IONIC WEALTH

BY ANGEL ONE

Asset X:
Investment Strategy

August 5, 2026

What We Are Seeing

Equities

Domestic equity markets: The June quarter earnings season has been encouraging, with nearly 60% of the Nifty 500 companies having reported so far and delivering a median profit growth of **19% YoY**. Earnings remain broad-based, with the geopolitical impact largely confined to sectors such as OMCs and airlines. Valuations also remain reasonable, with the Nifty 500 trading at a trailing P/E of around **23X**, below its 10-year median of **27X**, while the rupee has stabilized. We continue to remain constructive on domestic equities, with a preference for **financials and metals**, along with a slight bias towards **mid- and small-cap stocks**. **Global equities** have been volatile in the recent period as uncertainty around the interest-rate trajectory and questions over ROI of the AI-driven capex cycle weighed on investor sentiment. US markets witnessed increased allocation to defensives as well as large caps, while China witnessed renewed inflows as South Korea experienced major froth erosion. Given increased exposure to AI and related themes we recommend adding portfolio stabilizers to manage any future volatility. New allocations can be considered through a well-diversified mix of developed markets, including the US, and select emerging markets outside India.

Alternates

Rapid advances in AI, space and defence technologies continue to drive investor interest across **Unlisted Equities**, including deep-tech PE and VC. However, recent IPOs listing below pre-IPO valuations have tempered appetite for late-stage private deals. The preference is shifting towards companies still two to three years from listing, where entry valuations and risk-return trade-off may be more reasonable **Commercial Real Estate** see a steady growth path with Bangalore, Delhi NCR & Mumbai markets leading the charge.

Fixed Income & Commodities

Domestic debt markets: Bond yields have found support from measures announced by the RBI and the Government to attract higher FPI inflows into domestic debt in June 2026. Additionally, the RBI's neutral policy stance and the absence of any immediate need for rate hikes should help keep yields supported. That said, persistently elevated US Treasury yields & potential rate hikes in the US could exert some upward pressure on domestic bond yields.

In Commodities, we remain incrementally more constructive on **gold over silver**. The supply squeeze in silver appears to be easing, creating a near-term headwind for prices. Additionally, in a higher interest-rate environment, silver is likely to face greater downside risks than gold.

Currency

INR in the past month traded with a depreciative bias amid renewed geo-political tensions. Higher oil dependence could continue to weigh on INR, however, sustained FPI flows could limit the downside risk. We expect INR to move in a band of 90-96/USD.

AssetX *brings you facts and data that cut through market noise. We highlight the most important signals across major asset classes in the global financial markets, so your investment strategy always stays on point.*

What We Are Doing

Deployment Notes

- Within Equity, we continue with our total equity allocation of 75%
  - **In domestic equity** we continue to maintain the positioning adopted in **July 2026**, with a **10% higher allocation to domestic equity**, a **60:40 split between large caps and SMIDs**, and a **lump-sum deployment approach**. We remain constructive on **metals**, supported by a positive commodities outlook, and **financials**, backed by improving credit growth, ample liquidity, and supportive RBI measures on **FCNR deposits and ECBs**.
  - In **global equity**, we continue to view the opportunity set as attractive and maintain our **lump-sum deployment approach** with a **60:40 allocation between developed markets (including the US) and emerging markets (excluding India)**. However, given the recent increase in market volatility, adding **portfolio stabilizers** could help improve risk-adjusted returns.
- As a tactical overlay, our factor analysis suggests to maintain 50% in momentum, 25% in low volatility and 25% value.
- On new positions in **Fixed Income**, we continue favour 85:15 mix between 3-5Y and 30Y+ segments.
- Given the improving outlook for gold relative to silver, we prefer allocating **100% of the commodities exposure to gold**.
- **InvITs** are offering diversification along with stable and predictable income streams.

Asset Signals

- **Domestic Equity:** Improving macros including higher double digit bank credit growth, earnings, along with reasonable valuations.
- **Global Equity:** Lumpsum positioning seems prudent. There’s more valuation comfort in EMs but some of them are more vulnerable to the US AI capex cycle. A diversified mix between DMs and EMs remain ideal, balancing valuation opportunities with structural growth and diversification benefits.
- **Fixed Income:** FPI inflows have improved following the measures announced by the RBI and the Government. Also, the RBI's neutral policy stance and the absence of any immediate need for rate hikes should help keep yields supported.
- **Commodities:** Gold looks more favourable than silver as portfolio diversifier with strong long-term fundamental drivers.
- **Private Deals:** Structural private market growth.
- **Real Estate** Commercial segment growth.

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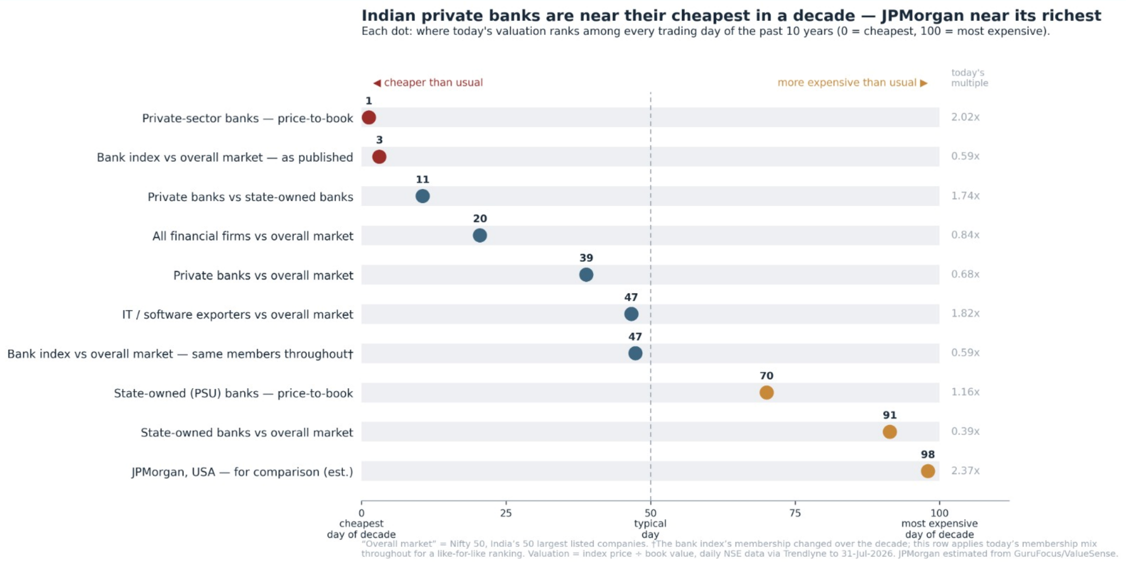
India Equity: Earnings And Valuations Both Appear Incrementally Positive

