



**DIGITIAN
CAPITAL**

Future focus



DIGITIAN VIEW

A monthly Investment outlook



FUTURE FOCUS

Saugata Banerjee

saugatab@mydigitian.com

Hedging Risk

DIGITIAN VIEW!

We appreciate all your responses received on the newsletter. Please do send us more comment and feedback while we give some hot stock tips. Already some of you have become investors with us; Great!! The purpose of this Newsletter is to provide some investment thoughts to comprehend the change that the world is embracing and how to take advantage of Finances. By the way at **DIGITIAN Capital** we mainly focus on investment style, multi bagger stocks identification techniques, future market Trend and most importantly investment mindset to our readers in the markets where we operate. Debashish this time is writing on **Trading vs Value Investing**,

which is a very important topic since generally first mistake is committed in selection of strategy.

In the last newsletter, I have dealt with '100 years life club' and compulsory financial planning with various assets classes except options and derivatives. Debashish is an expert on these topics with highest level trade certification from USA and he assured me that next month he will discuss on simple options. With you I will be also waiting.

Exchange Traded Funds - new kid on the Block!

It is relatively new phenomenon since 1993 but growing phenomenon in the last decade crossing over USD 7 trillion in fund base at the end of 2018.

Continued Page 2

“I love ETF because of its great risk averaging out potential, it creates a natural hedge, a diversification strategy with a good return...while REITs provide a great stable investment in down market..these are must in one's Portfolio.”

MARKET WATCH

Equity Indices	Monthly Open	Monthly Close	Monthly Change %	2019 YTD %	2018 %
S & P	2853	2946	3.3%	17.5%	-11%
Nasdaq 100	7786	7781	-0.1%	17.3%	-10%
FTSE 100	7279	7413	1.8%	10.2%	-12.0%
Shanghai Composite	3091	3048	-1.4%	22.3%	-26.5%
NIFTY	11624	11754	1.1%	8.2%	2.9%
Nairobi SE 20	2846	2797	-1.7%	-1.3%	-23.7%
Egypt SE 30	15166	14920	-1.6%	14.5%	-11.8%
Tanzania All Shares	2060	1967	-4.5%	-3.6%	-14.6%
Ghana Composite	2449	2337	-4.6%	-9.1%	-3.7%
Nigeria SE 30	1393	1314	-5.7%	-7.3%	-20.8%
Morocco All Shares	10912	11192	2.6%	-1.5%	-9.4%
Bangladesh DSE 30	1967	1847	-6.1%	-1.8%	-18.0%

Commodity	Monthly Open	Monthly Close	Monthly Change %	2019 YTD %	2018 %
Gold	1298	1282	-1.2%	-0.1%	-1.5%
Crude Oil	68.16	71.65	5.1%	32.4%	-19.1%
WTI Oil	60.52	63.36	4.7%	38.3%	-29.1%
Copper	2.96	2.91	-1.7%	10.6%	-19.7%
Iron Ore	85.7	93.24	8.8%	34.8%	-2.9%
Aluminium	1924	1810	-5.9%	-19.8%	23.7%

An exchange-traded fund is a collection of stocks, commodities or just like stock and price of an ETF's shares will change throughout the day unlike mutual funds, which are not traded on an exchange, and trade only once per day after the markets close.

Types of ETF :

There are various types of ETFs available to investors that can be used for **income generation, speculation, price increases, and to hedge or partly offset risk** in an investor's portfolio depending upon the underlying baskets of Assets.

- **Index ETFs** : Invest in mirror stocks of a particular Index to replicate the performance of that Index. Example S&P500 (SPY), Nasdaq100 (QQQ), Russle 2000(IWM), Dow Jones (DIA)
- **Bond ETFs** : include government bonds, corporate bonds, and state and municipal bonds.
- **Industry ETFs** : invest in stocks of a particular industry such as Financials (XLF), oil (OHI) and Energy (XLE), Biotech (IBB)
- **Commodity ETFs** : invest in commodities including crude oil(USO), natural gas (UNG) or rare earth (REMX), Cannabis (MJ) etc. (**Very powerful and risk hedged to an extent**)
- **Currency ETFs**: invest in foreign currencies such as the Euro or Canadian dollar.
- **Physically Backed ETFs**: The SPDR Gold Shares (GLD) and iShares Silver Trust (SLV)

hold physical gold and silver bullion in the fund.

