



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/hold/sell real time guidance, and get a return of 20%-60% in 3-9 months- this is the unique offer Surrogate Investor brings ”

Be sure before Holding for long term (Part 2)

DIGITIAN VIEW!

MARKET WATCH

In the part 1, I mentioned that everyone on the Investment community will guide you for long term investing and it is true that it is key for value creation. However, this is good for creating a mindset. But before you hold for long be sure you are riding the right horse

when the price already reflected the expected performance. As a result any shortfall in the expected performance will discount the current market price till **the market found a new growth fundamental**. Then the counter will behave normally with the financial performance of the company and the price may even drop with the market since there will be question on the financial performance as well.

We are discussing **the main behavioural issues which are** :(applicable to 95% investors)

1. Less research/ Only gut feeling Investment (refer July news letter)
2. **Poor understanding of the future Business possibility and its drivers** : the market always price the future possibility minimum 2-3 years ahead of the main performance years. Most investors fail to detect this Trend early enough, so they enter into a counter when the market has already priced it and the shares started moving upwards or

So if you are doing short term trading then Quarter to Quarter financial performance is essential for short term price movement but for long term holding financial will be playing a secondary role.

For example, Tesla being the pioneer in the Electronic Vehicle(EV) manufacturing, the price is already discounted future 10 years business upto 2030, the expected EV cut off date. Its EV/EBIDTA is 134x while S&P 500 has an average of 14x.

Equity Indices	Monthly Open	Monthly Close	Monthly Change %	2021 YTD %	2020 %
S & P	4387	4535	3.4%	20.7%	16.2%
Nasdaq	14681	15363	4.6%	19.2%	43.6%
FTSE 100	7082	7138	0.8%	10.5%	-14.3%
Shanghai CompSITE	3464	3582	3.4%	3.1%	13.9%
NIFTY	15885	17323	9.1%	16.1%	22.5%
Nairobi SE 20	1973	2025	2.6%	8.4%	-29.6%
Egypt SE 30	10821	11301	4.4%	4.2%	-22.3%
Tanzania All Shares	2001	1976	-1.2%	8.8%	-11.8%
Nigeria SE 30	1641	1620	-1.3%	-1.2%	39.2%
Morocco All Shares	12434	12767	2.7%	13.1%	-7.3%
Bangladesh DSE 30	2344	2531	8.0%	21.7%	38.4%

Commodity	Monthly Open	Monthly Close	Monthly Change %	2021 %	2020 %
Gold	1815	1830	0.8%	-3.7%	25.1%
Crude Oil	73.21	72.46	-1.0%	40.1%	-21.7%
WTI Oil	71.60	72.46	1.2%	49.9%	-21.0%
Copper	4.42	4.34	-1.8%	23.3%	25.8%
Iron Ore	211.99	144.83	-31.7%	-7.1%	70.3%
Aluminium	2616	2732	4.4%	38.0%	9.8%

They will be touching in 2021 a production target of 1 million vehicle while in 2020 they produced 499,500 cars and in 2019 they produced 367,500 cars. **(In comparision Toyota sales on an average 8.3 million and Geneal Motor Sales 7.5 million a year in a matured vehicle market - and 7-8 times lower in market cap)** Till 2019 end there was more and more apprehension as Tesla was not able to deliver as per their commitment and also everybody was looking for cash break even. Once they have achieved Cash BEP and 5000 cars per day production milestone, the market took cognizance of the true potential of Tesla in longer term and share spiked ahead of the actual production number during Mach 2020 to Jan 2021. So when they have actually delivered the number then the share become range bound. As long as they continue to grow production and sales and maintain a net margin it will see the growth



Now to get to the next round of spurt some new future story is required like for Tesla it is now more Battery Storage and Network of charging zones and utilization of green energy. **You need to have full understanding before clinging on to the stock.**

03. Riding a stock when it is breaking free without understanding why you are riding : I will discuss it with a real life example, **Game Stop (GME)**. It is a normal game video rental franchise with a dropping revenue of 5 billion in 2021 from 9.36 billion in 2016 and making

significant losses in the last 3 years. Stock has never crossed \$47 in the last 10 years and fell to \$5 before started moving to \$20 on 13 th Jan , then there was a buzz that company is turning around and there is a Gen Z retail play in Reditt/Robinhood on the stock against short seller - in Jan'21, **the stock shot to \$484 in next 15 days (24 times) and dropped to \$33 in the next 14 days** finally after severe volatility for the next 8 months twice touching \$340+ mark and now hovering around \$ 178. The stock did make a quarterly profit in Jan 2021 before going back to losses thereafter.

If you want to ride such a stock for a long term then you may find yourself again in the range of \$ 20 or even lower and lost most or all your investments;

This could be a good trading stock given the volatility with lot of risks and returns unlike a story that of TESLA.



04. Do not get married to a stock because then you will start building self reasonings for yourself for each negative price trend or stories. This is the most difficult part of accepting the fact that your great effort in identifying the stock has gone sour. Further, in case of long term investor you are bound to be attached to a stock holding because you invested on your belief. It is better to maintain a distance and always revisit the main drivers whenever there is a missed performance target or a negative news which may affect your original story. We shall see the case of WBA next month to understand this behavioral issues.

