



**DIGITIAN
CAPITAL**



FUTURE FOCUS

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“.. Today extraordinary valuation gap exists between Growth and Value Stocks. due to interest rate differentials, & overvaluation of intangibles ...so in the medium term bet should be on Value stocks ”

Growing Valuation Gap between Value & Growth Stocks

DIGITIAN VIEW!

Finally, some senses are back, Tech market corrected, but given the valuation in Nasdaq I see more correction and volatile market in the Q4. With USA markets falling other markets' reaction are mixed since these markets are already at low/ at the middle of recovery. The second surge of pandemic is back in Europe and USA although death numbers are low-it shows that disruption will continue at least till Q1 2021 hence recovery will be delayed and slow.

As suggested last month, go for medium term holding of identified value stock. Use Product like Surrogate Investor for 20-30% of the portfolio which can earn you 40%-60% a year.

Let us discuss the basic of investing which i need to remind you again, We have 3 basic tenets of Investing :

1. Determining the intrinsic value of a business that is the maximum value all cash-Buyer will pay and still make a reasonable investment return
2. Select Businesses which are growing profit per share every year - EPS growth. The management should prefer EPS growth as the Key KPI than the revenue growth and the business size.

Read our Monthly Dossier on Coronavirus (Click)

OUR USA RETURN in 2020 (30th September2020):

15% vs S&P 500 YTD 4% (2019 32% vs S&P 500 28%)

MARKET WATCH

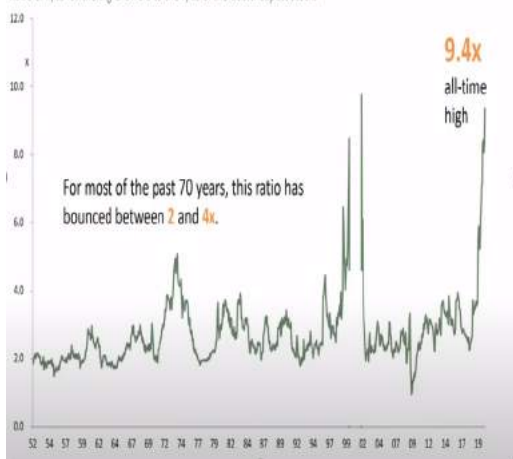
Equity Indices	Monthly Open	Monthly Close	Monthly Change%	2020 YTD %	2019 %
S & P	3522	3348	-4.9%	3.6%	28.9%
Nasdaq	11923	11075	-7.1%	23.4%	35.2%
FTSE 100	5862	5902	0.7%	-21.7%	12.1%
Shanghai Composite	3410	3218	-5.6%	5.5%	22.3%
NIFTY	11470	11417	-0.5%	-6.3%	12.2%
Nairobi SE 20	1795	1852	3.2%	-30.2%	-6.3%
Egypt SE 30	11233	11051	-1.6%	-20.8%	7.1%
Tanzania All Shares	1827	1825	-0.1%	-11.4%	0.9%
Nigeria SE 30	1080	1148	6.3%	-2.5%	-16.9%
Morocco All Shares	10286	10012	-2.7%	-17.7%	7.1%
Bangladesh DSE 30	1696	1710	0.8%	13.8%	-20.1%

Commodity	Monthly Open	Monthly Close	Monthly Change%	2020 %	2019 %
Gold	1819	1819	0.0%	19.7%	18.5%
Crude Oil	45.73	39.13	-14.4%	-40.7%	22.0%
WTI Oil	42.91	37	-13.8%	-39.5%	33.6%
Copper	3.02	2.98	-1.3%	6.5%	6.3%
Iron Ore	122.53	121.4	-0.9%	32.6%	32.4%
Aluminium	1819	1760	-3.2%	-2.4%	-20.1%

3. Third Important thing is that management should act like owner and this will only happen when the management's incentive is properly aligned to maximise the shareholders' wealth

I have been advising you to invest in value stocks for the last 2 months since growth stock has already been at a higher value levels which need to be tested. The main reason to invest in Value stock in the current market is as under:

Ratio of P/Es for the Big Growers to the P/Es of the 100 cheapest stocks



Generally the P/E ratio between the top growth stock and the value stock used to be between 2x to 4x but only during 1999-2002 this ratio went very high hovering at 8 to 9.7x. Now also the ratio is around 9.4x time so it is best time to be in value stock than growth stock.