Indicator	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
GST collections, %YoY	6.2	8.1	8.8	8.7	3.2	13.9	15.4
2W retail (FADA), %YoY	20.8	25.0	28.7	13.0	7.5	21.2	22.3*
PV retail (FADA), %YoY	7.2	26.1	21.5	12.2	23.3	28.6	18.4*
IIP, %YoY	5.1	5.2	4.1	4.9‡	5.1	7.3	—
CPI, %YoY (2024=100)	2.7	3.2	3.4	3.5	3.9	4.4	—
WPI, %YoY	1.7	2.3	3.9	8.4‡	9.7	9.9	—
PMI – Manufacturing	55.4	56.9	53.9	54.7	55.0	54.2	53.5
PMI – Services	58.5	58.1	57.5	58.8	59.8	57.4	53.1†
PMI – Composite	58.4	58.9	57.0	58.2	59.3	57.1	54.3†
UPI value, %YoY	20.7#	25.0#	19	21.4#	19	20	19

- Financials, metals remain two sectoral bets. Private banks are close to the bottom of their P-B history and will be helped by FCNR flows.
- Constructive on metals' earnings and to a lesser extent steel sector.
- Small-mid caps (SMIDs) have higher valuations but higher growth too.
- June (Q1FY27) earnings strong double digits so far (~19% YoY ex-OMCs)



Our Hypothesis
Incrementally positive, valuations and earning both favour upside. One-shot deployment seems favourable with a positive bias towards SMIDs (In July we increased large cap vs SMIDs allocation from 65:35 to 60:40). Sectorally, we remain constructive on financials & metals.

Drivers
Valuations are cheap compared to 10 year history, median earnings are very strong and the macro looks stable with the rupee getting RBI/GOI support.

Risks
Significant rate hikes in the US, relapse of peace deal between US & Iran. Banks continue to de-rate and dollar index rises.

Data to watch
RBI policy, India & US inflation, domestic high frequency indicators, crude oil.

* Jul-26 preliminary: Vahan registrations / OEM dispatch compilations; FADA release due ~5–7 Aug. † HSBC flash PMI (24 Jul); finals due 5 Aug. ‡ Series breaks: CPI rebased to 2024=100 from Jan-26 (Jun provisional); WPI & IIP on new 2022-23 base from Apr-26 (WPI Apr restated to 8.36%). # Computed from published NPCI monthly values.
GST YoY per GST-portal statements on restated like-for-like bases; Sep-25 rate rationalisation affects comps; Jul-26 growth import-led (import GST +~29%). WPI surge led by mineral oils / fuel & power (+~30% YoY) and basic metals.
Colour thresholds — GST ≥10 / 5–10 / <5; autos ≥10 / 0–10 / <0; IIP ≥5 / 2–5 / <2; CPI 2–4 / 4–6 or <2 / >6; WPI ≤3 / 3–6 / >6; PMI ≥55 / 50–55 / <50; UPI ≥15 / 5–15 / <5.
Sources: GST portal / PIB; FADA press releases; MoSPI; DPIIT; S&P Global (HSBC India PMI); NPCI. Full URLs in accompanying memo. Data available as of July 2026

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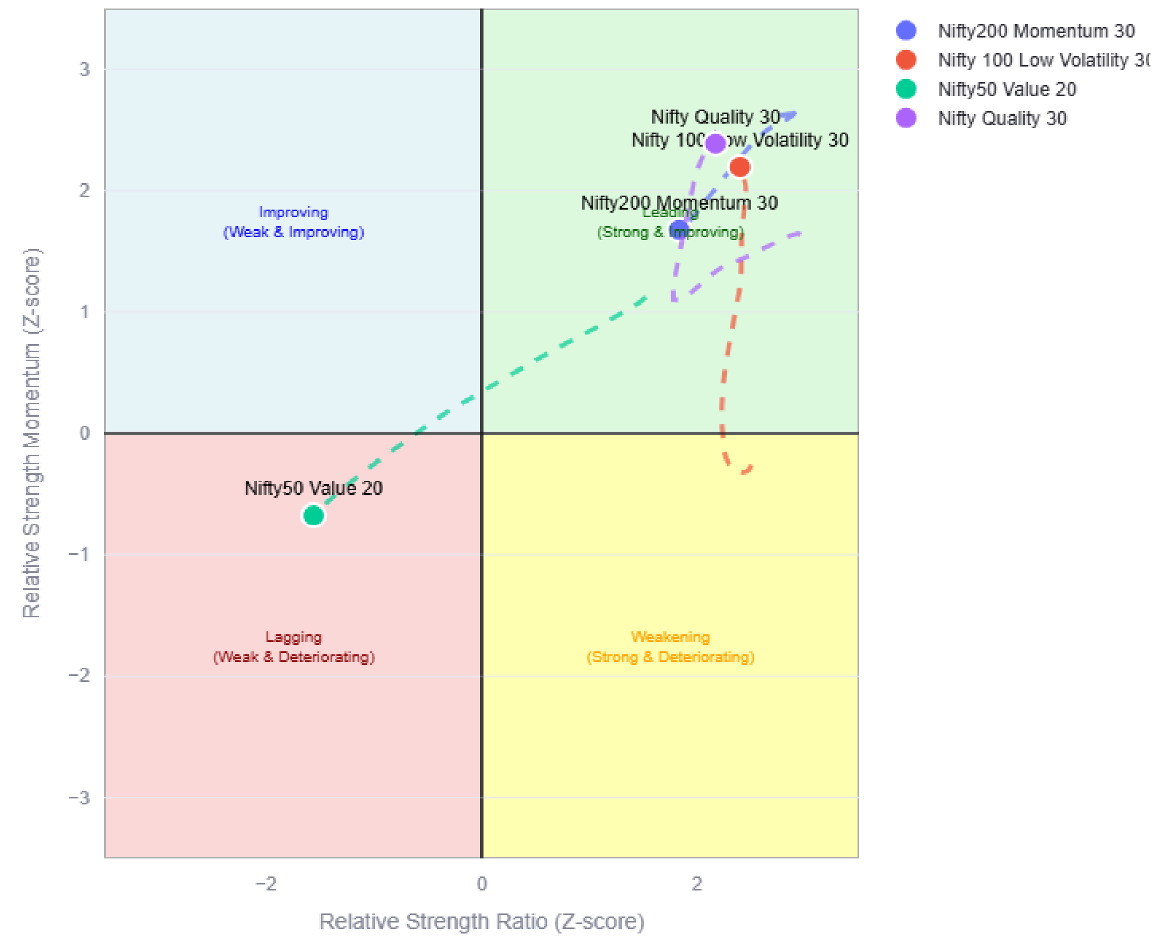
Factors: Low Volatility Gains Strength, Value Underperforms

