM) and Skyworks Solutions (SWKS), Xilinx(Xlnx), Broadcom(AVGO).



DIGITIANS are those who born in or after the year 2000 and will be a dominant force through 2075. They are completely different in usage of their left brain and motor nerves. They are different from the Millennials in behaviour, thinking and action.

The world is changing superfast – media, communications, banking, currencies, education, retail channels, health & medicines, travel and tourism, consulting, manufacturing, agriculture, – every sectors facing disruptive innovations; Nano technology, internet of things, artificial intelligence and robotics will be overwhelmingly embedded. In this age, model disruption, extinction, miniaturisation, real time delivery, speed and virtualisation are neo normals.

We make you ready for them

HOW TO INVEST IN DIGITIAN CAPITAL

Presently DIGITIAN is raising money from Equity Investor in various classes (A, B and C) depending upon investment amount. This is a Unique opportunity to **select a Zero Tax destination to Invest money especially for Diasporas**. If you need to know about Investment opportunities, Please write to us for more details at info@mydigitian.com

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