

Plutus Alpha Strategy



August 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.

July commentary

In line with other Asian and global peers, Indian equity markets have bounced back sharply from March lows driven by ample global liquidity, vaccine hopes and relaxation of lockdown restrictions. The Nifty50 index rose nearly 48 per cent from its March 2020 lows. For the month of July, the Nifty50 TRI delivered a return of ~7.70%. The Nifty50 Index continued to hover around the 11,200 mark in July 2020. Coincidentally, but exactly two years ago on July 27, 2018, the Nifty recorded a closing high of 11,278 levels before scaling up and then losing steam over the next few months. Calendar year 2019 saw a similar story play out with the Nifty 50 index hitting a closing high of 11,284 levels on July 26, 2019 before hitting 12,362 levels on January 14, 2020.

We executed our weekly options strategy for three out of the five weeks in the month of July. However, due to the swift rally in the Nifty50 index, our strategy hit its maximum stop loss in the fourth week of July. For the month of July, we booked a loss of ~3.79% on the Plutus Alpha strategy.

Performance (31st July 2020)

Fund	1 month	3 month	6 month	1 year	Since Inception (19 months)
Plutus Alpha	-3.79%	-3.39%	-7.00%	-3.95%	-1.42%

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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