

Plutus Alpha Strategy



January 2020

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:

INR 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.

December commentary

Plutus Alpha is a differentiated idea in an otherwise difficult environment. The idea itself is relatively simple, but its nuance lies in managing the individual components and not taking outsized risks. We believe that any return generated over and above the underlying portfolio is an addition. The strategy has worked and performed as per our expectations. This product was designed to generate 5-6% above the underlying portfolio return, and it gives us great pleasure to report our annual performance at 5.10% for our first calendar year in operation. This return is over and above capital gains and dividends on their underlying portfolio.

In December, we saw the opportunity to sell calls at 12,400 and purchased cover at 12,600. We also sold puts at 11,500 with cover at 11,300. The total income collected was ₹ 52.10 Lacs against a margin of ₹ 100 Cr. worth of securities, and would be on the money as long as Nifty remained between 11,476 and 12,424. The Nifty finally closed at 12,126, which was within our strategy target range. Thus, we generated income of ₹ 52.10 lacs in December.

Performance (31st December 2019)

Fund	Jan 19	Feb 19	Mar 19	April 19	May 19	June 19	July 19	Aug 19	Sept 19	Oct 19	Nov 19	Dec 19	CY 19
Plutus Alpha	0.61%	0.82%	0.43%	0.40%	-	0.28%	-0.02%	0.71%	0.52%	0.24%	0.59%	0.52%	5.10%

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

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