

# Plutus High Yield Convertible



November 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

## October 2021 Performance

Strategy Total Returns	CRISIL Liquid Fund Index
1.33%	0.28%

## October commentary

The Indian markets corrected sharply towards the second fortnight and ended up marginally positive for the month despite touching an all-time high during the month. FII's were net sellers to the extent of \$1.5 Bn though domestic institutions picked up the slack and remained large net equity buyers. Interest rates hardened with expectations that the inflation prints may remain elevated for longer and the Rupee lost 0.9% and ended the month closer to Rs 75 to the dollar. Consumer discretionary, financials and energy outperformed while industrials, utilities, health care, IT and consumer staples were notable laggards.

As earnings started to come through, equities started to run into a wall of worries. Large Banks reported higher profits buoyed by lower provisions though operating profit growth for most of them was fairly subdued. Consumer firms reported underwhelming volume growth and highlighted that inflation risks are building up. While the Nifty 50 index is likely to report robust year on year earnings growth, a large percentage of the growth is going to come from lower provisioning by banks, higher commodity prices and low double digit growth in IT and Pharma. The index continues to trade in a range that is higher than its long term average and the narrative around the economic recovery does seem to contain some paradoxes. The equity markets are surging despite an incomplete economic recovery, India continues to attract FDI despite tepid private sector investment, banking system is flushed with liquidity but the credit growth is soft and money is pouring into new age companies at valuations that are startling to say the least. Caveat emptor should be the war cry that all investors should pay heed to.

Under the High Yield Convertible strategy, we were long on Energy, Infrastructure, IT, Consumer Staples, Financials and Communication Services sectors for the month of October 2021. Our strategy delivered a return of 1.33% for the month and has delivered an absolute return of 24.02% 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 (31<sup>st</sup> October 2021)

Strategy/Index	1 month	3 month	6 month	1 year	Since Inception (18 months)
Plutus High Yield Convertible	1.33%	3.73%	7.52%	16.18%	24.02%
CRISIL Liquid Fund Index	0.28%	0.86%	1.76%	3.55%	5.78%

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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