- **Inverse ETFs**: focus to earn gains from stock declines by shorting stocks. S&P 500 Inverse (SDS), NASDAQ100 (SQQQ). Very new and quite popular since you can take advantage of market direction and make huge gains, provided you can read the market correctly or take professional help.

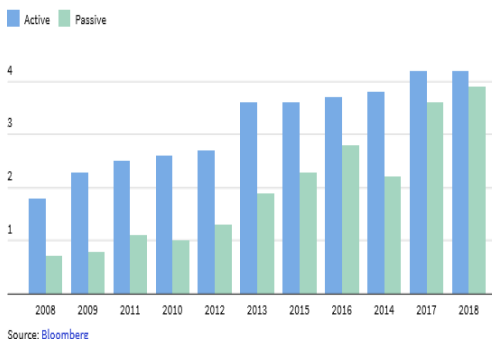
In ETFs you can trade ETF shares by paying **less or no brokerage, de minimus investment minimus(can buy very small amount like one share) and certain tax advantages better than Mutual Funds.**

Actively vs. Passively Managed ETFs

In case actively-managed ETFs, portfolio managers are more involved in buying and selling shares of companies and changing the holdings within the fund. **Investors need to know that typically, a more actively managed fund will have a higher expense ratio than passively-managed ETFs.**

Active vs. Passive Equity Funds

Dollar amount, in trillions, invested in active versus passive funds between 2008 and 2018.



Thus, in the last 10 years, while Active ETFs grew 3 times, Passive ETFs grew 5 times due to its value investing principle.

COUNTRY DATA

Countries	GDP (USD Bn)	Market Cap (USD Bn)	GDP Growth 2019 %	Inflation %
USA	18570	29898	2.3%	1.9%
China	12238	6119	6.3%	2.3%
India	2260	2305	7.2%	2.9%
Egypt	331	53	5.1%	14.20%
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%	11.3%
Morocco	101	59	2.8%	1.0%
Bangladesh	221	40	7.9%	5.55%

Forex	Monthly Open	Monthly Close	Monthly Change %	2019 YTD %	2018 %
EUR USD	1.123	1.122	-0.1%	-2.2%	-4.4%
GBP USD	1.303	1.304	0.1%	1.9%	-1.0%
USD INR	69.290	69.880	-0.8%	-0.2%	-8.1%
USD KES	100.800	101.300	-0.5%	0.6%	1.3%
USD EGP POUND	17.330	17.170	0.9%	4.3%	-0.73%
USD TZS	2315.000	2305.000	0.4%	-0.2%	-2.6%
USD CEDI	5.520	5.200	6.2%	-6.3%	-6.9%
USD NAIRA	361.220	359.300	0.5%	1.4%	-16.1%
USD TAKA	83.940	84.270	-0.4%	-1.0%	-0.7%

ETF just like shares can also pay dividend if the underlying stocks are dividend paying. So while it provides capital gain at the same time it can provide steady annual income.

That's why ETFs are compared with 'Swiss Army Knife', it can serve different purpose for different investor groups.

Now Let's talk about one great **pitfalls about ETF**. Mutual Funds are always quoted at their 'Net Asset Value' . While ETF almost always trade at market prices that unlikely match their NAVs. ETFs are more like shares and the value is market determined.

I have taken this topic of ETF because of **its great risk averaging out potential, it creates a natural hedge, a diversification strategy. Nowadays it is a must in one's Portfolio.** But you have to be an expert to take the full benefit of this beautiful innovative product.

