

# Plutus High Yield Convertible



October 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

## September 2021 Performance

Strategy Total Returns	CRISIL Liquid Fund Index
1.24%	0.27%

## September commentary

The uptrend in the Indian equity markets continued with the Nifty50 TRI delivering a return of ~2.89% for the month of September 2021. However, all other major global indices ended negative for the month of September 2021.

Chinese real estate conglomerate Evergrande Group, in September 2021, defaulted on its interest payment and is set to miss more deadlines. The company's share price has dropped over 80% in the last one year. The Evergrande Group is China's second-largest real estate company in terms of total sales and employs over 200,000 people. It has total liabilities worth over \$300 billion and has to pay around \$37 billion in interest and maturing debt over the next one year. The company's bonds have been downgraded by rating agencies such as Fitch and S&P and have traded well below 50 cents on the Dollar, given the company's precarious financial position. Beijing, however, is nudging government-owned firms and state-backed property developers to snap up Evergrande assets hoping the deals will help contain any potential economic damage a collapse may bring.

The world's top central bankers acknowledged that inflation, which has spiked higher across many advanced economies this year, could remain elevated for some time. Higher commodity prices and shipping costs are pushing up inflation, Paris-based policy forum the OECD said. The UK is expected to have inflation running at about 3% at the end of 2022, the highest rate of the advanced economies, the OECD said. The OECD expects the rate of inflation in the G20 to moderate from 4.5% at the end of 2021 to 3.5% by the end of 2022.

Under the High Yield Convertible strategy, we were long on Energy, Infrastructure, Automobiles, Financials and Communication Services sectors for the month of September 2021. Our strategy delivered an absolute return of 1.24% for the month of September and has delivered an absolute return of 22.69% since inception (May 2020).

## Inception Date:

1<sup>st</sup> May 2020

## Minimum Investment:

1 Cr.

## Benchmark:

CRISIL Liquid Fund Index

## Fees:

Fixed Fee: 1.25% 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	Sun Pharmaceuticals
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 (30<sup>th</sup> September 2021)

Strategy/Index	1 month	3 month	6 month	1 year	Since Inception (17 months)
Plutus High Yield Convertible	1.24%	3.66%	7.56%	15.65%	22.69%
CRISIL Liquid Fund Index	0.27%	0.88%	1.77%	3.59%	5.48%

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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