



**DIGITIAN
CAPITAL**

Future focus

DIGITIAN VIEW

A monthly Investment outlook



FUTURE FOCUS

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“Be humble with your profit and be transparent with your loss - Stock market is a Zero Sum Game - you cannot be always winning but at the net if you win...you can beat the Market ”

Negotiating Life time high Market

DIGITIAN VIEW!

The November 2019 marked one of the best bullish months - all USA indices - Dow Jones, S&P and Nasdaq - marked their life time highs exception India which is also at the peak in spite of depressed economic numbers. China and UK are still showing range bound weakness. Egypt is volatile although the currency is appreciating. Other markets are range bound. **Given US markets great bull run which will continue through December-other markets will remain range bound or negative.**

Our USA Portfolio has a realized return inched upward to 30%, Indian Portfolio's annualised return at 16%. The African Portfolios are waiting for upsurge with over 10% dividend Yield.

Markets in USA and also India are at all time high. 2019 already seen an index growth of more than 15%-25%. Now certain typical questions which bother all of us in the Investment business, whether the market will meltup further? Whether to cash out some cumulative gains? Whether to stick to my growth stock as per Value investing strategy? Whether to Invest in a new Stock? What strategy will make me earn higher than market return ?...

Now add to this dynamics the valuation multiple, and note most of the stocks (Value or Growth) have already given 30% - 60% growth this year, and in the never heard before valuation multiple. **USA Market : Value Stocks (without any profit) TESLA(Electric Vehicle) Market Cap \$63.57 billion(P/S 2.96) PANW (Cloud Security) \$22.3b (P/S 7.67), UBER(Car Hiring- tech) \$48.9b (P/S 4.30) etc - a long list**

MARKET WATCH

Equity Indices	Monthly Open	Monthly Close	Monthly Change %	2019 YTD %	2018 %
S & P	3039	3141	3.4%	25.3%	-11%
Nasdaq	8292	8665	4.5%	30.6%	-10%
FTSE 100	7359	7346	-0.2%	9.2%	-12.9%
Shanghai Composite	2929	2872	-1.9%	15.2%	-26.5%
NIFTY	11877	12056	1.5%	11.0%	2.9%
Nairobi SE 20	2643	2618	-0.9%	-7.6%	-23.7%
Egypt SE 30	14558	13849	-4.9%	6.2%	-11.8%
Tanzania All Shares	1991	2006	0.8%	-1.7%	-14.6%
Ghana Composite	2155	2138	-0.8%	-16.9%	-3.7%
Nigeria SE 30	1064	1136	6.8%	-19.8%	-20.8%
Morocco All Shares	11534	11822	2.5%	4.0%	-9.4%
Bangladesh DSE 30	1627	1647	1.2%	-12.4%	-18.0%

Commodity	Monthly Open	Monthly Close	Monthly Change %	2019 YTD %	2018 %
Gold	1514	1470	-2.9%	14.6%	-1.5%
Crude Oil	59.53	60.75	2.0%	12.2%	-19.1%
WTI Oil	54.18	55.42	2.3%	21.0%	-29.1%
Copper	2.64	2.66	0.8%	1.1%	-19.7%
Iron Ore	89.8	84.42	-6.0%	22.1%	-2.9%
Aluminium	1757	1760	0.2%	-22.0%	23.7%

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USA Market Growth Stocks :

Amazon(Cloud Tech) \$ 867b (PE 78 times) Sales Force(Cloud ML) \$137 b(PE 137), Lending Tree (Digital Finance) \$3.97b (PE 348) Netflix(Media streaming) \$131b (PE 96) Goose (Apparel) \$4.41b(PE 59), Chipotle \$ 22b (PE 75) etc.

The Overall PE multiple for USA market is 19.5 times at all time high.

