# Hedging Policy

**Protecting capital while managing hedge costs**

Risk management is central to our investment philosophy. While the primary objective remains long-term wealth compounding through equities, it is equally important to safeguard portfolios against large drawdowns. The Hedging Policy is designed to strike the right balance between downside protection and cost efficiency, using a disciplined, rules-based framework.

## 1. Core Hedge - Protective Puts

- **Instrument**: Nifty index put options
- **Objective**: Provide portfolio-level protection against significant market declines
- **Framework**:
  - Puts are purchased **based on a proprietary timing model** that evaluates market breadth, volatility regimes, and trend signals
  - Hedging is applied at the **portfolio level**, ensuring broad and consistent protection
  - Coverage is generally **partial**, balancing effective downside cushioning with cost management

## 2. Overlay Strategy - Hedging the Hedge

- **Challenge**: In extended bull markets, protective puts lose value, creating a drag on performance
- **Solution**: An **options overlay strategy** is run alongside the protective puts
- **Mechanism**:

- Structured options are used to partially offset the cost of long puts
- Overlay is calibrated to preserve effective downside protection while reducing hedge bleed

**3. Timing & Execution**

- Both protective puts and overlays are activated by signals from the proprietary timing model
- Hedging intensity scales dynamically - ramping up in high-risk regimes and reducing when conditions normalize
- Execution follows a strictly disciplined, rules-based process, avoiding discretionary or speculative trades

**4. Monitoring & Review**

- Hedge positions are monitored continuously to ensure effectiveness
- Adjustments are made to optimize cost, coverage, and responsiveness to prevailing market conditions
- Rationale and impact are communicated transparently through monthly and quarterly reports

**5. Investor Impact**

- In volatile or bear markets, hedges are intended to mitigate drawdowns and preserve capital
- In bullish environments, the overlay strategy minimizes the performance drag typically associated with protective puts
- This two-layer approach provides an optimal balance between downside protection and upside participation

**Registered Address**

203, 2nd Floor, Plot 36, Hamam House, Ambalal Doshi Marg, Bombay Stock Exchange, Mumbai, Maharashtra 400001, India

**Office Address**

2nd Floor, Tree Building, Raghuvanshi Mills Compound, Gandhi Nagar, Upper Worli, Lower Parel, Mumbai, Maharashtra 400013, India

**Contact Details**

investor.relations@qodeinvest.com

+919820300028

www.qodeinvest.com