As Warren Buffet puts it “If my \$114.75(his initial fund) had been invested in a no-fee S&P 500 index fund, and all dividends had been reinvested, my stake would have grown to be worth (pre-taxes) \$606,811 on January 31, 2019,” **That is a gain of \$5,288 for \$1. That is what an Index ETF can do.**

Real Estate Investment Trust (REIT)

Today, I will take up another interesting innovation of modern stock markets - REIT. Not that popular in main street but huge money follow this **and is a safe bet for retirees since it creates annuity like stream for a very long time.**

Real estate investment trusts (REITs) came into existence in 1960 out of change of Congressional amendment. REIT invest shareholders money in portfolio of Properties - apartment complexes, data centers, health care facilities, hotels, infrastructure like optic fiber cables, cell towers, and energy pipelines, office

buildings, retail centers, self-storage, timber land, and warehouses.

Most REITs have a straightforward business model: The REIT leases space and collects rents on the properties, then distributes that income as dividends to shareholders.

To qualify as a REIT, a company must comply with certain provisions in the Tax code of the country like IRS in USA. One very important condition to be noted by is that 90% percent of its taxable income must be distributed in the form of shareholder dividends each year.

Most REITs are publicly traded like stocks, making them highly liquid—unlike most real estate investments.

We have mainly discussed Equity and Publicly listed REITs but there are also Mortgage REITs that directly lend money to real estate owners or operators and indirectly participate in Mortgage back securities(MBS).

As I mentioned my focus and advise is on Equity Publicly traded REITS. The capital appreciation possibility is **low and slow** but over a long period of time it is still a possibility. But follow the Dividend Yield and anticipated EPS growth Track record and you may find a much better than Bond Yield with liquidity and return on real estate(a low beta sector).

Another consideration when choosing REIT is to look at what sectors of the real estate market are hot. As an example, health care is one of the fastest-growing industries in the U.S.—especially in the growth of medical buildings, outpatient care centers, and elder care facilities and retirement communities (HCP or HPT), data centers (EQIX or DLR) or mobile tower assets (WELL or CONE).

Enjoy reading and have a wonderful investment return. Continued Page 4

BEST CHART OF THE MONTH



“ Although S&P 500 are at life time high the market EV to Best EBITDA is still showing lower than the ratio of trailing 12 month ratio ”



Courtesy: Bloomberg

“ Emerging Market recovered since 2018, but not in same pace of USA market which reflects the underlying tensions in the world economy ”





VALUE INVESTING

Debashish Neogi

debashishn@mydigitian.com

“As traders, one has to use the VUCA opportunity and be right on directions to make big profits. The catch is if one is not right on direction one can lose big time in trading.”

Trading vs Value Investing

Trading is an active style of participating in the financial markets, which seeks to outperform traditional buy-and-hold investing. Instead of waiting to profit from long-term up trends in the markets, traders seek short-term price moves in order to profit during both rising and falling markets. As a trader, you can be your own boss, work from home, set your own schedule and have the opportunity to achieve unlimited income potential. These factors, combined with the ease with which someone can enter the field, help make trading attractive. (Source: Investopedia)

While it is relatively easy to start trading - after all, you don't need any advanced degrees or specialized training - it is very difficult to become good at it and to become successful. It is not uncommon for someone who wants to trade for a living to overlook the financial, emotional and time commitments that are required to build a successful trading business. As a result, about 90% of day traders fail within the first year. Having a strategic approach, both in terms of your overall business and your actual

of becoming a profitable trader.

What is Fundamental Analysis (FA)?

Fundamental Analysis is the core of Value Investing. FA attempts to measure a security's intrinsic value by examining related economic and financial factors, which can be both qualitative and quantitative in nature. Fundamental analysts study anything that can affect the security's value, including macroeconomic factors (e.g., economy and industry conditions) and microeconomic factors (e.g., financial conditions and company management). The end goal of fundamental analysis is to produce a quantitative value that an investor can compare with a security's current price, thus indicating whether the security is undervalued or overvalued.

- FA attempts to measure a security's intrinsic value.
- FA seeks to identify securities that are not correctly priced by the market.
- Investors can utilize FA to optimize their portfolio's performance.
- If the fair market value is higher than the market price, then the stock is deemed to be undervalued and a buy recommendation is given.

