



# Asset X: Investment Strategy

January 5, 2026



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# Key highlights

*“Asset X” is a multi-asset strategy that aims to highlight the most important signals in the financial markets, across the major asset classes. We strive to marry clarity of thought with brevity. There’s a lot happening in the world right now which is shaping investor’s expectations amidst uncertainty. Our aim remains to create robust, long-term strategies.*

## Domestic Equity: Incrementally Positive Bias

At this stage, we prefer to deploy 100% of the corpus upfront supported by a positive turnaround in domestic macros and modest recovery in earnings in Q2 FY26. We believe in neutral allocation between large caps and SMIDS. We do not have sector bias at the current juncture but are tactically positive on industrial metals. We favour active managers amid volatile conditions. ***Returning of FII is critical for rocket fuel in Indian markets***

## Industrial Metals Could Continue To See Some Upside

USD weakness, supply deficit in key commodities, and monetary policy easing could benefit industrial metals. ***However, this segment remains volatile and susceptible to changes in global growth dynamics and hence could be a riskier/volatile play.***

## Foreign Equities: Mix of US and EM Basket

We remain constructive on global equity markets. A likely persistence of dollar weakness could act as a tailwind for emerging markets. In this context, the rest of the world, particularly EMs could continue to outperform the US. Accordingly, a diversified allocation across the US and emerging economies (excluding India) may prove favourable.

## Mid & Long Duration Bond Mix Could Be Optimal

A portfolio with 3–5-year bonds and long duration bonds, a 75:25 mix between mid & long duration could be an ideal portfolio mix. Continued rate cuts, and ample surplus liquidity is likely to advantage this mix.

## Depreciative Bias To Persist In INR

INR to be driven by global factors. Could remain under some pressure despite DXY weakness. A sustained return of USD liquidity into the domestic economy will be critical to support the currency. We expect INR to hover in 88-92 range.

## Positive On Precious Metals

Gold and silver still seem to have more juice as macro and geopolitical uncertainties remain ripe. Both gold & silver have structural drivers supporting the momentum, however, the higher volatility in silver makes a basket approach more prudent. In 2025, risk adjusted return of gold (at 6X) is higher than that of silver (at 2.3X). ***Keeping risk in mind, we prefer 75% Gold and 25% silver allocation for new positions.***

## Unlisted Equity Looks Favourable

After tax announcements and conventional asset classes losing upside hereon. IPO listing way of exit can continue to gain steam.

## Commercial RE Is Improving

Growth is primarily driven by GCC and flexible office space while India focus businesses/third party continue to anchor.