6 Month Relative Strength and Relative Momentum



Source: Ionic Wealth, Data available as of July 2026

Factor	1 Month	3 Months	6 Months	1 Year	3 Years
Low Volatility	3.83%	4.67%	0.60%	2.92%	10.78%
Momentum	-0.95%	1.47%	0.90%	1.24%	11.16%
Quality	4.76%	2.12%	-2.28%	3.05%	9.11%
Value	0.81%	-2.29%	-9.42%	-4.29%	5.78%
Nifty 50	1.57%	1.61%	-3.70%	-1.55%	7.27%

- **Low Volatility** as a factor outperformed recently on back of defensive sectors
- **Reduction in allocation** to Value factor has played out well. Witnessed deep reversal on RRG
- **Momentum has seen 1 month of underperformance** on account of cyclicals but with no material reversal
- **Basket Split:** Maintain 50% Momentum + 25% Value + 25% Low Volatility

Risks

- Sharp reversal in Low Vol factor to leading quadrant which may now see counter cyclical move
- Momentum's reversal can go deeper in to lagging quadrant

Global Equities: AI-related Sectors Gaining Disproportionate Global Market Cap Share, There's A Need For Appropriate Stabilisers; 60 DM:40 EM Allocation Intact

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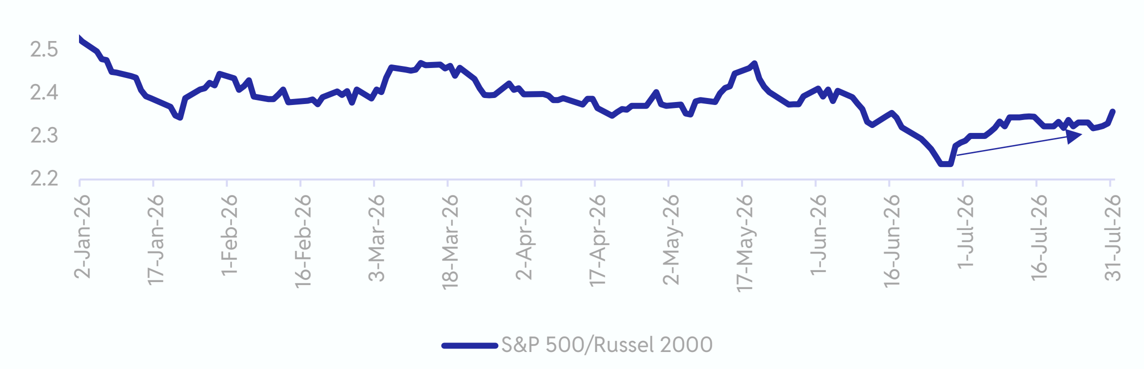
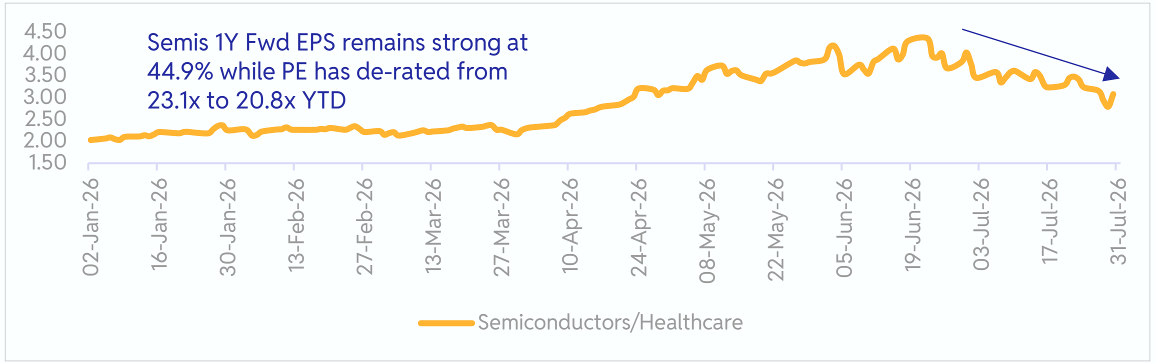
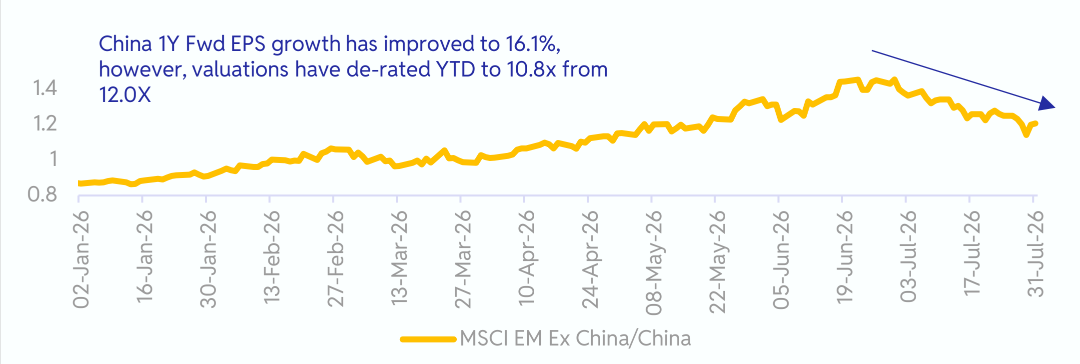
Investors Rotate to Large-Caps and Defensives as Investor Sentiment Weakens Amid AI Capex Rout and Rising Rate Hike Expectations