India Growth Stock (comparable Numbers Bharati Airtel (MNO) \$32.45 billion (PE 74 times), Bajaj Finance(NBFC) \$49.3 b (PE 53) Hindustan lever (FMCG) \$62.7b (PE 64) P&G (FMCG) \$ 5.2 b(PE 88), DMART (Department Chain) \$15.4 b (PE96), etc. **Lets see the Market multiples in Indian Stock Market :**

Market Cap	P/E Ratio	Number of Companies
Large cap	>20	27
Mid Cap	> 30	153
Small Cap	>40	377

Thus by now you understand the lost value of traditional valuation matrix and the complexity. Further, **Value stocks are highly volatile and each news about the industry, competition, quarterly loss reducing trend, critical performance metrics growth(monthly active user, patent test results etc), cash flow burning rate will see you see a price volatility of as high 40 - 70%.**

Secondly, at this point in the market when most of the growth stocks are at higher multiples, **the price will be fluctuating from quarter to quarter depending upon their Quarterly results and Analyst Conference where they are providing more qualitative colours to their results.** Given the high multiple any shortfall from the Average estimates of Analysts will create a variation of 15% -50% price fluctuations.

Most of the investors, do their rough analysis, listen to/ read 24 hour Business Channels/News papers and then jump on to a stock and dreams that stock will

grow on their own. Then do not follow every day what is happening in the market and in the industry, or in the stock because they simply do not have time. As a result they loose money.

As I always tell "**Time With The Market**" is the key for success irrespective of the country, especially at this point. **Please do not leave your stock alone for a day.** If you are a professional like doctor the more you see patients and read the modern developments and meet medical reps, the more you will be expert, about new treatments, and medicine. Similarly, **if you have to make a return of 30%+CAGR over 20years you need to spend at least 3 to 4 hours daily on Investment;**

- Read at least an hour current economic news and books
- Subscribe to several stock research services for insights & research reports
- Create your own Screener Model
- Use product & Services of stock
- Make your own Quarterly estimates (Revenue & Earning)
- Follow the Quarterly results and analyst conference. Try to read between lines to get red flags
- Understand Chart Technicals
- Scuttlebutt like Debashish does
- Use Buy & Sell Checklist

Every Super Investors will tell you that most hard decision is **Timing of the sell - when** most mistakes are committed. **Greed takes over your mind.** You have to keep a very strict profit Target and Stop Loss. **USE STOP LOSS limit Intelligently.** Never try to average out beyond 10% fall. **if your stock is falling more than the market, time to exit.**

Stock Market is a Zero-Sum Game, you can make a lot of money but making money is never easy.

CAUTION: If you do not have time then rely upon professional investor.

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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	1.115	1.102	-1.2%	-3.9%	-4.4%
GBP USD	1.295	1.293	-0.2%	1.1%	-1.0%
USD INR	70.980	71.750	-1.1%	-2.8%	-8.1%
USD KES	103.300	102.600	0.7%	-0.7%	1.3%
USD EG POUND	16.140	16.120	0.1%	11.0%	-0.73%
USD TZS	2304.000	2304.000	0.0%	-0.2%	-2.6%
USD CEDI	5.445	5.570	-2.2%	-12.5%	-6.9%
USD NAIRA	363.000	362.500	0.1%	0.5%	-16.1%
USD TAKA	84.770	84.895	-0.1%	-1.8%	-0.7%



New Service : Surrogate Investment

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.

If you have a loss from a tip it will be adjusted first from subsequent gain, before upside kicks in.

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 :

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

Process :

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- 2) Start Your millionaire Journey

BEST CHART OF THE MONTH

December has the big mo

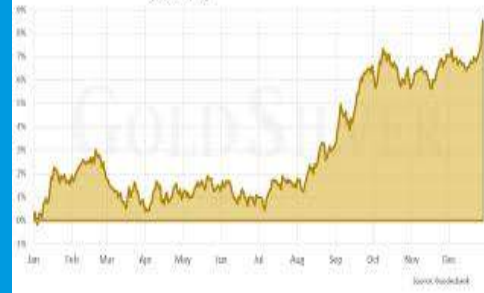
Average return difference between highest and lowest momentum stocks since 1926



Source: www.HubertRatings.com, based on data from Dartmouth Professor Ken French

“ December has always been an upswing month since 1926 except 4 times, if this chart holds good then indices will create LTH”