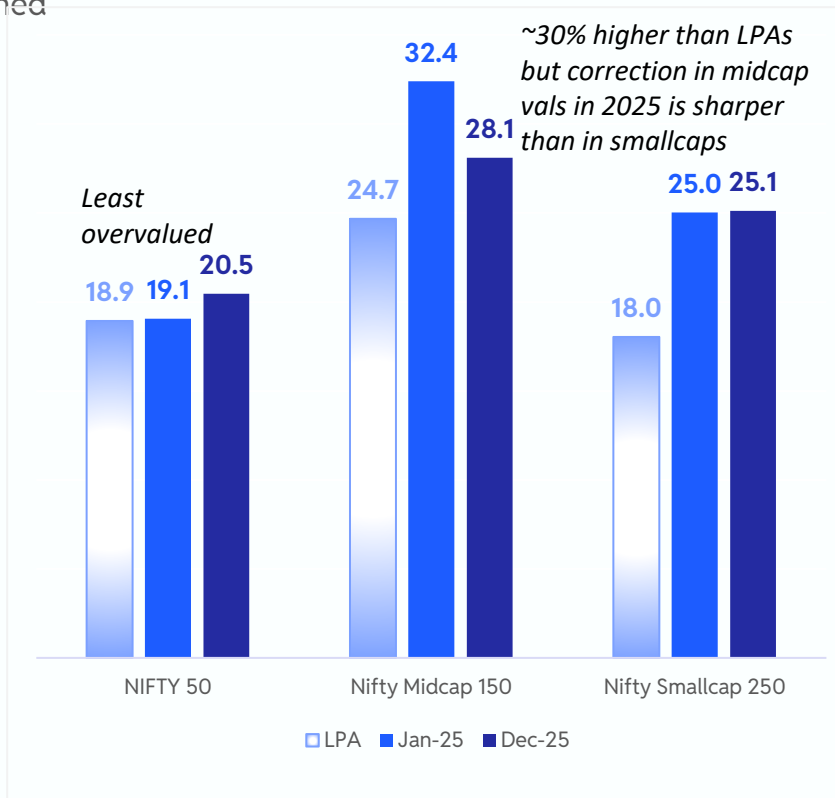


# India Equity: 100% Deployment, Positive Turnaround In Macros, Trade Deal With US Remains Crucial, Sustained Foreign Investment Still Awaited

In 2025, Domestic markets lagged global peers and commodities. Although DIIs supported, with record net purchases of USD 90 Bn, sharp and persistent sell-off from FIIs (USD 19 Bn) weighed on market sentiments.

	2024 Return %	2025 Return %
Nifty 50	8.8	10.5
Nifty Mid Cap	23.8	5.4
Nifty Small Cap	26.4	-6.0
Nifty Metals	8.4	29.1
Nifty Auto	22.6	23.5
Nifty Bank	5.3	17.1
Nifty Financial Services	9.4	17.4
Nifty FMCG	-0.3	-2.3
Nifty Healthcare	40.6	-2.1
Nifty IT	22.0	-12.6
Nifty Media	-23.9	-20.5
Nifty Pharma	39.1	-2.9
Nifty Realty	34.4	-16.6
Nifty Consumption	18.6	8.2

Domestic valuations remain stretched, with PEs running above LPAs, and therefore **earnings remain key**



Sustained improvement in macroeconomic conditions and earnings remains essential for a broad-based market reversal

	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Nov-25 12M Rolling Avg	Nov-24 12M Rolling Avg
Passenger cars sales YoY%	-10.7	1.9	1.3	6.8	8.5	16.5	↑ 0.6	↓ -12.2
Two wheelers Sales YoY%	2.3	13.3	10.5	8.0	4.4	22.8	↓ 5.8	↑ 17.5
Tractor Sales YoY%	10.2	7.1	24.6	42.9	14.4	30.3	↑ 18.5	↓ -5.1
Eight Core Industry YoY%	2.2	3.7	6.5	3.3	-0.1	1.8	↓ 3.1	↑ 4.9
IIP YoY%	1.5	4.3	4.1	4.6	0.5	6.7	↓ 3.5	↑ 4.4
Bank Credit YoY%	9.5	10.0	10.0	10.4	12.5	11.5	↓ 10.6	↑ 16.8
Personal Loans YoY%	12.1	11.9	11.8	11.7	14.0	12.8	↓ 12.0	↑ 21.8
Credit to Industry YoY%	5.5	6.0	6.5	7.3	10.0	9.6	↓ 7.2	↑ 8.8
Credit to Services YoY%	9.0	10.6	10.6	10.2	13.0	11.7	↓ 11.0	↑ 18.6
Deposit Growth YoY%	10.1	10.2	10.2	9.5	10.9	10.2	↓ 10.1	↑ 12.4
Credit-Deposit Ratio YoY%	78.9	79.2	79.3	80.3	80.2	80.5	↑ 80.0	↓ 79.6
Systemic Liquidity (Rs. Bn)	3251.9	3264.1	2639.8	1545.6	1083.0	2376.5	↑ 1251.2	↓ 402.0
Policy Repo Rate %	5.5	5.5	5.5	5.5	5.5	5.5	↓ 5.9	↑ 6.5
Govt. Capital Expenditure (Rs. Tn)	4.8	3.4	3.2	4.2	3.2	3.0	↑ 1.0	↓ 0.7
GST Collections YoY%	6.2	7.5	6.5	9.1	4.6	-4.0	↓ 8.1	↑ 10.0

Source: Bloomberg, CMIE, Ionic Wealth, Data available as of December 2025 | HFIs- High Frequency Indicators

### Our Hypothesis

We believe that a combination of factors from earnings to economic data is now improving and a favourable trade deal can potentially improve risk appetite again. Therefore, full deployment can be considered to an investor's neutral equity allocation for longer term.