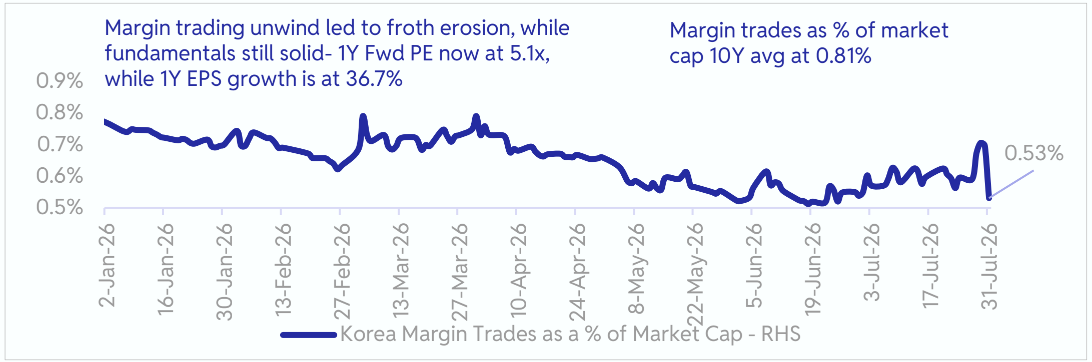




Source: Bloomberg, Ionic Wealth, Data available as of July 2026

China witnessed renewed momentum as Korea witnessed massive leverage unwind. Consequently, in July Kospi stood at -22% vs China Internet at +13%





Source: Bloomberg, Ionic Wealth, Data available as of July 2026

Our Hypothesis

Volatility in the global markets could continue as markets assess the trajectory of rate actions along with ROI visibility on rising AI capex. US could continue as an anchor position, while within EMs a diversified basket of China, South Korea, Taiwan and Brazil could make an optimal global portfolio position. Additionally, adding portfolio stabilizers like defensives, non-AI markets, diversified indices and uncorrelated asset classes could help curb any future volatility.

Drivers

AI capex reckoning, rate hike risks, elevated margin trading levels

Risks

Persistence of AI fatigue, geo-political tensions, Fed hikes rates more than expected

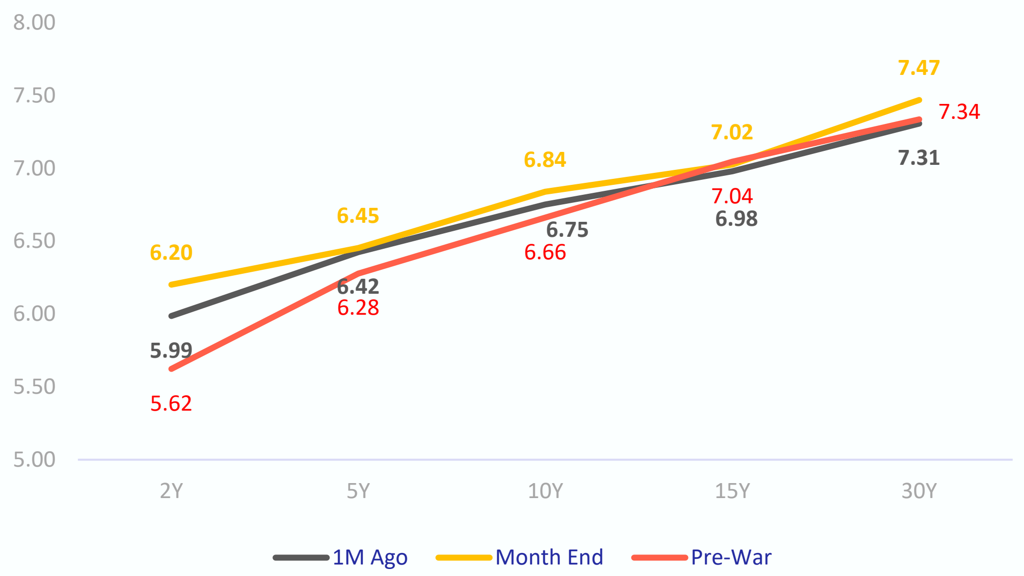
Data to watch

ETF flow trends, earnings growth, Fed rate action, war situation. AI Capex.

India Debt: Mix Of Medium Term And Long-term Debt, 85%:15% Call Intact

An ideal mix can be **85% allocation in the 3-5 years duration and 15% in the longer duration**.

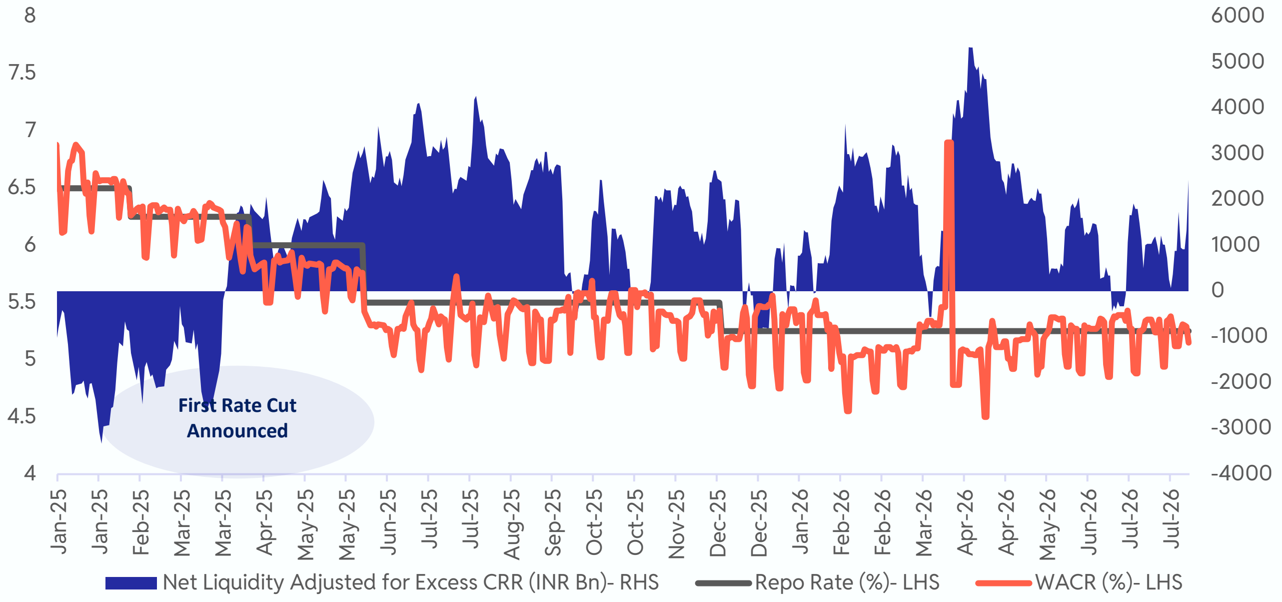
Domestic bond yields moved up marginally during July 2026. Measures announced by the RBI in June 2026 meeting, to garner FPI flows has helped yields to stabilise.



