

Plutus Alpha Strategy



December 2019

Investment Objective:

Generate a return of 5-6% p.a. over and above the underlying portfolio returns of the client

Overview

- The strategy aims to increase the returns of the existing portfolio of investors.
- The Plutus Alpha strategy is a proprietary derivatives strategy developed by TrustPlutus Wealth Managers. The strategy intends to generate alpha by selling options on the Nifty50 index and earning premium.

Advantages:

- The fund manager intends to generate Alpha for the client without the need for him/her to make any additional investments (Except for the already held underlying portfolio)
- Risk is limited since the maximum drawdown is capped at ~4%.
- The fund manager is not mandated to take a position every month.

Inception Date:

1st Jan 2019

Minimum Investment:

5 Cr.

Fees: 20% profit share

Exit Options:

Monthly exit option available upon communication from client before 22nd day of every month. Funds would be redeemed post expiry of F&O trades for the month (Last Thursday of every month)

Process

The existing portfolio of the investor would be used as margin to run the Plutus Alpha strategy.

November commentary

As we had anticipated, GDP growth has come crashing down to 4.5% for Q2. This gives the RBI enough room to cut rates aggressively. The base case for a cut of 25 bps is baked in, but there is a clamour for deeper cuts. We have seen record inflows by foreign investors in India in this month. This follows a global risk on sentiment, as more money has gone into all emerging markets.

Our strategy of selling options had a good month in November. We took our option positions on November 13, 2019. The total income collected was ₹ 64.11 Lacs against a margin of ₹ 100 Crs worth of securities. During the month, we got an opportunity to close our put positions on November 21, which we exercised. On November 28, we also closed our call position and booked income of ₹ 58.58 Lacs for the month.

Performance Comparison (30th November 2019)

Fund	Jan 19	Feb 19	Mar 19	April 19	May 19	June 19	July 19	Aug 19	Sept 19	Oct 19	Nov 19
Plutus Alpha	0.61%	0.82%	0.43%	0.40%	-	0.28%	-0.02%	0.71%	0.52%	0.24%	0.59%

There was no trade in May, 2019 due to the national election results. Past performance is not indicative of future performance

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