VOl 28 April 2021

DIGITIAN CAPITAL

Future focus

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 "

Africa : virgin Capital Markets for the brave hearts

DIGITIAN VIEW!

In 2018, when we decided that we shall invest into few Markets in Africa more importantly in some good stocks in those markets, **I would say it was a maverick decision.** We decided to allocate 15% of our portfolio in **Kenya, Tanzania and Egypt** which we assessed as **slightly better markets in terms of doing business.**

Our Experience for the last three years shows that we are grossly over ambitious(and saved by our super performance in balance 85% portfolio in USA/ India). Factors responsible:

- Econonomic and political instability- acute policy issue
- Flight of capital,
- Currency Revaluation threat
- Almost negligible liquidity in Capital markets
- Exit route not clear
- High Transaction cost

Another important realisation is that in extraordinary challenging times, the developed markets **will give a super normal return** while African Markets will give a below par return. **Secondly**, once you are in African market it is completely a **dividend play,** while in developed markets some of the highly valued companies does not pay dividend at all. **Third, your time frame for capital return is 7-12 years really long term** (at least 2 trade cycles) so you have to be happy with **dividend return** (net of currency fluctuations) **of 6%-12% p.a**

Thus, entry price is the most important to create a waiting buffer. Otherwise I have seen many Sovereign Funds get frustrated in 5 years and exit market at a very huge loss;(emerging markets of eastern Europe, India, Brazil, China provides lucrative return in 2-3 years)

We followed our guru Warren Buffet's philosophy that you should invest in a stock when nobody is investing - this was the spirit of entering Africa - promising country, best stock, at great price.

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MARKET WATCH

Equity Indices	Monthly Open	Monthly Close	Monthly Change %	2021 YTD %	2020 %
S & P	3973	4181	5.2%	11.3%	16.2%
Nasdaq	13246	13962	5.4%	8.3%	43.6%
FTSE 100	6739	6970	3.4%	7.9%	-14.3%
Shanghai Compsite	3466	3447	-0.5%	-0.7%	13.9%
NIFTY	14747	14631	-0.8%	-1.9%	22.5%
Nairobi SE 20	1846	1876	1.6%	0.4%	-29.6%
Egypt SE 30	10568	10475	-0.9%	-3.4%	-22.3%
Tanzania All Shares	1846	1883	2.0%	3.6%	-11.8%
Nigeria SE 30	1555	1599	2.8%	-2.5%	39.2%
Morrocco All Shares	11483	11811	2.9%	4.6%	-7.3%
Bangladesh DSE 30	1983	2123	7.1%	2.1%	38.4%

Commodity	Monthly Open	Monthly Close	Monthly Change %	2021 %	2020 %
Gold	1715	1772	3.3%	-6.8%	25.1%
Crude Oil	63.42	66.61	5.0%	28.8%	-21.7%
WTI Oil	59.86	63.48	6.0%	31.3%	-21.0%
Copper	3.95	4.47	13.2%	27.0%	25.8%
Irone Ore	166.9	179.3	7.4%	15.1%	70.3%
Aluminium	2230	2420	8.5%	22.2%	9.8%

into normal life. In our corona virus sometimes it is working and most of the times

...And We are right atleast in few stocks and I will share the story of one such great Stock : **CRDB Bank in Tanzania** (*Our Diamond rating* ***4 cut Diamond***)

CRDB is the largest private sector Bank in Tanzania with a $ 3.5 billion Assets. Due to political and economic set backs, the bank faced high NPL (as high as 13.9%) in 2016 and the share price plummeted from TZS 365 to TZS 95. We entered with a tracking position at TZS 180 in mid 2018 and **when everybody dumping** the share in 2019 and 2020 we accumulated and made our average at TZS 115. Currently the Share sporting a market price of TZS 285. **Our capital Gain is at 248% and is still counting.**

Thus it is a classical investment story of Benjamin Graham Style.

Why we invested in CRDB Bank?