Source: Bloomberg, Ionic Wealth, Data available as of July 2026

Systemic liquidity increased during July 2026 Average systemic liquidity stood at Rs. 1124 Bn, compared to Rs. 802 Bn in the previous month

So far, WADTDR has come down by 63 bps , while WALR has come down by 80 bps against a cumulative easing of 125 bps between Feb-25 & Jul-26



Source: Bloomberg, Ionic Wealth, Data available as of July 2026| WADTDR- Weighted average domestic term deposit rate, WALR- Weighted average lending rate, WACR- Weighted average call rate

Our Hypothesis
Domestic bond yields are likely to remain supported from sustained FPI flows and RBI's neutral policy stance with no immediate rate hikes expected.

Drivers
Higher US treasuries, rising geo-political tensions, and increasing possibility of rate hikes.

Risks
Stubborn inflation, rate hikes in the US, prolonged geo-political tensions

Data to watch
US FOMC policy, India & US inflation, US labour market data, domestic high frequency indicators, crude oil, inclusion in more global bond indices

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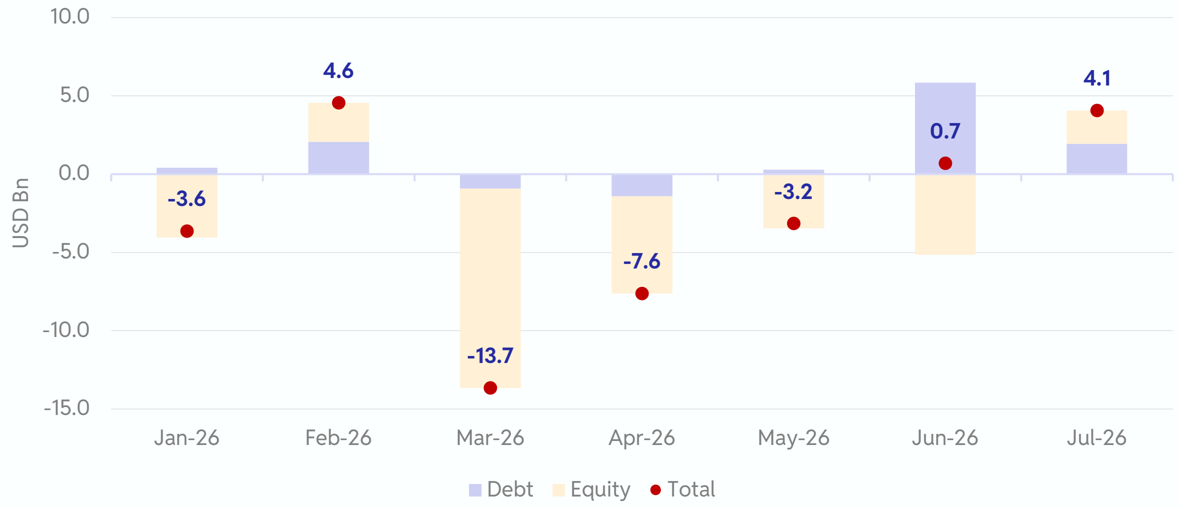
Currency: Geopolitics Weigh On INR; Rebounding FPI Inflows Limit Downside

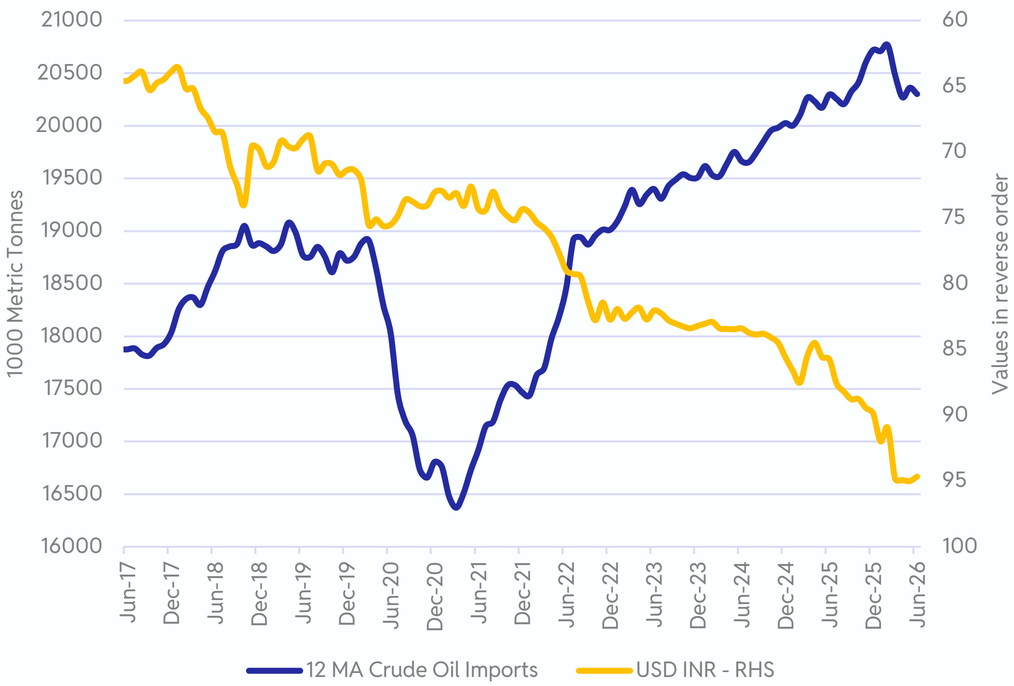
FPI equity flows turned positive after four months; July 2026 total net flows (Debt + Equity) reached a 5-month high



	Mar-26	Jul-26	Change in FYTD26
FX Reserves (USD Bn)	688.1	682.3	-5.8
RBI's Net Forward Position (USD Bn)	-103.1	-103.3	-0.2
Effective FX Reserves (USD Bn)	**585.0**	**579.0**	**-6.0**

Source: Bloomberg, Ionic Wealth, Data available as of July 2026

Marginal fall in crude import volumes seen, however massive dependence on oil imports could limit substantial decline, potentially keeping INR under pressure



Source: Bloomberg, Ionic Wealth, Data available as of July 2026

Our Hypothesis

Despite initial RBI stabilization measures, INR faces renewed volatility due to Middle East geopolitical tensions. Although, sustained FPI flows could limit the downside. We expect USD/INR to trade within a range of 90–96 in the near term.

