

Plutus Alpha Strategy



February 2020

Investment Objective:

Generate income of 5-6% p.a. (gross) over and above the underlying returns from a portfolio of stocks/bonds/mutual funds.

Overview

- The strategy aims to generate income on an existing portfolio for investors.
- The Plutus Alpha strategy is a proprietary derivatives strategy developed by TrustPlutus Wealth Managers. The strategy intends to generate income by selling options with the Nifty50 as the underlying and earn premium.

Advantages:

- Our endeavour is to generate income 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%.
- It is not mandatory either for us or the client 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 the client before the 22nd day of every month. Funds will be redeemed post expiry of F&O trades for the month (Last Thursday of every month)

Process

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

January commentary

As we greeted the New Year with the drone-strike by the USA on an Iranian General, our immediate thoughts were a runaway rally in oil, supply squeeze in the Persian Gulf and the resultant impact on Indian imports, deficit and inflation. In hindsight now, the assessment of impact was an exaggeration. Crude Oil could not retain its gains after the flare up in, and has fallen by almost 11% this month. This is the second time that a major escalation in the Gulf has had a limited impact on oil.

In India, auto and housing remain the two most impacted sectors, which also are the largest employment generators. Different issues plague both. The inclusion of the financial sector in the IBC process has been a welcome move. Companies have been reporting results throughout January and clearly, consumption has slowed down. Earnings growth is unable to keep up with valuations, and multiples are looking elevated for many companies that have performed well in 2019.

We took our positions in mid-January, after the market had stabilised and Nifty was at 12,299. We collected a total income of ₹ 46.81 Lacs against a margin of ₹ 100 Crs worth of securities.. The Nifty finally closed at 12,036 at expiry, which was within our target range. Thus, the entire premium collected was income for the month.

Performance (31st January 2020)

Fund	1 month	3 month	6 month	1 year	Since Inception
Plutus Alpha	0.47%	1.58%	3.05%	4.96%	5.57%

The above returns are absolute and are gross of fees and taxes; Past performance is not an indicator of future returns

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