- Only **Systematically important bank** in private sector with diverse portfolio - helps in times of shock
- **Gross Margin so strong and stable** only problem was **NPL** (Which every investors missed)

	2016	2017	2018	2019	2020
Gross Margin	38%	34%	33%	36%	39%
NPL%	13.90%	12.60%	8.50%	5.50%	4.40%

- Only Bank who never posted a loss since 1998 and paying dividend regularly
- Relative smooth transition in the Top Executive management of the Bank in 2018/19 reflected in results
- Digitally savvy modern commercial
- Governance focus and transparent reporting and Moody Rating
- Relatively Active counter in DSE
- Great Price metrics :

	2016	2017	2018	2019	2020
P/E	9.40	13.31	6.71	2.07	3.09
P/Book Value	0.94	0.67	0.57	0.29	0.51
P/Revenue	1.07	0.81	0.68	0.35	0.64

In East Africa, P/E range is 4-12; P/BV is 0.75 to 2 times and P/Rev 1.5-3 times

Thus, the price attraction in 2019/20 for all traditional price metrics are **heavily attractive**. But why most professional investors shunned the stock, they heavily discounted the management change. But I personally met the management/Board and found their focus are very strong for turnaround.

Now CRDB is still a BUY (it is below TZS 300) at the current Dividend rate of TZS 22/Share it implies 7.33% pa at least if the results maintained. Our Valuation for 2022E is as under (Based upon same growth profile of 2020)

	2021	2022
EPS	76	86
DPS	25	27
Book Value	434	494

We project the market value of CRDB shares would be in the range of TZS 400 to 600 in the next 2 years

Various Methods	2021	2022
EV/EBIT Based	380	602
Dividend Based	417	540
Intrinsic Value Based	434	618
Revenue multiple Based	502	739
DCF Method	757	875

Tailwinds :

- Favorable political atmosphere may improve business environ
- New CEO is an experienced hand with a vision and energy, with an blended matching management team ready to takeoff

Headwinds :

There has been restructuring of Accounts related to COVID. This is the most important challenges that CRDB may face in the next 2 years.

Thus, buying at right price is very critical as per the philosophy of **Benjamin Graham. Even with 2-3 stocks performing, Africa portfolio is at profit but its a long term game. Watching quarter to quarter results and scuttlebutt including meeting Management is the ritual to follow.**

Happy Investing with us in Africa in developed market.

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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	Monthly Open	Monthly Close	Monthly Change %	2021 YTD %	2020 %
EUR USD	1.170	1.202	2.74%	-0.9%	8.2%
GBP USD	1.374	1.382	0.58%	1.1%	3.2%
USD INR	73.356	74.060	-0.95%	-1.3%	-2.5%
USD KES	109.250	107.850	1.30%	1.8%	-6.5%
USD EG POUND	15.710	15.660	0.32%	1.1%	1.26%
USD TZS	2314	2319	-0.22%	0.0%	-0.8%
USD NAIRA	380.550	381.050	-0.13%	0.0%	-4.9%
USD TAKA	84.790	84.795	-0.01%	0.3%	-0.2%

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 andthe 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 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 realistion** of the profit (So Zero risk)

Process :

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

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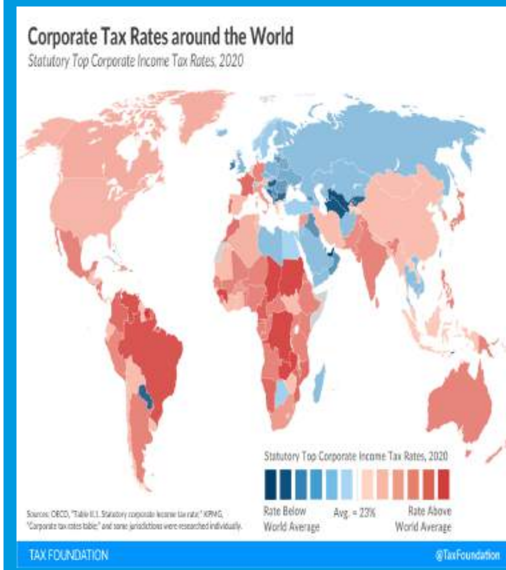
BEST CHART OF THE MONTH



This is an interesting chart which captures the world average tax rate and the tax regime in various countries.

Most of the countries are at wrong side of the tax regime. The highest stimulus package came out from USA and the new Government is already planing to hike to tax rates again.

We expect that most of the affected countries like India, Brazil etc may adopt higher taxation as a means of garnering resources to come out of the post pandemic economy. This may increase the global average tax and may work as dampner for the corporates.

VALUE INVESTING

Debashish Neogi

> "When Market is at all time high you will be getting conflicting information,so It is better to remember than 'time in the market' is very important strategy, with adequate cash holding"

Play your own Game or Else .... (Surrogate Investor)

In last couple of months, as usual I read many articles and they definitely gives conflicting messages. In todays world information is enormous – infact we are overloaded with it. Our successes depends on how we process, synthesis and convert these information into insights .

