



**DIGITIAN  
CAPITAL**



# FUTURE FOCUS

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“.. It is a great opportunity to get access to the long term Investors' investment book with a research capsule, buy/sell real time guidance, and get a return of 20%-60% in 3-9 months - this is the unique offer Surrogate Investor brings ”

Valuation faces a Paradigm Shift during Covid(Part 2)

# DIGITIAN VIEW!

At this time of the year when our prediction is in play: half the market is down and poised for a direction. The most important question in the mind of every professional Investors like us is: *How to select the next best stock which will provide us the desired return.* Today I would elaborate more on the change in the Valuation Paradigm after my article in the last month. (please read the last month)

As I mentioned, the problem for the common investors : which valuation matrix is to rely upon. Generally, any traditional investment books, Business Channels, Analyst firms will guide in terms of **Price to Earning ratio/ PE Growth, Price to Tangible Book ( Earning Power Value), Net Current Assets Value(NAV), Projected Free cash Flow (FCF) Value, Graham Number, or Peter Lynch Value etc.**

The main funda is when the market is at the all time high and it is difficult to ascertain

direction, then only option is to closely reassess the value of each stock to understand its valuation vis-a-vis the Industry and the overall market. **(Relative)**

If the stock is undervalued then either you will hold and accumulate; if the stock is overvalued then normally sell is the recommendation or hold.

Typically other than price multiples, some knowledgeable investors also try to find values using FCF, NAV, Graham Number or Peter Lynch model.

**Free Cash Flows** : Compared to earnings per se, free cash flow is more transparent in showing the company's potential to produce cash and profits. It is considered healthy if companies that have a healthy free cash flow, projecting a promising future will be valued higher under DCF method and vice versa.

**Net Assets Value** : in comparison values realisable value of Assets over liabilities. So it is a current assessment of the intrinsic value of the business. If the share price is

## MARKET WATCH

Equity Indices	Monthl y Open	Monthly Close	Monthly Change %	2021 YTD %	2020 %	2019 %
S & P	3773	3811	1.0%	1.5%	16.2%	28.9%
Nasdaq	13403	13053	-2.6%	1.3%	43.6%	35.2%
FTSE 100	6466	6483	0.3%	0.4%	-14.3%	12.1%
Shanghai Comp site	3505	3509	0.1%	1.0%	13.9%	22.3%
NIFTY	14281	14529	1.7%	-2.6%	22.5%	12.2%
Nairobi SE 20	1874	1916	2.2%	2.6%	-29.6%	-6.3%
Egypt SE 30	11546	10876	-5.8%	0.3%	-22.3%	7.1%
Tanzania All Shares	1795	1845	2.8%	1.5%	-11.8%	0.9%
Nigeria SE 30	1721	1593	-7.4%	-2.9%	39.2%	-16.9%
Morrocco All Shares	11624	11358	-2.3%	0.6%	-7.3%	7.1%
Bangladesh DSE 30	2160	2056	-4.8%	-1.1%	38.4%	-20.1%

Commodity	Monthl y Open	Monthly Close	Monthly Change %	2021 %	2020 %	2019 %
Gold	1863.9	1769	-5.1%	-6.9%	25.1%	18.5%
Crude Oil	56.35	64.63	14.7%	25.0%	-21.7%	22.0%
WTI Oil	52.2	61.62	18.0%	27.5%	-21.0%	33.6%
Copper	3.546	4.101	15.7%	16.5%	25.8%	6.3%
Iron Ore	148.42	165.61	11.6%	6.3%	70.3%	32.4%
Aluminium	1961	2216	13.0%	11.9%	9.8%	-20.1%

lower than intrinsic value per share then one should invest or vice versa.

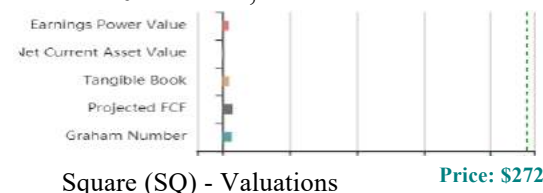
**Graham Number: Benjamin Graham** (father of value investing) and mentor of Warren Buffett. Mainly tries to find out a bargain stock or stock way off the map (as per Buffett). It considers both PE and Book value, EPS growth in last 10 years, interest and inflation.