- Conversely, if the fair market value is lower than the market price, then the stock is considered to be overvalued and a sell recommendation is issued.

Now the BIG question what is good for someone –Trading or Value investment? It depends on individual preference and priorities . According to me few things to keep in mind is as follows :

1. Risk / Reward Ratio

Statistics shows that more than 90% retail investors loose in trading. This is because you are not only fighting the big institutions now but the algorithm traders/machines, hence chance of winning is very low compared to fundamental Value investing.

2. Time period /Cycle :

Trading is good when the time period (cycle)is short compared to fundamental investment where by definition it's a long term buy and hold .

3. Price vs a value -

Trading is all about price action whereas Fundamental investing is all about finding intrinsic value

Continued Page 5

4. VUCA world:

VUCA is an acronym—first used in 1987—to describe or to reflect on the **volatility, uncertainty, complexity and ambiguity** of general conditions and situations; drawing on the leadership theories of Warren Bennis and Burt Nanus. As traders, one has to use the VUCA opportunity and be right on directions to make big profits. **The catch is if one is not right on direction one can lose big time in trading.** Whereas in fundamental investing one just has to stay put where the “timing” (read when) is not so important than the “time”(read how long).

5. Trade /Risk Management:

In Trading one needs to be extremely careful about trade management like :

- Clear articulation of trading strategy
- How much to bet on one single trade (ideally not more than 10% of your portfolio)
- **Stop loss** (super important you have to fix the loss limit between 2%-5%. Avoid changing the stop Loss)
- **Reward risk ratio** (between 1:2 and 1:3)

- Return expectation (RE)

(Fix target price on the basis of RE)

There is no hard and fast rule but you should avoid shifting your goal.

While some of the above aspects is important in fundamental investing but its more important in trading than investing .

6. Emotions :

In trading one is betting on direction and hence **if one is wrong should not average down and keep all emotions out** and follow a strict trade plan. This is the biggest mistake a trader does if starts averaging and get more committed to a position

Whereas in fundamental investing as long as one understands the underlying business, **one should be relatively much better as one would purchase more and more as the share goes down.**

7. Leverage :

This can be used both in trading and fundamental investing but in trading most brokers gives leverage anything between 50 to 400 times (specially forex), hence a movement as low as 0.25% **can wipe out someone's full capital if one doesn't understand leverage.** The leverage is not so high when it comes to long term fundamental investing, hence one is guarded that way. One can use knowledge of options to naturally further leverage but again that can be deadly if one doesn't understand options well .

In next article will try to attempt to bring out **how we can use data or options to become a better trader or fundamental value investor .**

Happy trading or investing whatever style suits you !