The reasons for this extraordinary Gap between Value and growth are :

1. decline in rate of interest to a historic lows increases the value of the future growth;
2. Excess liquidity in the market created a lopsided response towards growth stock
3. The value of intangibles (brand, talent, intellectual capital) are the main driver which does not get captured in the accounting growth;

It is very important to understand the effect of interest rate differential on valuation :

$$\text{PE ratio} \times \text{Change in Interest rate} = \text{Expected change in Multiples}$$

The change in interest rate in the last 42 months is around 1.8%. For Value stock Average PE was 14x and the average Growth stock valuation is around 39x as on Dec 2016

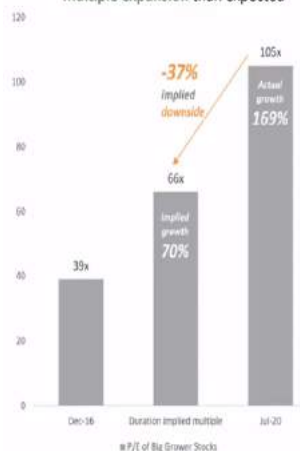
In Sept'20 improved multiples should be :

$$14x \times 1.8 = 17x$$

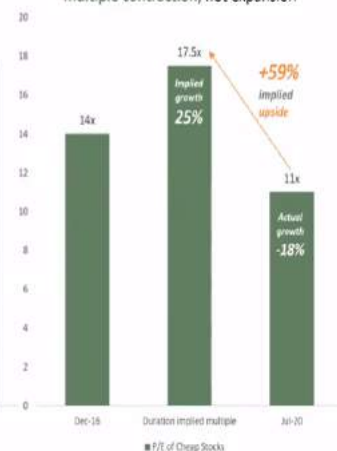
$$39x \times 1.8 = 66x$$

The graph below shows that growth stock multiple on an average reached 105x due to overvaluation of intangibles and is due for a correction of 30-40%. While value stocks average multiple now stands at 11x which is an oversold position and hence there is an upside possibility for 50-60%.

High growth stocks saw higher multiple expansion than expected



Low P/E stocks experienced multiple contraction, not expansion



Now the most important factor is that this is at macro market level but which value stocks to be picked and which growth stocks to avoid is a matter of professional evaluation which calls for Surrogate Investor like product.

Happy Investing!!

COUNTRY DATA

Countries	GDP (USD Bn)	Market Cap (USD Bn)	GDP Growth 2020 %	Inflation %
USA	21729	26689	-3.6%	0.6%
China	12238	10290	1.6%	-2.0%
India	2260	2305	-3.2%	4.2%
Egypt	331	53	1.6%	6.00%
Kenya	71	18	1.5%	5.1%
Tanzania	54	10	2.1%	3.7%
Ghana	43	20	2.5%	9.7%
Nigeria	405	101	1.00%	6.0%
Morocco	101	59	0.5%	1.0%
Bangladesh	221	40	1.0%	4.00%

Forex	Monthly Open	Monthly Close	Monthly Change %	2020 YTD %	2019 %
EUR USD	1.190	1.172	-1.55%	4.5%	-2.3%
GBP USD	1.340	1.294	-3.43%	-2.3%	-10%
USD INR	73.000	73.300	-0.41%	-2.8%	-2.1%
USD KES	108.300	108.500	-0.18%	-5.4%	-0.7%
USD EG POUND	15.870	15.750	0.76%	1.8%	11.60%
USD TZS	2320	2320	0.00%	-0.9%	0.0%
USD NAIRA	381.200	381.100	0.03%	-4.9%	0.5%
USD TAKA	84.800	84.830	-0.04%	0.1%	-1.8%

Be a millionaire Start Surrogate Investment ?