Average Gold Price Throughout the Year (1975-2018)



“ December is a good month for Gold Price Increase. But it is reciprocal to share price ”

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 :

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



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

Debashish Neogi

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“The business grapevine is a remarkable thing. It is amazing what an accurate picture of the relative points of strength and weakness of each company in an industry”
- Phil Fischer

Investing Through Scuttlebutt Method (Part 2)

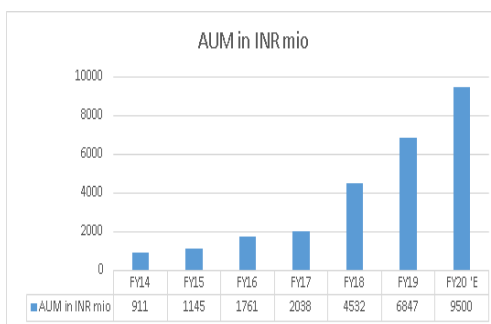
(**Disclosure** : The story is about a publicly listed company where Debashish has invested more than 1% of the holding as a **Super Investor**. Digitian Investment is also invested in the company following his experience and made over 75% return this year) **Please read the first part available at:** <http://www.mydigitian.com/wp-content/uploads/2019/11/Newsletter-Oct-2019-compressed-1.pdf>

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. Debashish hit the ground to understand the success of the company. The root of its sustainability.

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

If we were to summarize the strategic differentiator (not in any order of preference),it is as follows :

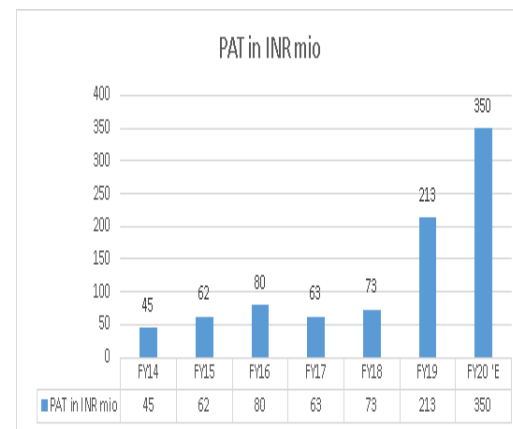
- 1.Conservative operations framework with focus on risk & asset quality
- 2.Focus on small-ticket retail loans to the large under-served informal segment customer in rural & semi-urban geographies
- 3.Diversifying products, geographies, sources of funds and delivering growth by increase in volumes and also ticket size
- 4.Completely in-house operations with bottoms up driven credit appraisal models and rigorous collections practices
- 5.Business model centered around conservative approach to high yielding assets to deliver a sustainable ROA of 3-5% with upsell and cross sell is being planned for future;



Because of the referred strategic differentiator and the stringent processes followed by the company its performance is exemplary to say the least .

Some of the result snapshot is given below in nutshell :

- 5 year AUM CAGR @ 50%
- 5 year disbursement CAGR @42%
- Yield @ 25.6 % and NIM @ 14%
- 5 year PAT CAGR @ 37% (last quarter more than 100%)
- NPA @ less than 1 %
- Leverage less than 5 times
- Qtr 1 ROAA @ 6.9% ,
- Qtr ROE 36%



Risk to the business:

1) **Macro risk** –Micro finance business is prone to macro risk either from the government /political parties or from natural calamity. The former has more disastrous impact as it spoils the credit discipline . Typically in some states political parties promises loan waivers if they come to power or otherwise which has cascading effect on this bottom of the pyramid customers which spoils the credit discipline .Then you have one of cases /example of demonetization.

During demonetization the collections were only 95% leading to higher NPA's. Infact good companies are still collecting those receivables during demonetization . While speaking to the promoter what profound insight we got is once in every 5 years one needs to factor in one such big macro risk into operations/financials. Given the current government just came to power for the second time we can assume some stability on this for atleast for next 3-4 years.

