VOl 38 | February 2022

th Issue

DIGITIAN CAPITAL

Future focus

FUTURE FOCUS

Saugata Banerjee
saugatab@mydigitian.com

"..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 6-12 months - this is the unique offer Surrogate Investor brings "

Relevance of ideas of Benjamin Graham in Today's market

DIGITIAN VIEW!

In the last newsletter we discussed that volatility will be high in 2022 especially in USA. It is seen in February 2022 (refer to the side Table)**. As we know USA linkage creates volatility in other world markets as well depending upon their global linkage. This is now further aggravated by Russia-Ukrain War.** Our estimation is that for time being the market will move sideways. However, with the end of the war there will be bullish sentiment back in the market - whether it can sustain that needs to be seen. We still hold our views **stock market indices in USA will be impacted by 5-10%.** Given the current market situation it is always advisable to remain in defensive stock or in stock which you are certain about its value. **So in the next couple of issues, I will concentrate on reviewing the philosophies of successful investors and their relevance in today's market.**

The most pioneering investor was **Benjamin Graham,** guru of Warren Buffet In 1934 along with Professor Dodd he wrote his first book **"Security Analyses"**. He started propagating Value Investing. Graham knew ***predicting the future is nearly impossible*** so he favored protection from future negative events in order to reduce risk. He introduced the concept of **Intrinsic Value** – which refers to the true value of the underlying business and is different from market price of the stock. Value Investing refers to investment in stocks at a price lower than its intrinsic value and hold it on to the same till it achieves and supersedes its intrinsic value. Determination of true intrinsic value also paved the way for Fundamental analysis of stocks instead of speculation. **Graham formula** is as under :

V={EPSx(8.5+2g) x 4.4%} /{Y} where

V = intrinsic value; EPS = trailing 12-mth EPS; 8.5 = P/E ratio of a zero-growth stock; g = long-term growth rate of the company; 4.4% = Average top-rated Bond yield in 1962

MARKET WATCH

Equity Indices	Monthly Open	Monthly Close	Monthly Change %	2022%	2021%
S & P	4553	4363	-4.2%	-8.5%	26.9%
Nasdaq	14232	13716	-3.6%	-12.3%	21.4%
FTSE 100	7489	7458	-0.4%	0.5%	14.8%
Shanghai Compsite	3365	3478	3.4%	-4.4%	4.8%
NIFTY	17597	16593	-5.7%	-4.4%	16.4%
Nairobi SE 20	1888	1887	-0.1%	-0.6%	1.7%
Egypt SE 30	11550	11138	-3.6%	-6.8%	10.2%
Tanzania All Shares	1892	1954	3.3%	3.0%	4.5%
Nigeria SE 30	1774	1820	2.6%	5.8%	4.9%
Morrocco All Shares	13885	13071	-5.9%	-2.1%	18.3%
Bangladesh DSE 30	2588	2471	-4.5%	-2.4%	21.7%

Commodity	Monthly Open	Monthly Close	Monthly Change %	2022%	2021 %
Gold	1806	1947	7.8%	6.45%	-3.8%
Crude Oil	89.23	107.33	20.3%	38.51%	49.8%
WTI Oil	88.32	107.22	21.4%	41.99%	56.2%
Copper	4.38	4.57	4.3%	3.39%	25.6%
Irone Ore	138.84	143.45	3.3%	27.51%	-27.8%
Aluminium	3051	3051	0.0%	8.93%	41.5%

Y = Current AAA rated Corporate Bond Yield

Thus it can be seen there are hard coded figures which were relevant for for 1930-1970s but not now. **If you suitably replace the 8.5 and 4.4% by Industry specific data of today** you can still get the **Graham's Intrinsic value** of the stock and can easily compare with market Value - and determine if it is overvalued or undervalued.

Principle 1 : Invest in Financial Assets with a margin of safety.

Margin of safety refers to the basic idea that investors should seek out some margin of error that they can use to protect themselves from unforeseen unfortunate events. The best way to do this is to look for **multiple margins of safety** when purchasing a stock. These are :

- A large dividend yield above bond
- the amount of debt the company holds in relation to its equity.
- Amount of Free Cash flow generated every year out of profit
- Diversification of Portfolios

Principle 2 : Use Volatility to earn Profits or the concept of Market Mean reversion

Graham in his famous book **"Intelligent Investor"** in 1949 explained the parable of **Mr Market** - a metaphor for the mechanics of market prices. Mr. Market is an investor's imaginary business partner who daily tries to either sell his shares to the investor or buy the shares from the investor. ***Mr. Market is often irrational*** and shows up at the investor's door with different prices on different days **depending on how optimistic or pessimistic his mood is**. Of course, the investor is not obligated to accept any buy or sell offers. Graham points out that instead of relying on daily market sentiments which are run by investor's emotions of **greed and fear factor,** the investor should run his own analysis of a stock's worth based on company's reports of its operations and financial position to strengthen the judgment of the investor .