Drivers

Renewed tensions between US & Iran, improved FPI flows in domestic debt and equity, healthy collections expected from FCNRs and ECBs, but higher oil imports

Risks

Persistence in US-Iran conflict for a prolonged time, slowdown in FPI flows in domestic market, DXY strengthening

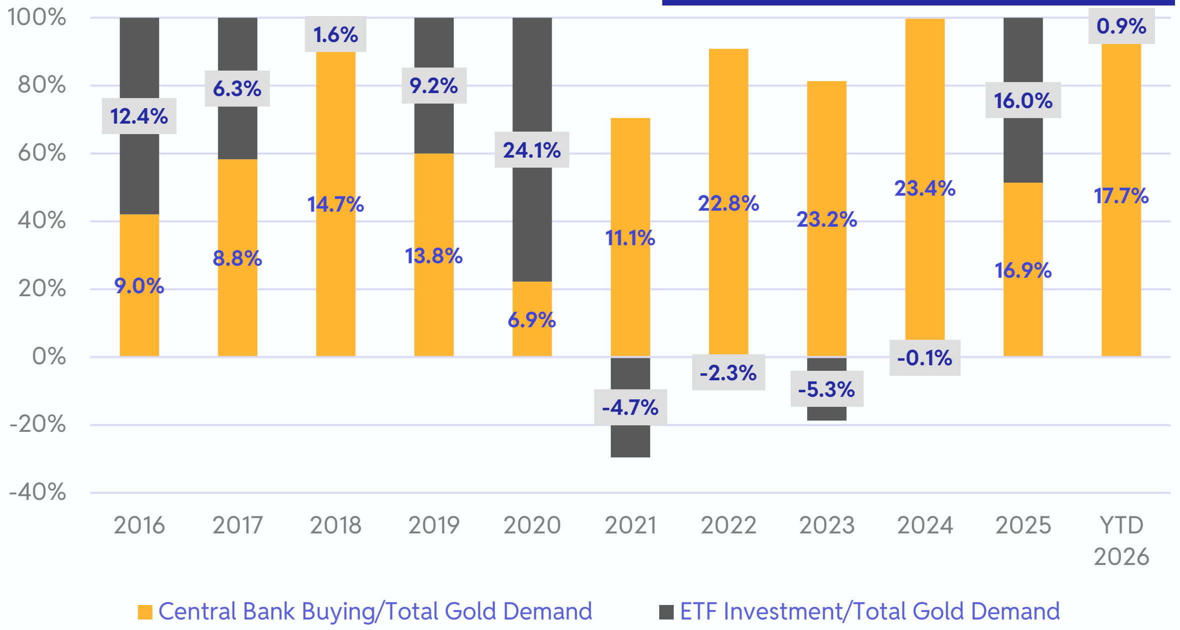
Data to watch

FX reserves, flows, DXY, geopolitics, inflation differential, yield movements

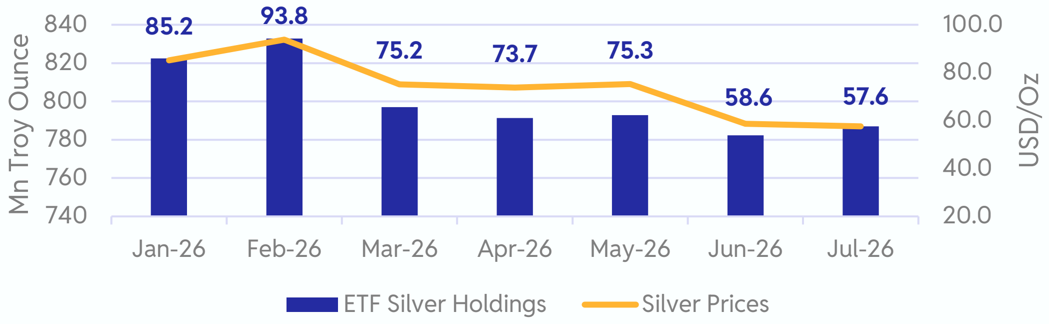
Commodities: Gold Retains a Structural Advantage, 100% Allocation To Gold Looks Favouarble

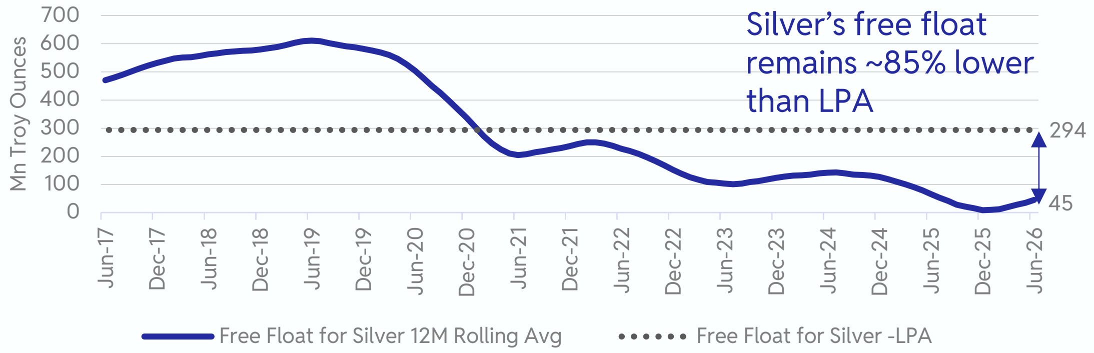
Share of central bank gold buying (% of total gold demand) increased in YTD 26, contrasting a sharp decline in ETF investments

CB buying increased 62% YoY and 411% QoQ in Q2 2026



Silver ETF holdings improved marginally in July 2026; however, inching free-float of silver creates a headwind, suppressing near-term supply squeeze dynamics. *Long-term supply deficit thesis remains intact.*





Source: Bloomberg, Ionic Wealth, Data available as of July 2026

Our Hypothesis
Gold's long-term outlook remains strong, supported by sustained central bank buying. While silver continues to benefit from a structural supply deficit, easing supply tightness could create near-term headwinds. We therefore favour **exiting silver and maintaining a 100% allocation to gold**.