2) **Competitive intensity of the MFI sector** is increasing -It is likely to face tough competition from the incumbent players, especially in the higher ticket size segment. High competition could adversely impact profitability for the company.



As per the management, the competition is manageable. There is still a long runway for the industry and it will continue to remain highly relevant to the Indian economy. The management quoted the example of Ahmedabad where around 20 + microfinance institutions are operational, and remain relevant. The company itself is targeting expansion in areas where there is underpenetration so that there is enough room to expand. Around 80% of the company's business is exposed to rural clients (the industry exposure to rural economy is less in comparison). Further, the company has invested in technology and systems to improve the turnaround time and service for the customer. It's important to take a quick recap of the post:

3)**Expansion could lead to loss of control-** When we had first invested, the company had less than 100 branches, now it has more than 300 .While still the execution is going strong but if growth in new branches is not executed properly, it could be challenge in future. Another important aspect is as the company grows in scale the corporate functions have to play an important role .While interacting with other functions like HR, we felt ,still a lot can be done at corporate ladder,for scale up .

4)**Vehicle finance could be a Dampener** –New business like MSME where the NPA is very low at 0.2% , will increase in future as few more loan cycles are complete .Still the credit processes and mindset of the MSME team from top to bottom indicates it would be much less than the budgted 2 % indicated by the management .However given the macro conditions specially for auto sector the vehicle financing business can be a dampener .Need to monitor closely the expansion in rural in this segment.

Valuation Assumption –

The company plans to raise INR 100 cr by end of the fiscal year. Once this is done at present market price of INR 574, the Price to book value will be little less than 2. With AUM and PAT growth of more than 50% , good asset quality (NPA less than 1%), huge head room for growth (company just at INR 500 cr market cap) both from sectoral and expansion /superior execution point of view ,the company can be valued at PBV of 3.5 (and forward PE of 15) gives a price of 1050 from 2-3 years perspective. While the company stock price has doubled in last 2 years but we feel the best may be yet to come and hence a good hold for a 3-5 year perspective !!

P.S : The above article is purely for educational purpose and is not a recommendation. If you want to know more about the company, and few other companies , you can use surrogate investment platform to get the tips. Please write to us at :

Debashishn@mydigitian.com

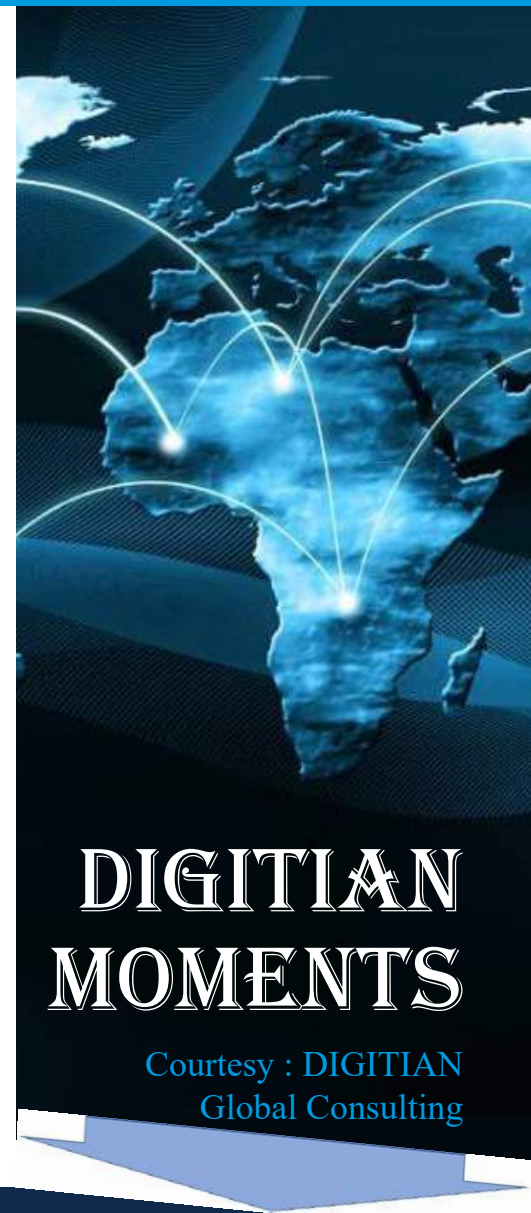
NEWS FROM FRONTIER & EMERGING MARKETS WE FOLLOW

