



FUTURE FOCUS

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Be sure before Holding for long term (Part 4)

DIGITIAN VIEW!

In the earlier parts, it is discussed that, everyone in the Investment community will guide you for long term investing and it is true that it is key for value creation. While this is good for creating a mindset you need to consider many other factors. But before you hold for long be sure you are riding the right horse. In this context, we discussed the main behavioural issues (applicable to 95% investors) with great examples.

If you keep these 5 behavioral issue Cards in your mind and each time the stock is hitting a new resistance level or hitting a new support level, you apply them to test your CONVICTION, then hopefully you will be able to reduce your risk of long term holding.

The word "Conviction" is a big word in value Investing, and without the same you should not be able to make multi-bagger returns. The basic funda is you will stick to the stock through ups and

downs till you believe that original investing moat is still valid and the market trend in the share price is temporary and not permanent.

The most important signals are related 90% to Company and 10% to Industry. Please note market or economy specific signals are temporary in medium/long term.

Some company specific signals

1. Change in Ownership Pattern
2. Insider selling major holdings
3. Erosion in Margin
4. Exit from a business line - good for business or competitive loss
5. Reason for dropping sales growth
6. New M&A - core or unrelated
7. External Action on the company (any regulators, environmental agencies, labour organisations etc)
8. Corporate Governance issues (pointed in Audit reports)
9. Major company specific incidences

"..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 "

MARKET WATCH

Equity Indices	Monthly Open	Monthly Close	Monthly Change %	2021 YTD %	2020 %
S & P	4357	4613	5.9%	22.8%	16.2%
Nasdaq	14566	15595	7.1%	21.0%	43.6%
FTSE 100	7027	7288	3.7%	12.8%	-14.3%
Shanghai Composite	3568	3544	-0.7%	2.0%	13.9%
NIFTY	17532	17929	2.3%	20.2%	22.5%
Nairobi SE 20	2038	1972	-3.2%	5.6%	-29.6%
Egypt SE 30	10366	11568	11.6%	6.7%	-22.3%
Tanzania All Shares	1949	1894	-2.8%	4.2%	-11.8%
Nigeria SE 30	1674	1744	4.2%	6.3%	39.2%
Morocco All Shares	13105	13507	3.1%	19.7%	-7.3%
Bangladesh DSE 30	2741	2625	-4.2%	26.3%	38.4%

Commodity	Monthly Open	Monthly Close	Monthly Change %	2021 %	2020 %
Gold	1794	1784	-0.6%	-6.2%	25.1%
Crude Oil	84.5	69.91	-17.3%	35.2%	-21.7%
WTI Oil	83.88	66.27	-21.0%	37.1%	-21.0%
Copper	4.39	4.27	-2.7%	21.3%	25.8%
Irone Ore	121.23	103	-15.0%	-33.9%	70.3%
Aluminium	2721.75	2616	-3.9%	32.1%	9.8%

Whenever there is a correction of more than 10%, you need to assess what is causing the decline - the one on the surface or there is one hidden deep - whether permanent or temporary.

Here, let's take the example of **Zillow Group (ZG)**, a digital real estate market place in USA. ZG created huge moat on monetization (Mcap \$ 25 billion), with an increasing annual R&D spent reaching \$0.5 billion. Its a huge brand across USA in real estate business.



For the last decade the company shares is between \$ 10 to \$ 66, during pandemic it claimed that its new Home flipping Business (Buying a property and selling it at a higher profit after minor repair) is showing huge opportunity due to its unique algorithm and market data power. **ZG went up from \$66 in June 2020 to \$212.40 in Feb 2021, in 9 months a growth of 3.2x.** Then started correcting which is very normal for any multi bagger because profit booking would happen. In next 45 days it came down to \$ 131 level (61% drop) although the company is still drumming for encouraging results (26 Analysts kept Buy rating with \$ 165 target). **In late September 2021, the company announced that they are keeping Home Flipping business on hold given high price in property market. This is a first major signal (surface one)** The stock dropped to \$ 85 in October 2021 (another 64% drop) and restored back to **\$104** before results. **On November 2021 Company declared they are Pulling back completely from Home flipping with a loss mounting to \$ 1 billion and 25% lay off of their work force mainly due to failure of algorithm to predict correctly the home price and this is not the business they want to be in future given price volatility. This is hidden Titanic cause. The share tanked to \$50 (59% drop).**