According to Buffett it works but *“You have to turn over a lot of rocks to find those little anomalies. You have to find the companies that are off the map - way off the map.”*

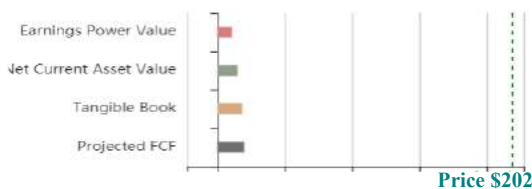
**Peter Lynch Chart or Value:** Legendary Peter Lynch of Fidelity ran its flagship Magellan Fund with a return of 29% p.a. for 13 years. His 'Peter Lynch Chart' is the projection of 15 times the EPS over the last 10 years - A theoretical Equity line. If the share is below the Equity line it is a buy if it is above it is a sell.

However, the problem is all these methods are mostly irrelevant in today's market. Soon I will show you that.

Now my multi baggers this year - **ROKU SQ, Zillow, Snap-chat and ENVA** - please refer to page 6. If I had followed these traditional methods I could not have detected these stocks and make a return of 3-4 times in around 10 months;



It may be observed that for both SQ and ZG, shares price crossed more than 30 times than the valuation projected by all these major valuation models. SQ has a small EPS while ZG is still making Financial loss (but cash Profit). When I



entered in these stocks at that time also these stocks are overvalued in terms of these valuation models. If we quote Buffett these are the "stock way off the market". But there are similar stocks in the same sector and in the same Industry which makes your life difficult? You will pick up a stock and hold it for long time before you realize that you are riding on a COAL and not a DIAMOND.

**Now how we value this type of companies?**

We use our proprietary method WINGS to fly. We develop a conscious investment philosophy, and you will find looking at these five stocks - there is a strong underlying philosophy working across sectors.

One of the major parameters of a new age company in the developed countries is becoming to be **EV/EBIDTA i.e Multiple of Economic value to Operating Profit**. However, we use plethora of many other soft parameters before we commit to a stock. I will mention a few here: Economic Moat Evaluation, Research spending & effectiveness in the last 5 years, Product Pipelines, Customer/Contracts Acquisition trend, Change in Industry/customers' need, Growth Possibilities(vertical/horizontal), Pricing power, Cost flexibility etc

Now the most important factor-time with the market, scuttlebut, spending on tons of research reports, disciplined reading of thousands of pages daily etc. If you can do that surely you will have super success.

**OR rely upon Surrogate Investor and make almost the same return.**

**COUNTRY DATA**

Countries	GDP (USD Bn)	Market Cap (USD Bn)	GDP Growth 2021 %	Inflation %
USA	21729	50808	1.0%	2.24%
China	14340	10290	7.0%	1.9%
India	2650	2500	9.0%	4.0%
Egypt	220	42	3.2%	6.00%
Kenya	70	21	6.4%	5.4%
Tanzania	54	6.5	6.6%	3.7%
Ghana	43	11	4.8%	8.7%
Nigeria	421.12	42.00	1.90%	13.9%
Bangladesh	318	57	6.8%	5.19%

Forex	Monthl y Open	Monthly Close	Monthly Change %	2021 YTD %	2020 %	2019 %
EUR USD	1.206	1.208	0.17%	-0.4%	8.2%	-2.3%
GBP USD	1.367	1.393	1.90%	1.9%	3.2%	3.6%
USD INR	72.860	73.937	-1.46%	-1.1%	-2.5%	-2.1%
USD KES	110.050	109.800	0.23%	-0.1%	-6.5%	-0.7%
USD EG POUND	15.720	15.700	0.13%	0.9%	1.26%	11.6%
USD TZS	2317	2319	-0.09%	0.0%	-0.8%	0.0%
USD NAIRA	381.050	381.080	-0.01%	0.0%	-4.9%	0.5%
USD TAKA	84.795	84.885	-0.11%	0.2%	-0.2%	-1.8%



# Be a millionaire Start Surrogate Investment ?

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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

