

# Plutus High Yield Convertible

July 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

## June 2021 Performance

Strategy Total Returns	CRISIL Liquid Fund Index
1.23%	0.29%

## June commentary

A continuous fall in covid-19 cases post the second wave and a steadily increasing vaccination drive continued to drive the equity markets higher with the Nifty50 TRI posting returns of ~1.14% for the month of June 2021. That being said, the new delta plus covid-19 variant continues to remain a threat which might spark a third wave within the country given the fact that less than 5% of the Indian population is fully vaccinated.

Moody's Investors Service, in June, slashed India's growth projection to 9.6% for the calendar year 2021 from its earlier estimate of 13.9%. Moody's expects the overall hit to India's economy to be softer than that during the first wave last year. However, the pace of recovery will be determined by access to and delivery of vaccines, and the strength of the recovery in private consumption, which could be hampered by the deterioration of balance sheets of low- and middle-income households from job and wealth losses.

The Federal Reserve, in June, considerably raised its expectations for inflation this year. However, the central bank gave no indication as to when it will begin cutting back on its aggressive bond-buying program, though Fed Chairman Jerome Powell acknowledged that officials discussed the issue at the meeting. "You can think of this meeting that we had as the 'talking about talking about' meeting," Powell said in a phrase that recalled a statement he made a year ago that the Fed wasn't "thinking about thinking about raising rates." Though the Fed raised its headline inflation expectation to 3.4%, a full percentage point higher than the March projection, the post-meeting statement stood by its position that inflation pressures are "transitory."

Under the High Yield Convertible strategy, we were long on Energy, IT, Consumer Staples, Financials and Communication Services sectors for the month of June 2021. Our strategy delivered an absolute return of 1.23% for the month of June and has delivered an absolute return of 19.03% 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 22<sup>nd</sup> 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 (30<sup>th</sup> June 2021)

Strategy/Index	1 month	3 month	6 month	1 year	Since Inception (14 months)
Plutus High Yield Convertible	1.23%	3.90%	7.91%	15.31%	19.03%
CRISIL Liquid Fund Index	0.29%	0.89%	1.77%	3.71%	4.56%

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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