World First digital surrogate investor platform is now ready and for the first 6 months registration is **FREE**

Surrogate Investment refers to getting the benefits of Investment in stock like a professional without the pain of tracking the stock, studying the market trend and the time it takes to do the same. **REAL TIME**

Why it is a success:

- **Skin in the game:** the fund managers picked up these shares and invested in themselves basis proprietary Research
- **Time to market :** They are keeping daily watch on the stock/market behaviour and that of the global trend
- **Regular Profit booking :** They make profit and you make too in the short run

- **Professional Expertise & Performance Track:** Fund managers are super Qualified Professional Experts with their Return CAGR varies between 35%- 48% over last 10 years

What you have to do ?

- Have your trading account for full control of your money
- Act fast when Buy and Sell advice is given and make Huge Profit
- Only pay Back if you made money

Success returns :

Surrogate Investors are making 100%+ to 450% annualised return from each trade

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 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.

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.

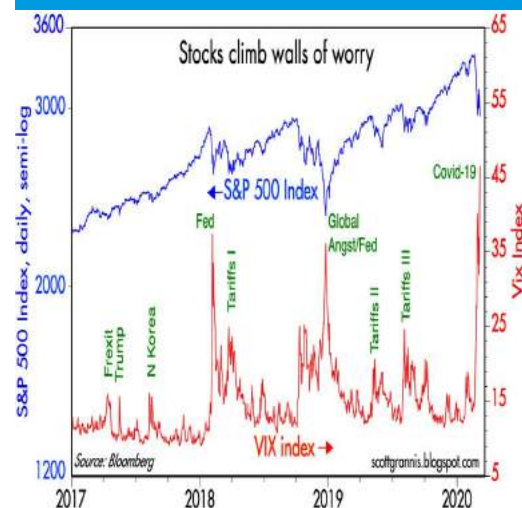
Fees for the Service :

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

Process :

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

BEST CHART OF THE MONTH



With each shock the VIX goes up and S&P 500 goes down. VIX is generally negatively corelated with S&P 500. VIX below 15 signifies a stable growth phase for the market... In Covid 19 VIX shot up to over 45 then dropped to 20 and now again gone back to 30. Thus for the time being market will remain volatile through out the Q1 of 2021



VALUE INVESTING

Debashish Neogi

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“Doing well with money is, after all, not necessarily about what you know. It is about how you behave...in Investing you have to be at the right place at the right time, with the right people evaluate your risk and then look at return ”

Psychology of Investment

Explaining the concept of luck and risk, **Morgan Housel** writes this in his new book **The Psychology of Money** (A must read for Investors)

Bill Gates experienced one in a million luck by ending up at Lakeside (being one of the rare schools to have a computer those days). Kent Evans(his best friend in school and equally brilliant) experienced one in a million risk (dying in a rare mountaineering accident) by never getting to finish what he and Gates set out to achieve. The same force, the same magnitude, working in opposite directions.

This is just one of the wonderful stories Housel has shared in his book to explain the important ideas around the subject of money. Extending the topic of luck vs risk, Housel writes –

Luck and risk are both the reality that every outcome in life is guided by forces other than individual effort. They are so similar that you can't believe in one without equally respecting the other. They both happen because the world is too complex to allow 100% of your actions to dictate 100% of your outcomes.

They are driven by the same thing: You are one person in a game with seven billion other people and infinite moving parts. The accidental impact of actions outside of your control

can be more consequential than the ones you consciously take.

Apply this to investing and you would realize that when you judge the financial success of others, and even your own, you must not just look at the returns made but also the risks assumed.

Doing well with money is, after all, not necessarily about what you know. It is about how you behave. And as Housel repeats in his book, **behavior is hard to teach, even to the smartest of people.** Now why I am stating and reemphasizing the above –put simply if you extend this to investing, **you have to be at the right place at the right time, evaluate your risk and then look at return .**

In this venture, both Saugata, my childhood friend for last 31 years, and myself mainly following our “passion” for investment, to drive a "purpose" of multiplying wealth through clean Investment like Charlie Munger and Warren Buffet(Don't take it by word!)

