

Plutus High Yield Convertible



June 2021

Investment Objective:

To generate absolute returns using single stock derivatives on a monthly basis.

Overview

- Our investment product entails offering the investor a monthly coupon as long as the underlying or a set of underlying trade at, or above a pre-set barrier level (strike price less the premium earned). If the underlying closes below the barrier level, the investor needs to take delivery of a number of shares of the underlying/set of underlying. This product is not capital protected and maximum loss will occur if the value of the underlying/set of underlying shares falls to zero with a full loss of capital for the investor.

Advantages:

- Generate absolute returns on a monthly basis
- The underlying being a liquid portfolio can be exited at a short notice

May 2021 Performance

Strategy Total Returns	CRISIL Liquid Fund Index
1.30%	0.30%

May commentary

The Nifty50 TRI posted a return of 6.69% for the month of May 2021, outperforming most of the emerging market indices despite a ravaging pandemic. A broad global recovery complemented by ample liquidity and healthy domestic corporate and bank balance sheets were some of the contributing factors to the outperformance of Nifty for the month of May. In FY21, Nifty has reported more than 20% earnings growth, which is the highest in a decade, despite the worst economic slowdown. As India's forex reserves cross the \$600 billion-mark, there are indications that the ample liquidity, both globally and in the domestic space might continue to drive the Indian stock markets. The equity markets have received a net FPI inflow of Rs 2.8 lakh crore in 2020-21. The average daily turnover in NSE was ~Rs 79,000 crore in May 2021 as against Rs 65,000 crore in 2020 and only Rs 36,000 crore in 2019. Retail investments are spiking which is further fuelling the boom in the Indian equity markets.

The RBI recently warned about a possible stock market bubble in its annual report for FY21. The central bank highlighted that the amount of liquidity that has been injected to aid global economic recovery could have "unintended consequences" in form of inflationary asset prices. "Given the fact that liquidity support cannot be expected to be unrestrained and indefinite; and may require calibrated unwinding once the pandemic waves are flattened and the real economy is firmly on recovery path.," the RBI said.

Under the High Yield Convertible strategy, we were long on Energy, IT, Consumer Staples and Materials sectors for the month of May 2021. Our strategy delivered an absolute return of 1.30% for the month of May and has delivered an absolute return of 17.80% since inception (May 2020).

Inception Date:

1st May 2020

Minimum Investment:

1 Cr.

Benchmark:

CRISIL Liquid Fund Index

Fees:

Fixed Fee: 1% p.a.

Exit Option:

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)

Investment Universe

HDFC Bank	Reliance Industries	Infosys Ltd.	ITC Ltd.	Nestle India
Asian Paints Ltd	Hindustan Unilever Ltd.	Kotak Mahindra Bank	HCL Tech	Larsen & Toubro Ltd.
TCS	HDFC Ltd.	ICICI Bank	Bharti Airtel	Maruti Suzuki Ltd.
Axis Bank	State Bank of India	Bajaj Finance Ltd.	Wipro Ltd.	HDFC Life

Performance Comparison (31st May 2021)

Strategy/Index	1 month	3 month	6 month	1 year	Since Inception (13 months)
Plutus High Yield Convertible	1.30%	4.33%	7.89%	15.71%	17.80%
CRISIL Liquid Fund Index	0.30%	0.90%	1.75%	3.78%	4.25%

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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