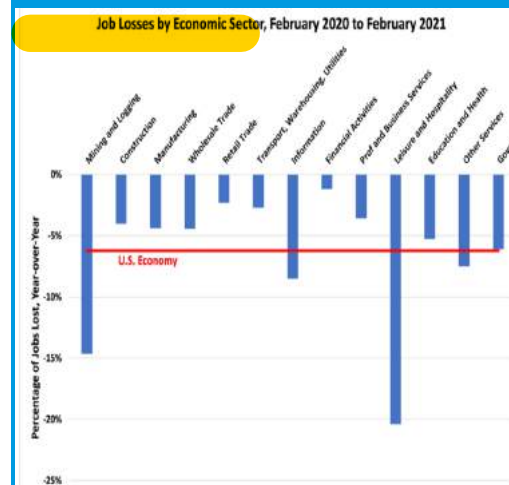
## What you have to do ?

- 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 :

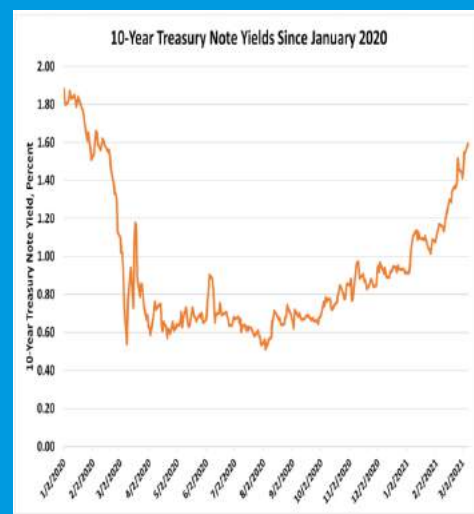
Surrogate Investors are making 100%+ to 450% annualised return from each trade

# BEST CHART OF THE MONTH



This is the unemployment situation in US sectorwise. The effect will be multiple times in Developing world.

10 Treasury Note Yields coming back to its pre pandemic level which is giving negative signals to market



## 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](http://digitiancapital.com)
- 2) Start Your millionaire Journey



# VALUE INVESTING

## Debashish Neogi

“ Neither FOMO is good nor FOGK is good. Fear and greed are not good friends of the investors. We end up taking wrong calls when influenced by fear or greed... Invest bottom up and worry Top down”

### Investment Bottom up -- While worry Top-down Investing

Recently I read a nice article of Sunil Damania, CIO of Market Mojo, excerpts of this is produced below .

A few months back, many investors had a **Fear Of Missing Out (FOMO)** on the rally and jumped into the equity market despite expecting corrections. But today, the situation has turned upside down, as many are now suffering from **FOGK (Fear Of Getting Killed)**. The reason for this change is extreme volatility in the market. In February, out of 20 trading days, as high as four days market saw a gain or loss of more than 1000 points.

portfolio? Another frustration is that the overall market is moving up, but not stocks held in the portfolio.

**Let me state that neither FOMO is good nor FOGK is good. Fear and greed are not good friends of the investors. We end up taking wrong calls when influenced by fear or greed.**

Yes, the market is volatile and will remain so in the coming months. Right now, two /opposite views are prevailing. Bull's camp believes that vaccines and the US stimulus package means growth in the world economy bouncing back strongly. This rally will extend as corporate profits would expand on the back of a strong economy. Even US Fed governor Jerome Powell did indicate that rates will remain low in the medium term.

No one knows for sure if the market corrects how long it will remain at the low levels. Remember the crash of last March and how strongly it recovered.

Hence don't take cash calls on the market. Keep a stock-specific approach. Stay invested in good quality companies. Good quality companies will correct when sentiments turn negative, but they would be the first to bounce back when sentiments improve. **Also, there are not many alternate avenues you can park funds. Your exposure to the equity market should be those funds that you don't need for the next 3-5 years.**

**On the other hand,** the bear camp believes that the US stimulus package and revival in the economy will stoke inflation. The yield on the US Treasury market has moved up. If so, this is not good for the stock valuation. The lower yield means higher PE and vice versa. Some of the growth stocks have fallen from a high level due to rising yield.