In this case all signals of bull Trap, corporate Governance issues, married to a stock phenomenon, exit from a business line, insider selling, are all present. **If following value investment principles** you are holding to the stock you will be believing that the stock will make come back with higher performance; and **in most of the cases you will see that you can not turn your notional profit into actual profit rather if not careful your notional super profit can turn into super loss.**

Now lets discuss relative Margin of Safety (MS)- if you have entered ZG between \$30 to \$60 and as per your conviction you may still believe that other businesses of ZG remain intact and this is the future of real estate - you may continue to hold. **But MS may be different for person who entered ZG at \$100-\$130** (refer Buffet's Heinz Kraft) Case)

If you are strictly following Value Investing, **thus without a defined Margin of Safety, you will not be able to exit any stock. Secondly, you will never be able to exit at the highest share price because Greed is in place, your point of exit should be in the range of 20%-40% drop if it is backed by signals.** But I agree there is no simple answer to this complex issues.

However, opportunity cost of investment money and risk management are crucial issues which determine your portfolio returns. Always remember Buffet's cardinal principle - **Don't loss Money in Stocks and the second one is "Always remember the First principle".**

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	1.159	1.160	0.09%	-4.4%	8.2%
GBP USD	1.355	1.367	0.89%	0.0%	3.2%
USD INR	74.150	74.826	-0.90%	-2.3%	-2.5%
USD KES	110.550	111.300	-0.67%	-1.4%	-6.5%
USD EG POUND	15.650	15.730	-0.51%	0.7%	1.26%
USD TZS	2305	2303	0.09%	0.7%	-0.8%
USD NAIRA	410.770	410.300	0.11%	-7.1%	-4.9%
USD TAKA	85.680	85.630	0.06%	-0.7%	-0.2%



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- **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

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- Act fast when Buy and Sell advice is given and make Huge Profit
- Only pay Back if you made money

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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.

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Why You should avail this service?

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- 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)

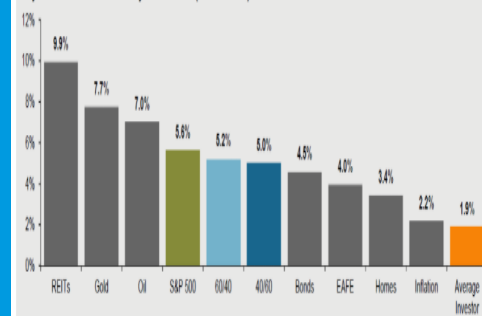
Process :

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- 2) Start Your millionaire Journey

BEST CHART OF THE MONTH

1. Total returns

20-year annualized returns by asset class (1999 - 2018)



Source: J.P. Morgan Asset Management, (Top) Barclays, Bloomberg, FactSet, Standard & Poor's, (Bottom) Citicorp. Indices used are as follows: REITs: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Bloomberg Barclays U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Gold: USGOLD, Inflation: CPI 6040. A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high-quality U.S. fixed income, represented by the Bloomberg Barclays U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Citicorp, which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/18 to match Citicorp's most recent analysis. Guide to Markets - U.S. Data as of March 31, 2019.

J.P.Morgan
Asset Management

For the average investors who want to make money in stock markets, JP Morgan Asset management chart is the benchmark for investors.