According to Graham, **the intelligent investor** is one who sells to optimists and buys from pessimists. The investor should look out for opportunities to buy low and sell high due to price-value discrepancies that arise from economic depressions, market crashes, one-time events, temporary negative publicity, and human errors. **If no such opportunity is present, the investor should ignore the market noise.**

Benjamin Graham was well aware that **reversion to the mean is a powerful force in the business world**, just like it is in the natural world.

Mean reversion implies that over time results will tend towards some average. In some years companies can earn more or less than other years but over time earnings typically revert to some average, or mean. Given the unpredictability of life, if a company suffers a couple of down years, chances are that future results will balance out and the company will **return back to its mean level of profitability**. **So you need to be patient**.

Principle 3 : An easy guidance through Graham Number

The number is arrived at using a company's earnings and book value, both on a per-share basis. The Graham number is normalized by a factor of **22.5**, to represent an 'ideal' **P/E ratio of no more than 15x** and a **P/B of 1.5x. Today t**his could be used as a screener not more than that.

In a volatile market, Benjamin Graham is still relevant and certainly he offers a profound view on Value Investing.

Happy Investing!!

COUNTRY DATA

Countries	GDP (USD Bn)	Market Cap (USD Bn)	GDP Growth 2022 %	Inflation %
USA	**22990**	53366	5.7%	6.80%
China	**18000**	12700	8.1%	2.8%
India	**2850**	3079	7.3%	5.9%
Egypt	**280**	49	3.2%	6.20%
Kenya	**100**	23	4.5%	5.8%
Tanzania	**55**	7	5.7%	3.7%
Morocco	**117**	11	5.7%	1.8%
Nigeria	**440**	54	1.70%	13.5%
Bangladesh	**350**	60	5.7%	5.76%

Forex	Monthly Close	Monthly Close	Monthly Change %	2022%	2021%
EUR USD	1.126	1.113	-1.15%	-1.68%	-6.7%
GBP USD	1.347	1.332	-1.11%	-2.2%	-1.0%
USD INR	74.770	75.289	-0.69%	-0.69%	-1.9%
USD KES	113.600	113.750	-0.13%	-0.13%	-3.0%
USD EG POUND	15.719	15.640	0.51%	0.51%	0.8%
USD TZS	2310	2298	0.52%	0.52%	0.6%
USD NAIRA	415.820	415.520	0.07%	0.07%	-7.3%
USD TAKA	85.970	85.790	0.21%	0.21%	-0.8%

Continued Page3

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 :

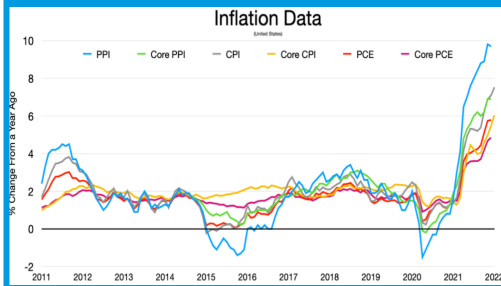
a) ZERO UPFRONT Fees
b) Upside of 20% of the profit **only on realistion** of the profit (So Zero risk)

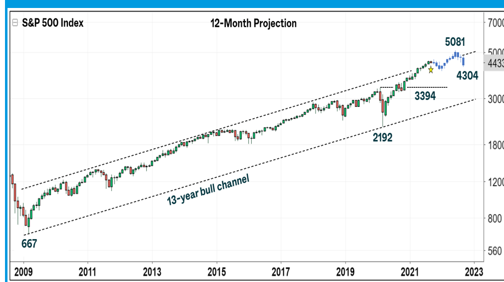
Process :

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

Continued Page 4

BEST CHART OF THE MONTH





The chart shows that high inflation has less bearing on the Stock market (S &P 500)

a) S&P 500 continues to hitting the top of the 13 year bull Channel since most of the sectors are showing growth due to inflation - inflation is mainly passed on to customer with a lag of a quarter or two.

b) After about 9 years of moderate inflation, the prices shot up; Secondly when the inflation is high producers price Index (PPI) is at the top and when inflation is moderate PPI is at the bottom;

VALUE INVESTING

Debashish Neogi

“ One of the key requirements of staying invested in a big winner is to have (or cultivate) a high boredom threshold...since 80% of stock move happens in less than 20% of the time ...the key is to stay invested in the winner stock”

Choose your own style of investing

Stocks rarely perform in the time frames we predict, and it’s why the market only works for investors that have a long-term portfolio focus. Performance is never linear, up and to the right, year after year. You sometimes have to hold onto a position for a few years before it goes up 100% in few months. **80% of stock move happens in less than 20% of the time** !

“*I’m accustomed to hanging around with a stock when the price is going nowhere. Most of the money I make is in the third or fourth year that I’ve owned something.***” – Peter Lynch**

Sustainable multi-baggers have three characteristics: Long-term revenue and earnings growth with little to no dilution. When you are holding onto a position ask yourself – Is this business growing and making more money per share than it did a year ago, two years, three years ago? Yes, the stock hasn’t gone anywhere but the business is doing really well. I have no problem holding this stock. If the business wasn’t performing, I would sell. Successful investors can differentiate business performance from stock performance and can take advantage of those investors who can’t.