When both of us came together we thought why most of the common people (including relatives and friends) don't invest in equity markets. We spoke to many – both people who invest, who don't and also some reputed fund managers. Our conclusion is as follows(not in any particular

chronological order of importance) :

- 1.Common man consider investment in share market as akin to gambling .
2. Most people don't have time to invest .
3. Some said they are not from finance field hence don't understand investment.
- 4.They don't trust fund managers as they will always give buy orders for vested interest
- 5.Fund managers gave an important insight - that when common man / investors invest they see absolute return in a bear market and relative return in a bull market
6. We found another interesting thing –common man can invest in gold or FD for abysmal low return of 5-6% pa but when it comes to equity market since they find it akin to gambling ,their expectation is 100% return with a small capital.

This is also one of the reasons people invest in penny stock ,they don't understand what matters is the fundamental underlying sustainable mat in a company ,at right valuation, what matters as the % increase required for desired return is same for penny or a high price stock .

Given the above Saugata and me decided to break all of these “need gaps” and come up with a solution which serves, any person who wants to invest in share Market, focussed on Indian market and US markets initially. .

Saugata has now developed a model which is called "Surrogate Investment".

Basically in a nut shell it covers all the need gap above. Given common man doesn't have time to research, understand and execute an order in share market, we will help them with good research and recommendation through our way (we rely heavily on research ,analysis ,visits and scuttle butt). Everything is online through individual client log in. Last but not the least ,the client need not pay us. Basis our recommendation when one makes money then only they pay us.(so we are taking taking risk on clients to promote more participation). **So no risk to client !!**

So you must be thinking then what's the risk to return. While surrogate is not a guaranteed fixed % return product but if past performance is any indication, then the results are mind boggling.

We shall just give top 3 performers from each of our recommended portfolio which have performed exceptionally well and it is now known to market. Why we are successful since we followed Buffet's most cardinal principle, **when everyone leaving the market you should be in the market for picking right stock(Risk Part).** We did and so our surrogate investors who piggy backed on our recommendations.

Now the most important question how our recommendations doing ? There are another 11 recommended stocks during the last 6 months which has clocked return from 30% to 90%.

Recommendation by	Name of the Company	Industry	Date of Purchase	Entry Price	CMP 9/30/2020	Actual Gain	Holding period
Saugata	Escorts Limited	Agriculture	4-Mar-20	592	1318	123%	210
Saugata	Aurobinda Pharma Ltd	Pharmaceuticals	8-Apr-20	397	798	101%	175
Saugata	PNB Housing Finance	Housing Finance	27-May-20	172	338	97%	126
Debashish	NGL Fine Chem	Chemical	13-Mar-20	302	741	146%	201
Debashish	Glenmark	Pharmaceuticals	3-Apr-20	218	482	121%	180
Debashish	Fiem	Auto Ancillary	18-Jun-20	299.4	564	88%	104

We do not know in which business or profession you will have this kind upside opportunity.

Just to give you some more color: In India through our Private Investor portal my first recommendation was in last October Arman Financial at a price of circa Rs 500. Just after recommendation the share price sky rocketed to **1100+ by March** (before the covid crisis). (Please see full Story in our Oct19 and Nov19 news letter). That's a 200%+* ROI in one investment. Post Covid like all shares correction happened in this stock as well but still above our recommendation price(Fig 1) *Arrow showing entry point



The second case which you can track is Fiem Industries (refer our July2020 newsletter) – the price has shot up more than 100%+* in less than 3 months ! (Fig 2) (We never mention stock names in Newsletter). *annualised



The question is how we are unique and different :

1. We are not traditional fund managers but have experience of running real businesses in different continents(including India) in different industries. **We know where value is there /how value is created.**
2. We have **skin in the game** along with you (we don't recommend any stocks where our personal money is not invested)
3. Surrogate is advisory service, risk free and no commitment. you only share if you make profit. But still you can enjoy our research reports and learn how to invest.
4. All communication is routed thru an online platform - entry and exit and how much to invest

You get the result without going through the pain - surrogacy.

So be at the right place (Indian market through Surrogate) and at the right time (right now as India is on the cusp of growth) with the right people.

Happy Investing and all the best !!!



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

- Unique Access to Frontier & Emerging Markets
- Value Stock Pick
- Online Investment Platform
- Cheaper Cost
- Multi-bagger return
- Open & Transparent Upside Sharing

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