

# Plutus Alpha Strategy

March 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.

## February commentary

The word Coronavirus has now become etched in our memory and will be remembered for a long time. This month has taught market participants that risks come in many shapes and forms, many of which are unknown. There is no real protection against such events. In just one month, this virus has shaved off more than 10% from the Dow Jones Index and 6.36% from the Nifty. This contagion may reduce global growth by 0.50-1.50% in 2020, depending upon when the infection subsides.

In February, we took our positions immediately post the RBI policy. The total income collected was ₹48.66 Lacs against a margin of ₹100 Crs worth of securities. These positions worked well until 20th February, but the situation changed overnight on the 21st, when the S&P fell by 3.35% while we enjoyed an extended weekend. Thereafter the Indian markets took a turn for the worse. We therefore chose to close our put positions on the afternoon of 26th February. We generated net income of ₹38.01 lacs in February

## Performance (29<sup>th</sup> February 2020)

Fund	1 month	3 month	6 month	1 year	Since Inception
Plutus Alpha	0.38%	1.37%	2.72%	4.52%	5.96%

*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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