Drivers
Central bank demand for gold remains strong and is expected to continue providing structural support. While ETF demand for silver has improved marginally, higher free float has eased supply tightness, though it remains well below long-term averages.

Risks
Continued USD strength, reduced demand by Central Banks, slower than expected reversal in ETF flows, rate hikes in the US

Data to watch
Sentiments, DXY, demand from China and other central banks for Gold, Demand & supply for silver

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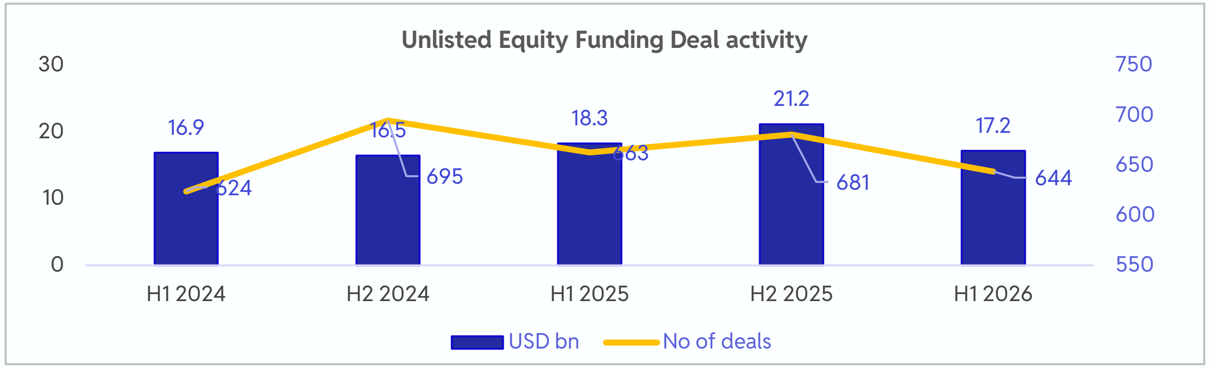
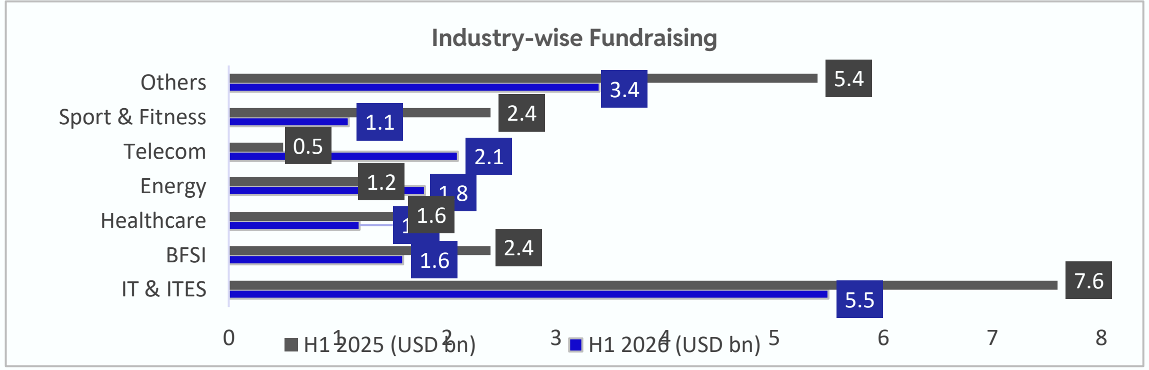
Private Equity: Deal Momentum Cools as Exits Slow, Selective Deployment Persists

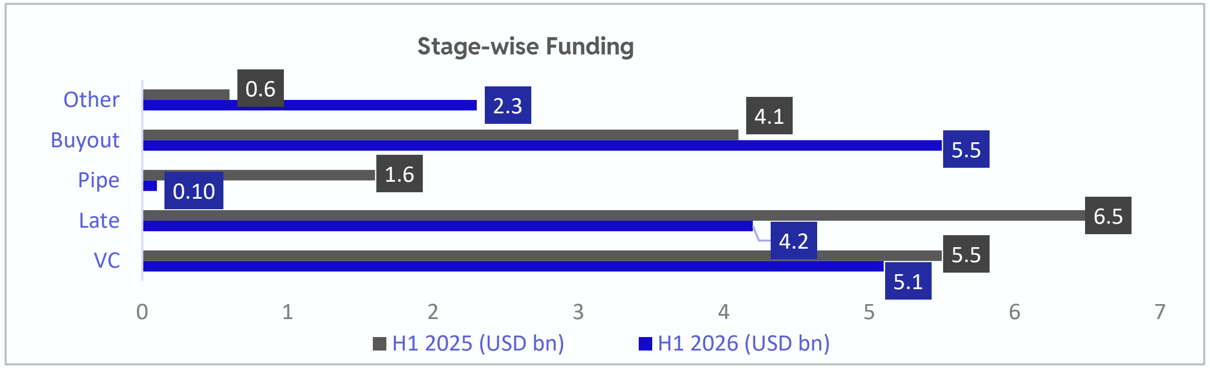
PE markets have moderated after peaking in H2 2025, with H1 2026 deal value falling to $17.2bn across 644 deals — below both the H2 2025 high ($21.2bn/681 deals) and prior-year levels. Capital deployment remains selective, with investors favoring conviction-led transactions over broad participation even as overall activity softens.



IT & ITES continues to lead fundraising, rising to $7.6bn in H1 2026 on scale, export visibility, and AI-led transformation tailwinds. Fundraising broadened across BFSI, Telecom, Energy, Sport & Fitness, and Others, all posting gains over H1 2025. Healthcare was the notable exception, dipping slightly as investors reassess pricing and regulatory dynamics in the sector..