Courtesy : DIGITIAN Global Consulting

USA	Digitian Country Rating AAA
»	The USA Market is Completely in the bullish grip, all indices created new Life Time Peaks on the back of China Trade deal, Fed rate Cut, GDP growth and increasing employment number; Recession is far from happening and only possible in now 2021
»	US- China Trade talk appears to be heading for Phase 1 deal between the two countries; December 15 is the cut off date for levy of new Tariff by USA. However, given the strong economic recovery, without the trade deal also USA will be doing fine.
»	Energy Sector is showing major weakness from excess supply and dampened price led to negative sentiment; USA WTI crude producers started moderating new shale drilling for higher price;
India	Digitian Country Rating AA
»	The market continued its moving up by 1.5% in the month and TYD 11% post deewali, the bulls are back and given the holiday season it will be range bound for the month but given the poor economic numbers it will be correcting from January 2020;
»	GDP growth fall down further and Q2 GDP grew at @ 4.5% (comparable Q4 2013). CPI inflation jumped to 4.62% from 3.99% mainly due to Food inflation led by Onion price. Fiscal Deficit at 102% of full year target while consumer spending falling first time in decades.
»	Dun & Bad street Composite Business Optimism Index stood at 59%, a decline of 7% for December Quarter 2019. While optimism for new order down 22% vs September Quarter 2019
China	Digitian Country Rating AA
»	China Market declined 1.5% in the month although it is still up 15% YTD mainly due to pressure from falling GDP growth, CPI jumped to 3.8% in Oct (PM 3.0%)
»	Profits at Chinese industrial firms fell the most on record in October, 2019 dropping 9.9% from a year ago, China is issuing RMB 1 million Bonds to boost economy by investing in infrastructure
Kenya	Digitian Country Rating B +
»	Kenya capital market registered a small decline of 0.7% after last month spectacular rebound by 8.7% (YTD decline 7.6%) the performance in December will determine the trend 2020 H1.
»	Kenya Central Bank injected \$27.6 Billion in the forex market which stabilising the falling KES/ USD. KES appreciated 0.7% this month (YTD Loss is now 0.7%)
»	CBK cut the 2019 GDP growth from 6% to 9%. It is announced that Kenya will get Loan of \$1.5 billion from IMF which is expected to boost government plan to spend on infrastructure
»	In a landmark decision President's Uhuru repealed interest rate cap for commercial bank after 3 years of rate cap imposed by Parliament. This boosted up the price of the Bank Stocks by 20%
Ghana	Digitian Country Rating C
»	Ghana Stock market continued its downward fall by 0.8%; overall the market is still down around 16.5% year till date. (2018 : -3.1%). World Bank projection of 8.8% GDP growth is wrong
»	Ghana's Cedi continued its downward slide with a YTD drop over 12.5% after it slided 6.9% in 2018; This remain the perennial problem of African countries. Ghana's Commodity exchange (First in West Africa) – white maize, yellow maize, soybean, sorghum, and sesame.



