

Plutus Alpha Strategy



June 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.

Process

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

May commentary

Market cycles are an inevitable truth; they have happened in the past and will happen again in the future. There is no perfect science on how each cycle plays out. All through previous market cycles, lows have been retested more than once before a floor is created. Market bottoms are evident only in the rear-view mirror. However, the reality is that despite the fall in the benchmark indices, several blue-chip companies are still trading at all-time high prices with stretched valuations.

In May, the Nifty closed with a modest loss of 2.85%, which incidentally is less than the gain of 3.21% on the last day of April. Effectively, the Nifty has retained the gains made in April; which has prompted market participants to comment that the market has found its bottom at 7,512 on 24 March

During the month of May, we did not execute our strategy of monthly options since they had become too risky. However, we have worked on creating a model portfolio of weekly options, since they are now carrying rich premiums due to heightened volatility. Our model portfolio on weekly options is showing encouraging results. In these volatile times, there is merit in taking even shorter duration calls, and weekly options allow us to do that. We will be implementing weekly options selectively in June 2020.

Performance (31st May 2020)

Fund	1 month	3 month	6 month	1 year	Since Inception
Plutus Alpha	N.A	-3.99%	-2.62%	-0.30%	1.97%

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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