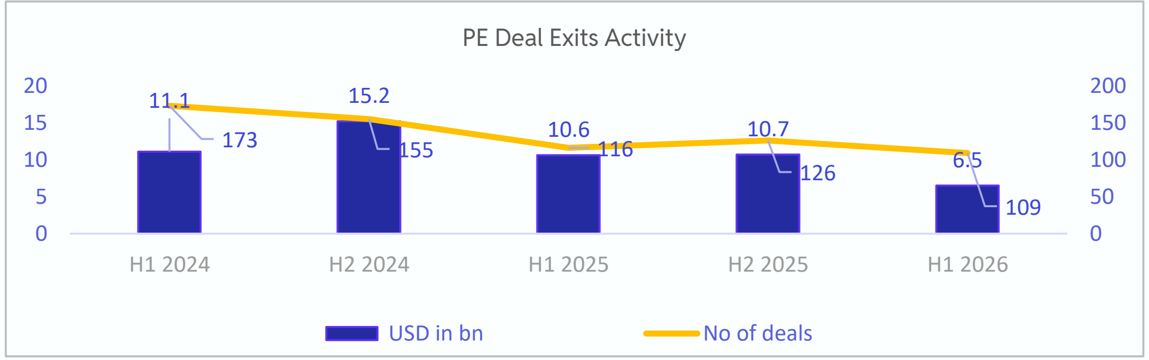


Buyout and Pipe-stage funding saw the sharpest gains, reflecting growing investor appetite for founder-transition, secondary, and structured deals backed by strong dry powder. VC funding held broadly steady, while late-stage rounds pulled back, suggesting a shift in preference toward de-risked, control-oriented structures over pure growth capital.



Source: IVCA, Ionic Wealth, Data available as of July 2026

Exit activity slowed materially in H1 2026, with value falling to $6.5bn on just 109 deals — the lowest of the five-half-year period tracked. Near-term realisations are likely to lean on sponsor-to-sponsor deals and strategic sales, with IPO-driven exits remaining window-dependent until broader market stability returns.



Source: IVCA, Ionic Wealth, Data available as of July 2026

Our Hypothesis
Private equity is entering a consolidation phase — fundraising stays resilient, but deal and exit activity are moderating as investors prioritize quality and exit certainty over pace.

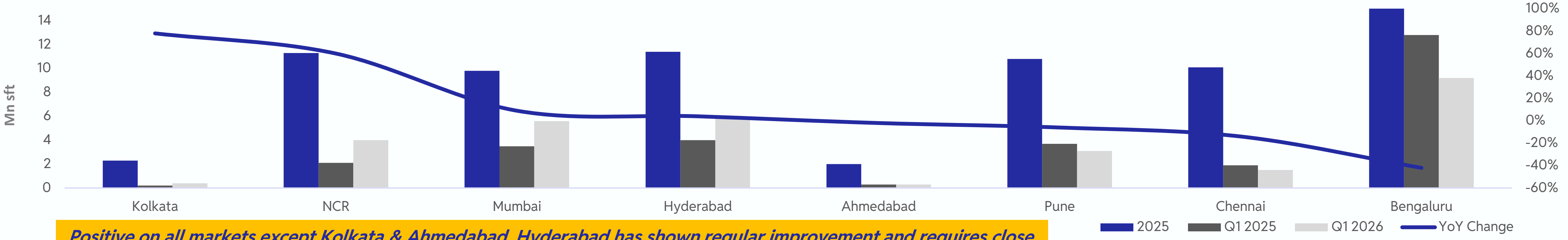
Drivers
Broad-based fundraising strength across IT & ITES, BFSI, and Telecom; rising buyout and Pipe activity backed by strong dry powder.

Risks
Slowing exits and declining deal volumes signal valuation resets, prolonged holding periods, and IPO window-dependence.

Data to watch
Exit recovery, late-stage funding trends, Healthcare re-rating, and IPO pipeline conversion in H2 2026.

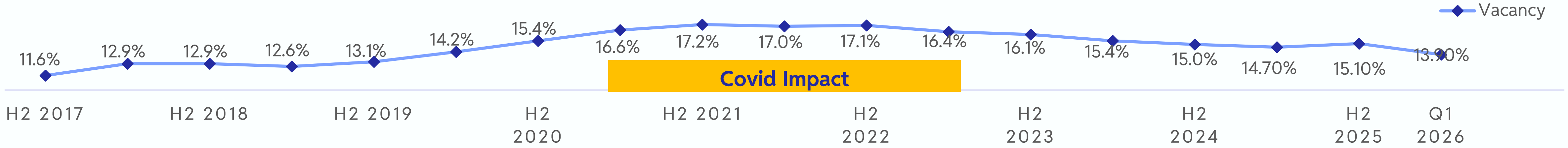
Real Estate: Commercial Real Estate Scaling New Peaks

Following the strong performance witnessed in 2025, the office market reached a new quarterly high of 29.9 million sq. ft. in Q1 2026, surpassing the previous peak recorded in the base period of Q1 2025 by 6%. Unlike 2025, when leasing activity was largely concentrated in Bengaluru, the growth in Q1 2026 was broad-based across key markets, reflecting a more balanced and geographically diversified expansion in office demand.



Positive on all markets except Kolkata & Ahmedabad. Hyderabad has shown regular improvement and requires close monitoring with cautious view. Bengaluru decline more a reason of base effect following a strong Q1 2025.

With deliveries across the 8 markets have seen a 154% YoY increase in Q1 2026, overall office completions still trail behind absorption due to which vacancy has compressed to 13.9% in Q1 2026. With decline in vacancy levels, rentals surged 6% on a YoY basis.



Source: Knight Frank India RE, Data Available as of July 2026

Our Hypothesis
Commercial RE on a steady growth path with Bangalore & Hyderabad and Mumbai market leading the charge.

Drivers
GCCs contributing ~48% of overall leasing. India-facing businesses, third party IT services, and flex operators accounted for 19%, 15% and 17% of the total leasing.

Risks
Quality supply constraints, monetary tightening, and macro environmental factors

Data to watch
New completions, vacancy levels, rental rate escalations, leasing transactions

Reach us at hello@ionic.in

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