Continued Page 6



NEWS FROM FRONTIER & EMERGING MARKETS WE FOLLOW

Courtesy : DIGITIAN Global Consulting



USA	Digitian Country Rating AAA
<ul style="list-style-type: none"> » USA market continued its bull run for the 4th Month with Nasdaq touching all time high of 8091 leading the S&P to an all time high of 2958 before Nasdaq giving up a bit at the last week. The market will see correction in May 2019 the degree will depend upon the trade talks between the United States and China. » US Economy has shown less jobless claim, inflation under control but retail sales dropped in Q1 » Oil prices rise continues on the back of U.S. sanctions against Iran and Venezuela as well as OPEC-led supply cuts off, but it is still not showing up in Inflation, Fed is holding its rate cut decision. 	
India	Digitian Country Rating AA
<ul style="list-style-type: none"> » Indian market continued the bullish trend during the election months given the exit polls prediction of Modi led BJP government will form the Government » FIIs poured as much just in two months (Feb-Mar 2019) in Indian equities as what they took out over last 6 to 7 months. March witnessed one of the highest inflows (nearly USD 4.5 billion) for any month since the bull-run started in 2014. » GDP growth has been slowing. Inflation slightly inched up. However, Currency is showing stabilisation and appreciation against US dollar 	
China	Digitian Country Rating AA
<ul style="list-style-type: none"> » China Market after first 3 months of bull rally poised for some correction with a dip of 1.3% in April. If the trade deal with USA did not materialize, China market will fall further. » Economic growth is projected to slow this year due to weak global demand, domestic economic imbalances and financial deleveraging. The effect will be on linked Emerging/frontier Markets. 	
Kenya	Digitian Country Rating B +
<ul style="list-style-type: none"> » Kenya market continued its bearish Trend and eroded the entire gain of the year, showing again a very dismal state of affairs of the country. We are expecting further fall within a range » Momentum, however, likely waned as delay of the long rainy season curtailed agricultural output, while tighter credit conditions weighed on private consumption and investment » USD 2.1 billion was recently raised in an oversubscribed dual-tranche Eurobond issue, which will be used to fund infrastructure projects and general budgetary expenses, along with partially or wholly refinancing a USD 750 million Eurobond due to mature in June. 	
Ghana	Digitian Country Rating C
<ul style="list-style-type: none"> » In Q1, momentum seemingly weakened. The cedi's sharp dive against the U.S. dollar, coupled with still-high inflation, likely weighed on private consumption growth in Q1. » On the external front, Merchandise exports contracted on an annual basis in Q1, amid lower shipments of cocoa and stagnant gold exports. 	

Egypt	Digitian Country Rating BB
<p>→ Government imposed Tariff on imported Steel & Billet which will boost the fully integrated steel Manufacturing but will affect local rolling Mills as their input cost will go up. Increase in input cost of housing and infrastructure</p> <p>→ Moody's has improved the rating of Banking Sector Macro profile to Weak from very weak</p> <p>→ Accor hotels announced opening of more than 30 new hotels in Egypt which shows the rebound of tourism expectation, which is a sign of improving condition on the ground</p>	
Tanzania	Digitian Country Rating C
<p>→ The economy seemed to remain resilient in Q1, following a strong 2018. In the first three months of the year, credit growth was robust. Moreover, in the year ending March, exports increased, albeit slightly, on the back of rising foreign sales of gold and higher travel and transport receipts</p> <p>→ In April Government did not accept IMF report which might have some impact on FDI</p> <p>→ World is going to provide a concessional loan of USD 1.7 billion toward 2019/20 Budget, while financial closure of 2115 MW Hydropower Project at Steigler Gorge Dam will bring some steam</p>	
Nigeria	Digitian Country Rating D
<p>→ Weaker momentum in both the non-oil segment of the economy and the all-important energy sector, which contracted for the fourth consecutive quarter. led the slowdown.</p> <p>→ the manufacturing PMI climbed to a five-month high in April, suggesting the economy entered Q2 on stronger footing. In April, President Muhammadu Buhari signed a bill which will raise the minimum wage by over 65% to NGN 30,000 per month which will improve household demand</p>	
Bangladesh	Digitian Country Rating BB
<p>→ In March Bangladesh market witnessed a bearish touch when the market registered a fall of 1.9% ending the quarter with a 4.6% gain. This is a short-term correction post the election.</p> <p>→ Bangladesh received record FDI of USD 3.6 billion in 2018 a jump of 68% compared to 2017: mainly from China. Otherwise Bangladesh a very low FDI attracting countries which is changing</p> <p>→ Bangladesh approved an annual development plan of USD 24.16 billion which is 17% higher than the last plan with major focus on Transport sector (26%) and power Sector (12.8%);</p>	



**DIGITIAN
MOMENTS**

Courtesy : DIGITIAN
Global Consulting



ELECTRIC VEHICLE

There is a good news for DIGITIANS, a BIG revolution coming in the Automobile sector. By 2019-2020 most of the leading world Automakers will be launching their full electric version in USA and Europe . So we expect our DIGITIANS will be driving E - car as their first car or second car. Our predictions by 2030 the developed world will be partially ban the use of biofuel based cars. By 2040 80% of the world cars will be E car or i car. By 2025 quarter of the E cars will be automatically driven. This will be environment friendly car.

