

# Plutus Alpha Strategy



May 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:

1<sup>st</sup> 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.

## April commentary

The current circumstances are extremely challenging and there is a general sense of trepidation about the future in our minds. The challenge is to cut the clutter, ignore the noise and remain focussed on what we know and understand. Through this crisis, analysts have drawn comparison to every crisis in the last 100 years, starting from 1907 until 2008. However, each crisis is different. The 2008 crisis was followed by a swift recovery due to the coordinated efforts of central banks globally. This time around, central banks are also finding support from governments, especially in developed nations, who are doing "whatever it takes".

In April, we have seen what can be called a bear market rally. The Nifty gained about 15% for the month. The S&P500 also gained 12.7% in the same period. From their respective peaks, the Nifty and S&P are down 20% and 14% respectively.

We found an opportunity to execute our strategy in the latter half of April. The total income collected for the month was ₹28.60 Lacs against a margin of ₹100 Crs worth of securities, and the strategy would be in the money as long as Nifty remained below 9,810. The Nifty remained well below 9,800 till the 29th April. However, on 30 April, the Nifty gained 3% during the day. We decided to close our position with no profit/ no loss.

## Performance (30<sup>th</sup> April 2020)

Fund	1 month	3 month	6 month	1 year	Since Inception
Plutus Alpha	0.00%	-3.61%	-2.03%	-0.29%	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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