Abhishek Basu Mallick of intelsense.in have written a nice article in an eye catching headline "**Don't waste your time on PE**" an extract of the article is below .

There is a raging debate these days on the PE ratio. This debate is not new. It keeps cropping up typically when markets have been running at a high PE for a few years.

My thoughts on the PE debate is that it is a waste of time.

***First**, let's put an objective and quantitative hat and attack this problem. What is high PE? Is 15 high? Is 25 high? Is 50 high? Or is 100 high? No one answers this question. We cannot have a debate where what one is debating on is a vague notion.*

***Second,** let's look at what PE is. In absolutely layman terms, PE is the multiple of earnings one pays to buy a stock. Every asset value can be broken up into two parts – **i) intrinsic value**, which* is derived from its tentative future cashflows and **ii) transaction value**, *which is derived from what value someone else will pay for it in a transaction. For example, a painting or a flower vase has no intrinsic value, but it has a transaction value based on what another person is willing to pay for it.*

Recently I got an anonymous whatsapp forward -

Put a frog into a vessel fill with water and start heating the water. As the temperature of the water begins to rise, the frog adjust its body temperature accordingly. The frog keeps adjusting its body temperature with the increasing temperature of the water. Just when the water is about to reach boiling point, the frog cannot adjust anymore. At this point the frog decides to jump out. The frog tries to jump but it is unable to do so because it has lost all its strength in adjusting with the rising water temperature. Very soon the frog dies.

*"What killed the frog?Think about it.......**

I know many of us will say the boiling water. But the truth about what killed the frog was its own inability to decide when to jump out....

We all need to know when to sell and when to book our profits .If you wait till the market peaks and then you will never sell and end up from a super profit investment to a loss trade. So always be happy with whatever profits you make and know when to sell .

Know when to jump out

Another interesting extract from one of my favorite all time favorite writer, **Morgan Housel**

Many investors have little tolerance for a bad year or a stretch of under performance. They think it's noble. "I demand excellence," they'll say. But it's just unrealistic. The huge majority of them won't survive. Compounding is fueled by endurance, so sitting through market insanity is not a defect; it's accepting an optimal level of hassle.

So what you do in this type of conflicting messages. I believe and keep on saying that no one can perfect "timing in the market" and hence "time in the market '(how long you are invested) is more important .

Off course market is over valued and anyone investing fresh money should be careful in investing .What I am doing is I am sitting on a cash of around 15% so that I can deploy when the market significantly corrects and if not anyway I am invest 85% and its doing perfectly fine .

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neficiary of this. Added to this is

Now look below two slides from a recent Motilal Oswal presentation about India's potential :

See what they have to say about valuation :

So everyone has their part of the story including me .**So what game you should play ?** I suggest play your own game. **If you cannot play your own game then rely on professional advisory like surrogate investor.**

We normally do not invest in commodity sector but for first time we are doing so as we are not seeing it as commodity but a structural India story and we have identified a player in it .

Look at our rational :

• Biggest push comes from the government to allow Ethanol blending with auto fuels Sugar producers have committed Ethenol to oil retailers for the coming year; increasing average blending to 8.3%-8.5%

• India now targets 20% by 2025 that would eliminate yearly surplus of sugar

• International Sugar price is rising as Brazil output is expected to soften due to drought conditions and also in Thailand because of bad monsoon.

• Sugar prices have risen and are expected to remain high. This means domestic sugar sales may give good margins

• Export demand is rising . China's import of sugar has risen There is expectations of global sugar deficits export subsidy program)

• India is on track to export 6 million tons (under export subsidy program)

• Raw sugar futures reached a 4 year high

• Crisil Research estimates that Rs 3,500 crore export subsidy, stable domestic demand, and a higher diversion and rising prices of ethanol could:

o Increase profit margins to 10.5%-11.5% Further to 12.5% for integrated sugar mills because of rising ethanol prices

o Rising sugar prices also makes exports viable at lower subsidy from the government

o Crisil expects the companies in the sector to have better financial derived from better profit margins, lower working capital requirement as inventory level declines

We expect sugar to see rerating potential based on ethanol push and deleveraging. Needless to say the multibagger share we are recommending will be available online in our in house advisory surrogate portal .

Happy Investing !

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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- ⌘ Online Investment Platform
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- ⌘ Multi-bagger return
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