**I think Anand Sridharan put it in a nice way :** "Which companies do I want to own at all? At what price? That's all there is to my job. A short shopping list. Two columns: company, buy-price. On a well-caffeinated day, I know this in my head. On other days, I need a post-it note (yup, I am a Luddite). If prevailing price is lower, buy. Else, nap. As months pass, I update the second column. As years pass, the first.

**So what should you do?** Over the years, I have learned that there is no point in taking a cash call on the market. No one knows for sure when the market will correct or will it correct at all.

**Key question in every panic:** does this change any line-item on my shopping list? This is the filter through which I parse every

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The ride is making investors nervous. They are not sure of what is the right strategy they should be following. **Should they invest more as the market will extend rally? Should they sell as the market may fall? Or should they neither buy nor sell and continue to hold the existing**

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**Performance during Covid: India**

Name of the Company	Date of Purchase	Entry Price	Actual Gain
MGL Fina Chem	13-Mar-20	301.5	35.2%
Tata Elia	27-Apr-20	790	263%
RACL Geotech	4-Aug-20	65	214%
Bajaj Finance	22-May-20	1960	194%
Glenmark	3-Apr-20	218	121%
NearGen Software	4/22/2020	116	163%
Esorte Limited	4-Mar-20	592	141%
Aurobinda Pharma Ltd	9-Apr-20	397	143%
State Bank of India	2-Jun-20	165	136%
PWB Housing Finance	27-May-20	172	123%

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‘terrible’ thing that happens in the world around me: terrorist attacks, election outcomes, stagflations, recessions, superbugs, selfie sticks. No matter how bad the event, it is professionally a non-event if it doesn’t impact my shopping list. **During or after each existential crisis, it’s worth doing a line-by-line review, asking: Do I still want to own this company? At same price?** With a high bar on the former, and a conservative approach to the latter, my answers are usually yes and yes."

Because of almost a 100% rise in Nifty, nowadays I am often getting this question now –Debashish, what do you think the level of market will be? I ALMOST ALWAYS give the same answer –I don’t know in short term but in long term it will be going up !!

Then obviously the second question comes ,what are you doing?(what they mean is whether I am buying or selling?)

My favorite answer is, **Invest bottom up and worry top down !** Bottom up investment we do thru our proprietary model, research and scuttle butt. Our mitigation measure for “worry top down “ is

always be in some % of cash and for shares which are overvalued (as per your own standard and not markets), **have a trading strategy ideally thru options.**

I am giving a practical example of the same. I used to own **Bajaj Fiance** but given the quick drop and massive run up in recent past I sold my entire holding last month @ INR 5500/- per share (it further went up to 5800/, now hovering at 5300/-)

Now why I sold Bajaj finance in first place ? I feel its over valued ( I may be wrong) and its right value now is around INR4800 ( which means I am willing in buying it back at this price).Hence I am now selling cash secured put on Bajaj finance @ 4800 and earning around 80/- per share per month without owning the share .

### Now what’s a cash secured put ?

The cash-secured put involves writing a put option and simultaneously setting aside the cash to buy the stock if assigned. If things go as hoped, it allows an investor to buy the stock at a price (4800/-) below its current market value(5300/- ).

When you sell a cash-secured put, you earn a premium from selling a put (creating an obligation to buy the underlying security). You must maintain the cash for this obligation. When the sale of the put is executed, you will earn premium on this cash (80/- per share )immediately.

### How do cash-secured puts work?

You sell a put, which obligates you

you to buy shares of stock at a specific price (the strike price) on a specific day (the exercise date). The money you receive for selling that put is called the premium, which you receive immediately upon execution of the put. You earn the income from the premium, even if you do not have to purchase the security.

**This helps you secure a lower price to purchase a security.**

You might use this strategy if you want to purchase the security at a defined price below the current price.

Happy investing !

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**Invest in your Trading Account with our Tips**

**Top 5 Performers in USA in Covid**

Name of the Company	Industry	Date of Purchase	Entry Price (\$)	CMP (\$)	Actual Gain
Roku	Digital Media	15-Jun-20	107	468	337%
Snapchat	Social Media	1-May-20	17	61	263%
Square	Semiconductor	22-May-20	80	272	240%
Zillow	Digital Real Estate	24-Jul-20	65	202	211%
ENOVA International	Digital Finance	27-Apr-20	10.67	29	172%

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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.

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