

Plutus Alpha Strategy

July 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.

June commentary

Financial market buoyancy in June due to 'Unlock 1' has taken everyone by surprise. We did not anticipate this strong rally in the broader markets in June. The Nifty50 gained 7.5% in June, and was bettered by the Nifty Small Cap 100 Index, which gained 16% in the same period. The old adage is that markets climb a wall of worry. June has exemplified this like never before. In a month where we have seen the virus infection spread faster, record fall in forecasted second quarter profits, downgrade to India's sovereign rating and outlook and heightened tensions with China at the border, Indian markets have gained.

Towards the end of May, the Nifty started moving in one direction, initially buoyed by the gains made by Reliance Industries on the back of their record fund raising for Jio Platforms. The gains were swift and absolute, and the Nifty gained 13% in just eight trading sessions till 10,200. Then, there was some weakness and Nifty retraced back to 9,750 by mid-June. At that point, the indicators suggested that the Nifty could retrace back towards 9,300-9,500 levels, especially given the weakness in the offshore markets and bad domestic fundamentals. We therefore took this opportunity to execute our strategy and collected a total premium of ₹42.97 Lacs over a 100 cr. portfolio. On the day of expiry, we managed to close our positions at a nominal price of ₹ 1/- per unit of Nifty. Thus, we collected a net premium of ₹ 40.18 Lacs on our portfolio of ₹ 100 Crs for the month of June 2020.

Performance (30th June 2020)

Fund	1 month	3 month	6 month	1 year	Since Inception
Plutus Alpha	0.40%	0.40%	-2.74%	-0.18%	2.37%

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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