(To be continued)

Happy Investing!!

COUNTRY DATA

Countries	GDP (USD Bn)	Market Cap (USD Bn)	GDP Growth 2021 %	Inflation %
USA	21729	50808	6.0%	2.50%
China	14340	10290	9.0%	1.9%
India	2650	2500	7.3%	5.1%
Egypt	220	42	3.2%	5.00%
Kenya	70	21	6.4%	5.8%
Tanzania	54	6.5	4.5%	3.7%
Ghana	43	11	4.2%	8.7%
Nigeria	421.12	42.00	1.90%	15.5%
Bangladesh	318	57	5.5%	5.76%

Forex	Monthly Open	Monthly Close	Monthly Change %	2021 YTD %	2020 %
EUR USD	1.184	1.188	0.34%	-2.1%	8.2%
GBP USD	1.379	1.386	0.51%	1.4%	3.2%
USD INR	74.448	72.997	1.99%	0.1%	-2.5%
USD KES	107.950	109.900	-1.77%	-0.1%	-6.5%
USD EG POUND	15.700	15.650	0.32%	1.2%	1.26%
USD TZS	2319	2314	0.22%	0.2%	-0.8%
USD NAIRA	411.500	411.520	0.00%	-7.4%	-4.9%
USD TAKA	84.760	85.150	-0.46%	-0.1%	-0.2%



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

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- Have your trading account for full control of your money
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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 :

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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.
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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.

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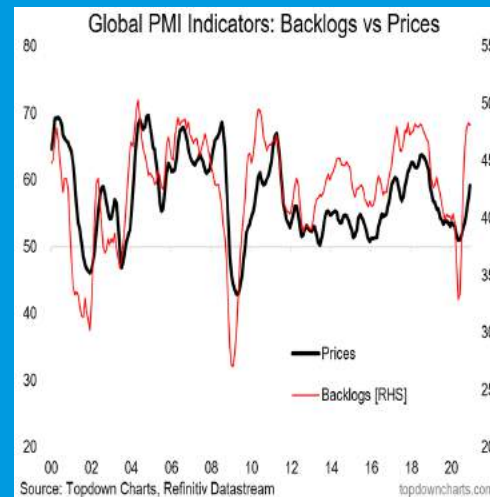
Fees for the Service :

- a) ZERO UPFRONT Fees
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Process :

- 1) Sign up : digitiancapital.com
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BEST CHART OF THE MONTH



Sign of recovery :

Global manufacturing prices are much more stable and came back to 2016 level, backlog clearance picked up just like after 2001 and 2009 crash.

Global Trade growth recovering but still lagging while shipping container throughput improved, bellweather PMI hitting 2018 high





VALUE INVESTING

Debashish Neogi

“ For sure Indian Market is overvalued you need to main at least 10%-15% of your portfolio in liquid cash so that if the market corrects big time you can double up on compounder share”

Focus on T while you look at compounding

We all now the formula of compound interest, we all studied the same in school but little did we know in the investing world or otherwise this is the 9th wonder in the world.

$$A = P\left(1 + \frac{r}{n}\right)^{nt}$$

A = final amount

P = initial principal balance

r = interest rate

n = number of times interest applied per time period

t = number of time periods elapsed

Anyone can solve the equation 6+6+6+6. But ask somebody to calculate 6x6x6x6 without a machine and they're going to look at you cross-eyed. The human brain was designed for linear, not exponential processing.

The other day I joked about the Dow reaching 2,000,000 by the year 2099, a one hundred fold gain from today's prices. For that to occur, the Dow would need to compound at 5.7% for the next 83 years. Considering the Dow has grown 7.14% a year for the last 75 years, this seems totally within the realm of possibility.

This example from The Art of Thinking Clearly illustrates why the Dow reaching 2 million was completely beyond comprehension: "A piece of paper is folded in two, then in half

again, and again and again. How thick will it be after fifty folds? Take an astronomical guess. What would be a ridiculous number? Well, if we assume that a sheet of copy paper is approximately .004 inches thick, then its thickness after fifty folds is a little over sixty million miles. This equals the distance between the earth and the sun... Linear growth we understand intuitively. However, we have no sense of exponential growth."

The most powerful force in the universe, as Einstein referred to it, is something that eludes many of us for two main reasons.

One, most people just don't understand how it works. For instance, 15% growth for 30 years is not 450%, it's 6500%!

The second reason why many fail to take advantage of compounding is because it takes time.

Warren Buffett has been rich forever, but 95% of his net worth was earned after his 60th birthday

Rolf Dobelli said it best: "When it comes to Growth Rates, Do Not Trust your Intuition - because you Don't Have Any !"