For an investor if you are not making annual returns of 10% in USA Market for the last 5 years. It is better to rely on Assets manager or Mutual Funds

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VALUE INVESTING

Debashish Neogi

“ People react to losses differently... what is required Mental Fortitude .. use of left and right brain is very important...and the ability to live through volatility”

Useful Insights on Value Investing

I am part of a few WhatsApp investor groups. Over the years I have good number of followers in these groups. Recently I have been getting few queries from some good fund managers and investors. I thought let me put one such question and my reply exactly below as the same may be going through your mind. May be in next news letter I will share few more !

Question:

Inflation worries not ending. Debashish question for you. How do you cope up with significant declines in between in some sound investment you make . Is it the longer term not for sale approach that helps ? Do you average or buy additional on say 30% or so downside from top or high level

My reply :

- 1) I don't buy anything which I don't have the intention of holding for long term say for 5 to 7 years (that doesn't mean I don't sell in between, the intention is to hold for long)
- 2) Before every buy of a new company -I do a 10 year valuation - that's a must to see what's the CAGR I can expect - what is more important is what I buy (should have competitive edge /right to win) and at what price I buy;

3) Depending on valuation I allocate low, mid or large cap possibility

4) When prices drop say by 10-20% I add up - sometimes I add up even if the company share price drops 40/50% (NGL Finchem and Arman Financial are recent examples) -yes definitely the longer time orientation helps - for example Arman I started buying around INR 180 ,4/5 years back ,with all ups and downs it has clocked CAGR of 40% +, which helps in long term compounding

5) Most important is **if i am wrong on any business /company - I exit very fast** - I am not averse to booking huge loss also - the key is when I am right how big is the win, that's most important - I need just 6 to 8 really big win in life (and that is true for all Super Investors)

Continuous learning is important :

I have been a learner all throughout my life and have childlike enthusiasm in learning. I feel the day you think you know everything that day you will stop learning. Naval Ravikant is one of my favorite whom I look up to for insights. Just to give you a brief about him, he is an Indian-American entrepreneur and investor. He is the co-founder, Chairman and former CEO of AngelList. He has invested early-stage in Uber, FourSquare, Twitter, Wish.com, Poshmark, Postmates, Thumbtack,

Notion, SnapLogic, Opendoor, Clubhouse, Stack Overflow, Bolt, OpenDNS, Yammer, and Clearview AI, with over 70 total exits and more than 10 Unicorn companies. Ravikant is a Fellow of the Edmund Hillary Fellowship. He is also a podcaster who shares advice on pursuing wealth and happiness.

I have compiled some insightful takeaways from Naval Ravikant (these are not an exhaustive list and hence I may have missed many) :

1. Making money is not something you do - it's a skill you learn.
2. Intentions don't matter- actions do.
3. You'll be never get rich by renting out your time.
4. Earn with your mind, not your time.
5. I'd love to be paid purely for my judgment, not for any work.
6. Play stupid games, win stupid prizes.
7. The closer you want to get to me, the better your values have to be
8. Amazing how many confuse wealth & wisdom.
9. Judgment is underrated.
10. The moment of suffering is a moment of truth.
11. Very smart people tend to be weird since they insist on thinking everything through for themselves.

- 12. What you feel tells you nothing about the facts- it merely tells you **something about your estimate of the facts.**
- 13. To be honest, **speak without identity.**
- 14. There are hundreds of thousands of careers available to you.
- 15. Read a lot.
- 16. The means of learning are abundant- **it's the desire to learn that is scarce.**
- 17. If you've two equal choices, **take the path more painful in the short term.**
- 18. Put truth above social approval.
- 19. **To think clearly, understand the basics.**
- 20. When solving problems, **the older the problem, the older the solution.**
- 21. The three big ones in life are **wealth, health & happiness.** We pursue them in that order but their importance is reverse.
- 22. Happiness is not about positive thoughts but the absence of desire.
- 23. Happiness is being satisfied. Success comes from dissatisfaction. Choose wisely;
- 24. How much of the day is spent doing things out of obligation than out of interest?
- 25. To make an original contribution you've to be irrationally obsessed.
- 26. When everyone is sick, we no longer consider it a disease.
- 27. What habit most positively impacts my life? My daily morning workout.
- 28. The greatest superpower is the ability to change yourself.
- 29. Much of finding great relationships is finding people where your values line up.
- 30. Arm yourself with specific knowledge.
- 31. Specific knowledge is often highly technical or creative. It cannot be outsourced or automated.'