Egypt	Digitian Country Rating BB
<ul style="list-style-type: none"> • Egypt EGx30 index gave out half of the last month gain with 4.9% decline (YTD +6.2% but with little consistency) • The inflation for the First time in the last decade dipped to 2.4% in October 2019 which prompted Central Bank to cut its main rate by 100 basis points for the third time. • Egyptian Pound is holding grounds and gained almost 11.% YTD. • Issued a dollar denominated Euro Bond \$ 2 billion in three parts to fund its budget deficits • M2 Supply grew 13.3% (YOY), Trade deficit fallen 25.8% YOY, Oil production up 2.7% MOM 	
Tanzania	Digitian Country Rating C
<ul style="list-style-type: none"> • The economy seemed to coming back in track in the later half of the 2019. Credit growth was robust. GDP Growth is stated by Government to be 7.2% • Tanzania Inflation is slightly dropped to 3.6% p.a. However, the Tshiling holds ground and remained almost at the same level. YTD fall of only 0.2% • Raised USD 1 billion from TDB Regional Bank for infrastructure project. Gold export increased to 26% in Sept 2019. Acacia delisted from DSE while Yetu microfinance came up with fresh share issue of TZS 1 billion 	
Nigeria	Digitian Country Rating D
<ul style="list-style-type: none"> • Nigerian Stock market made a Turnaround month with 6.8% (YTD loss of 19.8%) rise in November mainly due to positive economic news, while the Naira also appreciated a little • Nigerian Economy is still 90% dependent on Oils as major source of Exports • Nigerian the GDP growth for Q3 2019 is 2.28% the best in the last 4 Quarter after Q4 2018. Inflation touched the yearly high of 11.61%, central bank kept their rate constant; 	
Bangladesh	Digitian Country Rating BB
<ul style="list-style-type: none"> • In August, Bangladesh market made a small recovery of 1.2% (YTD 12.4% down); Taka remains stable against Dollar with a YTD appreciation of 1.8% • The inflation is range bound between 5.4% and 5.6%. Export earning declined 17.19% in october (YOY) and down 6.2% (QQQ) • Remittances from Diaspora grew 20% in the first four month 2019/20 • On the good trend side, Banks lending increased 12% and wage risen by 6.2% , it will increase expenditure driven growth 	



BIG DATA

BIG DATA, MACHINE LEARNING

With the digital age we have seen the exponential growth of data that can be temporal, spatial, or dynamic; structured or unstructured. The challenge is to determine which data are of importance. Big data is a field of study that provides the basis to analyze, systematically extract information from, or otherwise deal with data sets that can differ in representation, complexity, granularity, context, quality, provenance, reliability, and trustworthiness. Traditionally, big data has been described by the '3Vs': Volume, Variety, Velocity. Big Data is key to Digital transformation (DX) at a **crucial and strong** enabler for Artificial Intelligence (AI).

: Machine learning (ML) enables organizations to draw from past experiences to predict outcomes. Machine learning is to big data as human learning is to life experience. Machine learning with big data will duplicate the process of intra-polation and extrapolation from past experiences at massive scales to predict future outcomes. Deep learning (DL), coupled with big data analytics, are high-focus areas within the broader field of data science.

- ❖ Intelligent applications based on artificial intelligence (AI), machine learning (ML), and continual deep learning (DL) are the next wave of technology transforming how consumers and enterprises work, learn, and play;
- ❖ Executives equipped with a working knowledge of data science can massively improve marketing, create operating efficiencies, build new business models, disrupt the competitive status quo of industry and spark innovation. The use of BDA are quite wide from national intelligence, cyber security, fraud detection, to product designing an planning, marketing, to medical informatics.
- ❖ According to a Dell survey, 89 percent of companies with big data initiatives report significant improvements in corporate decision-making. A report by McKinsey Global Institute estimated that retailers using data analytics could increase their operating margins by more than 60%, and that healthcare organizations could reduce costs by 8%;
- ❖ Data mining tools SAS, SPSS and SQL along with new age data analytics programming software R or Python. The other new tools like RStudio and Spark with open source frameworks like Tensorflow and Caffe helps analyses of data meaningfully.
- ❖ Top companies engaged in Big Data - IBM, HP Enterprise (HPE), Teradata, Oracle, SAP, EMC, Amazon, Microsoft, Google, VMware (VMW), Splunk, Alteryx, Cogito. The other important performers are Salesforce (CRM), Cloudera, Talend, and Apache.

DIGITIAN predicts that Big data/ML will see a double investment of USD 273 billion in 3 years and it will be be dominant trend of this decade



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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- Value Stock Pick
- Online Investment Platform
- Cheaper Cost
- Multi-bagger return
- Open & Transparent Upside Sharing

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