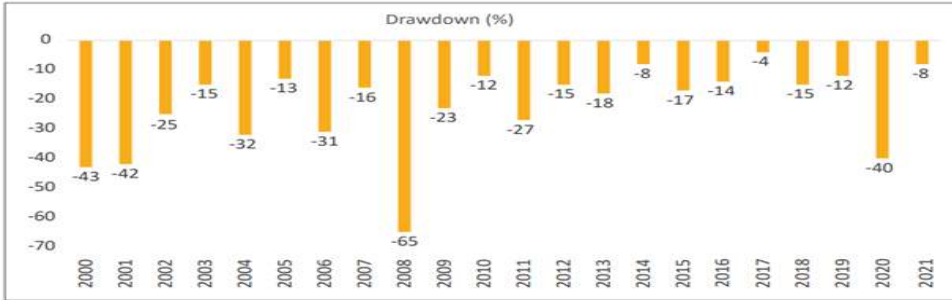
In a beautiful news letter **Navin Agarwal** ,MD of **Motilal Oswal AMC** have nicely put it (extract below):

A lot of investors are obsessed about aligning to the best performing stock or the best performing fund to maximise returns. The most common question of investors is "How much return will I get from my investment?" Well, no one really knows the right answer as there are many variables, and a lot of factors that contribute to the end outcome called return. Instead the real question an investor should ask is, "How much "t" can I provide to my investment?" In the above formula, 't' is controllable, 'r' is not. The longer one stays invested, higher is the power of compounding.

While talking about Warren Buffet and his investment success, people always tend to overlook a very important aspect in his journey of wealth creation i.e. time He has been investing in equities since the age of 11. The US stock market has had numerous bear phases and yet Buffet has been able to grow his wealth multifold with the help of his temperament, giving all the time to his investments and allowing the power of compounding do its magic.

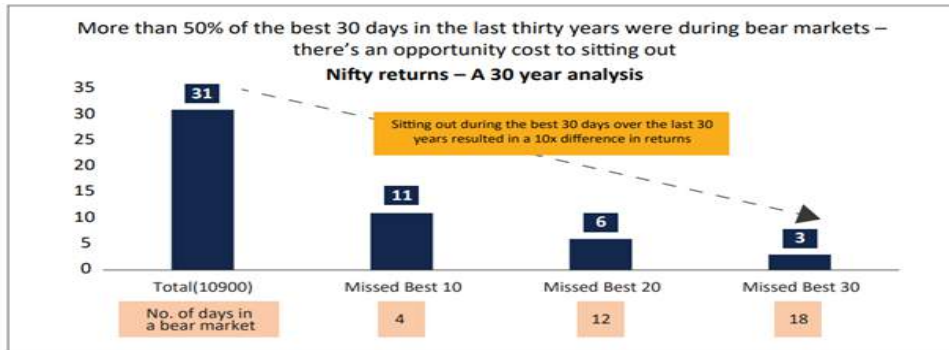
Chart 1 : Nifty performance in Last 20 Years

Over the last 20 years, Nifty has seen double digit corrections in 18 years and 9 of these corrections were 20% or more. It sounds like a risky place to be. But, there is another side to the coin. During the same period, Nifty has moved from 1,000 in January 2001 to 17,000 in August 2021. That is a 17x journey or a compounded return of ~15% over the last 20 years, beating all other asset classes hands down, particularly on a post-tax basis!



Source: MOAMC Internal Research Data as on Aug,2021 Disclaimer: The above graph is used to explain the concept and is for illustrative purposes only. It should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

Chart 2 : Nifty performance during Bear Phase



Source: NSE India, MOAMC Research, Data as on 31-Mar-2020
Disclaimer: The above graph is used to explain the concept and is for illustrative purposes only. It should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future

Chart 1 clearly establishes that if you are short term in Indian Market depending upon your entry and exit point you will be either losing or gaining. However, if you hold over a time(t) then your return will be always on the winning side.

While Chart 2 highlights that long term investors made most of their money in the most bearish phase by investing more and by staying invested.

Shunning the equity markets during a correction phase may well be counter-productive. As highlighted in the above exhibit – the difference in total return reduces from 30x to a mere 3x if you just miss the 30 best days in the markets. And, yes it may seem counter-intuitive but 18 of those 30 best days happened in the midst of a bear market. Once again, market timers ignore the harsh reality that 60% of the best return days occur in a bear market that they are working so hard to avoid.

Hence do not quit ,stay invested !

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Performance during Covid: India

Name of the company	Date of Purchase	Entry Price	Actual Gain Published In Feb 21	Actual Gain till June 21
NGL Fine Chem	13-Mar-20	302.00	352%	583%
Tata Elxsi	27-Apr-20	790.00	263%	364%
RACL Geartech	4-Aug-20	65.00	214%	380%
Shivalik Bimetal ©	27-Apr-20	28.55	New	261%
Laurus Lab	12-Nov-20	275.40	New	143%
Shree Renuka Sugar	10-May-21	12.80	New	166%
PNB Housing ©	27-May-20	172	123%	398%
Newgen Software	22-Apr-20	116.00	163%	387%
Vedanta	7-Apr-20	73	New	270%
State Bank of India	2-Jun-20	165	136%	161%
Trident	1-Oct-20	6.55	New	160%
Triveni Engineering	5-Apr-21	80	New	139%

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- ⌘ Multi-bagger return
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