"I don’t want to spend my time trying to earn a lot of little profits. I want very, very big profits that I’m ready to wait for.” – Phil Fisher

“The most successful investors I worked with, those who made the most money, all had one thing in common: the presence of a couple of big winners in their portfolios. Any approach that does not embrace the possibility of winning big is doomed.” – ***Lee Freeman-Shor***

In this excerpt, Lee Freeman-Shor talks about one of the attributes of Connoisseurs investors . *“One of the key requirements of staying invested in a big winner is to have (or cultivate) a high boredom threshold.*

The fact is, most of us will find it difficult to emulate the Connoisseurs because we feel the need to do something when we get to the office or home trading desk every day. We look at stock price charts, listen to the latest market news on TV, and fool ourselves into believing we could add value from making a few small trades here and there. It is very hard to do nothing but focus on the same handful of companies every year; only researching new ideas on the side.

Many of us, seeing we have made a profit of 50% in one of our stocks, start actively looking for another company to invest the money into – instead of leaving it invested. This is precisely why lots of investors never become very successful.”

Every multi-bagger will have long periods (even years) of stagnation as fundamentals backfill, old shareholders get bored, and new shareholders enter. Just like a fine wine, sustainable multi-baggers of ten take their time to ascend and develop. If you’re invested in great businesses that continue to grow and earn more money, don’t let lulls in stock price and boredom scare you out of them.

"Successful long-term investors have the ability to disconnect the business from the stock price. It’s why it’s important to focus on being a great business analyst, not a stock analyst. Active patience is the hardest skill-set to develop" ***-Ian Cassel***

T

here is no one single path to God (for believer) or Nirvana (for non believer). Choose one which you are most comfortable and develop skill in that. And for that very important to understand the epistemology of any style or method.

I think in todays kind of euphoric market better to have a core portfolio (90% -one doesn’t churn much)which suits one’s style of investing and a small trading portfolio (may be 5-10%) where one trades basis strict rule.

Continued Page 5

From my experience of astrologers and Technical Analysts following is the summary:

Both are games of probability, a particular pattern has a better chance of success (bull or bear), not 100%, Better probability not Higher probability, not guarantee. Since it is a game of probability, conviction is always an issue, will never be there. Conviction (measured as success ratio) - does not go higher than 60-65% in Technical Analysis. Hence Stop Loss is a must. Hence bets cannot be higher, cannot loose more than 1% in a single trade if one has to survive. Also since success is only 60-65%, have to leverage, no other way to get better returns. Other wise will not beat INVESTMENTs. The need here is of discipline and mental strength - takes trades, execute stop losses. Hence dead traders or educated traders.

In INVESTMENTs the conviction is supposed to be higher (but still cannot be 100%). *S*uccess ratio goes up to 75-80% and is good enough as the gains will be substantially more than enough to cover the 20% failure. Win loss ratio (Gains per win to loss per failure) will be high, cannot lose more than 100% of value invested in failure, upside can be Bajaj Finance ,Tata Elxsi etc . With 80% success rate and high win loss ratio need not take leverage. Thinking ability is critical and so is discipline; Laziness can be an advantage in some cases. Here also draw-downs can be there, but since no leverage can bear it.

Even in Trading based on price movements & volatility - there are three broad areas - **Technicals, Trend and Momentum**. All three are different but clubbed under one heading usually momentum. Momentum has proven to be an only exception to the efficient market theory. There are Momentum schemes now based on that theory and studies, some variation globally and now in India.

As far as trend is concerned, know of a very good **trend trader** - Good CAGR and actual track record, but has one very big serious weakness - Draw-downs. Drawdowns beyond 40% also some times as markets usually are sideways in more than 50% of the time (So No trend). Without leverage one cannot beat the market and with leverage one cannot avoid high drawdowns.

Opposite of Trend traders are the **mean reversion believers** (Option writers), reverse problem to that of trend traders (9 months of low volatility and 3 months of volatility).

ROI is a factor of rotation multiplied by profit margin in each trade, assuming someone trading weekly options (52 rotation)makes 1% makes a clean ROI of 52% …In India long dated buy option premiums are always costly hence use that insight for selling options which is always profitable 80/90% of the time. Balance 10% manage the trade is best option! There are Pros and cons of each style or method, No holy grail.

Happy Investing

DIGITIAN

The Digitial Generation

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

mydigitian.com

Visit our website :

- Market Vision

Indian Budget 2020 special

- WORLD 2020 and INDIA 2020 (Click here)

We are looking for Virtual Analyst.

Apply at Career@mydigitian.com

Contacts us :

info@mydigitian.com

Standard Chartered Tower

Level 5 Emaar Square

Down Town, Burj Khalifa

PO Box : 35482

Dubai UAE

DISCLAIMER