- 32. Specific knowledge is found by pursuing your passion & genuine curiosity rather than what's hot right now.
- 33. Specific knowledge is knowledge you cannot be trained for.
- 34. The Internet has massively broadened the possible space of careers. Most haven't figured this out yet.
- 35. Foundations are super important. **Basic arithmetic & numeracy are way more important in life than doing calculus.**
- 36. All the returns in life, **whether in wealth, relationships or knowledge, come from compound interest.**
- 37. If you don't own a piece of a business, you don't have a path towards financial freedom.

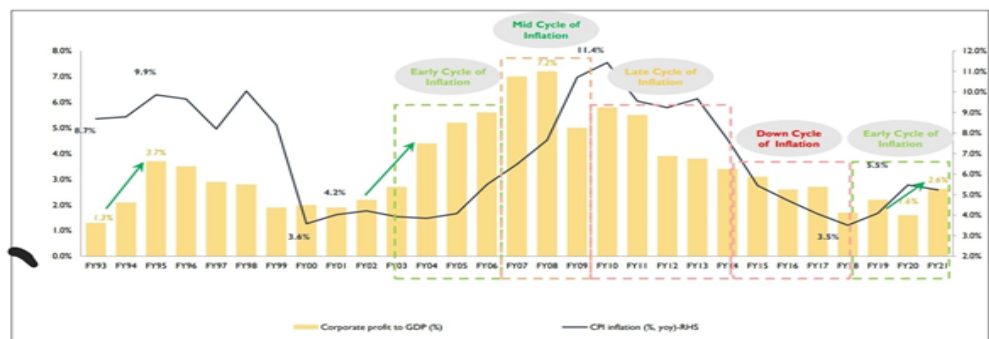
- 38. If they can train you to do it, then eventually they'll train a computer to do it.
- 39. Learn to sell, learn to build. If you can do both you'll be unstoppable.

40. Spend more time making the big decisions- **where you live, who you're with & what you do**

Insights like above and data like below makes a perfect concoction for a great investor. You can be worried about macros all the time but that will not make money in long run. **In long run what matters is how you position yourself basis the macro and stay invested for long period of time – nothing else matters !**

See the corporate profitability chart below **Inflation!**

Corporate Profitability - Where are we in the cycle?

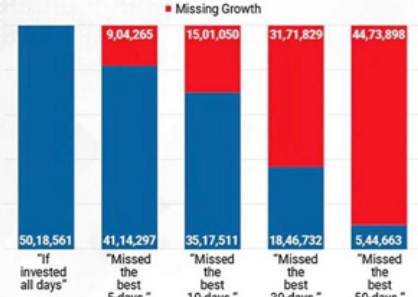


Source: Spark Capital ; Data as on September 2021
Disclaimer : The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

– showing Indian corporate profitability is going to go for sure in long run with the onset of inflation !
Now see the impact of staying invested power (ie how long you are invested) !(chart 2). It also shows the return if you are present in the those rare 50 days, you could have stupendous return!

STAYING POWER DECIDES RETURNS

Hypothetical growth of Rs 10,000 invested in the S&P BSE Sensex Index (PRI) From January 01, 1980 to October 04, 2021



"Best days" were identified by ranking the one-day returns (Indexed) for the BSE Sensex index within this time period and ranking them from highest to lowest; Figures in Rupees
Source: ACEMS Moneycontrol PF compilation

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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%
FNB 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	105	130%	101%
Trident	1-Oct-20	6.55	New	160%
Triveni Engineering	5-Apr-21	80	New	139%

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We make you ready for them

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