However there will be early challenges such as speed, acceleration, need for frequent recharging, Charging Network, Engine and Battery Capacity. So we would see a disruptive transformation in Automobile Industry, Engineering, Auto ancillaries. There will be quite a big economic effect as billions of new dollar spending are on card.

- ❖ From 20,000 Electric Cars in 2011 to 1.2 million in 2018 is growing at a CAGR of 75% p.a. over the last 8 years. Tesla has emerged a true electric vehicle company and has been able to launch 3 models - 3, S and X (ranging from \$35k to \$82K) while sold around 400,000 ev.
- ❖ Other Major Car Manufacturer also planned their EV foray. General Motors : Under Chevrolet Brand sold 202,000 ev (brand Volt & Bolt), Nissan 133k (Model Leaf), Ford 105k (Fusion/Max) Toyota 100k (Model Prius/Prime), BMW 70k (Model i3 e 30e /e40e) others are Volkswagen, Fiat, Kia and Hyundai are coming up with their models as well; (In this segment utility is from distance travelled in one Charge : at present maximum 360 miles)
- ❖ Another area of EV development is Super Luxury Segment : Where Rimac Concept One (\$ 1 million - 227 mile per hour), Corvett's Genovation (\$ 750k -200 mph), Mercedes Benz SLS and Rolce Royce 102 EX are in \$500k with 155 mph, Interestingly Tesla Road star, Porsche 911 and Audie R8 etron are less than \$200k. (In this segment utility is from speed and speed pick up in first 60 secs : between 155 to 227 mph)
- ❖ Third Trend EV in China : Tesla is putting up its manufacturing hub Giga factory in China, But there are few state owned players BAIC and BYD has their successful EV models; in the private start up space , KANDI and NIO have launched their cars mainly in JV with other state owned car makers and is attracting chinese customers; in the price sensitive segment, Zhidou and Changjiang EV introduced few low cost models (as low as \$ 12,000)

The main attraction of EV : a) Cheaper to run (one third of fuel cost) b) Cheaper to maintain (very less moving parts) c) Better for the environment d) higher safety. These have the capability of attracting more car owners to covert their vehicle to EV - if more charging stations are set up and the EV price comes down to atleast below \$20,000, while cost of battery falls by 50%, miles per single charging improved to over 500 miles.

DIGITIAN predicts EV will be a phenomenon and will be pioneered by new generation companies in the next 10 years.



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 Opportunity. Please write to us or call us for more details at info@mydigitian.com

- Access to Frontier & Emerging Markets
- Value Stock Pick
- Online Investment Platform
- Leveraged Bonds & Notes
- Multi-bagger return
- Open & Transparent Upside Sharing

mydigitian.com

Visit our website :

- Market Vision
- Indian Budget 2019 special
- Virtual Careers

We are looking for Virtual Analyst.

Apply at
Careers@mydigitian.com



Contacts us :

info@mydigitian.com
Standard Chartered Tower
Level 5 Emaar Square
Down Town, Burj Khalifa
PO Box : 35482
Dubai UAE

DISCLAIMER

Disclaimer: This communication is issued by DIGITIAN Investment Inc (trading as Digitian Capital) on a strictly confidential basis. Digitian Capital is not a regulated entity. This document must not be regarded as independent research and has been prepared by Digitian Capital for information purposes only. Digitian Capital and its directors, employees, agents and consultants shall have no liability for any statements, opinions, information or matters arising out of, contained in or derived from, or any omissions from, this information package. All recipients of this information should make their own independent evaluations, should conduct their own investigation and analysis and should check the accuracy, reliability and completeness of the information. Investments discussed in this publication may not be suitable for all investors. Advice should be sought from a professional and authorized financial adviser regarding any investment products discussed in this publication before investments are made. Where this information package summarizes the provisions of any other documents, that summary should not be relied upon and the relevant documentation must be referred to for its full effect. This document is not directed to, nor intended for distribution or use by, any person or entity in any jurisdiction or country where the publication or availability of this document or such distribution or use would be contrary to local law or regulation, including the USA.