### Drivers

Improving earnings, rate cut cycle, GST reforms and domestic growth revival

### Risks

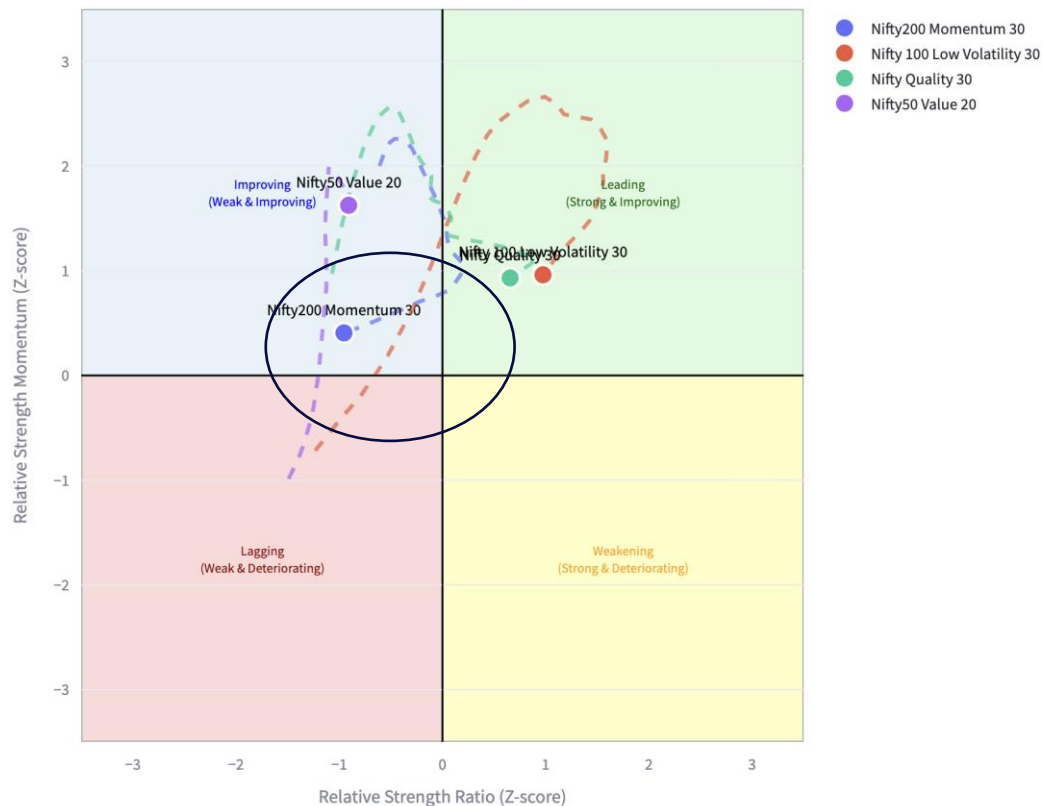
India macro weakening further, slower than expected revival in earnings, delayed trade deal and geopolitical pressures

### Data to watch

High frequency data on domestic growth, inflation, interest rates, geopolitics, sentiments, FII and DII flows

# Factors: Value & Low Volatility Still Gaining, Momentum Struggling

## 6 Month Relative Strength and Relative Momentum



Factor	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years
Low Volatility	0.43%	5.48%	4.72%	10.12%	16.87%	14.20%
Momentum	-3.05%	3.36%	-2.40%	-5.11%	17.01%	17.93%
Quality	0.24%	4.88%	3.64%	5.73%	14.86%	12.16%
Value	0.91%	5.30%	2.75%	-1.19%	13.44%	14.18%
<b>Nifty 50</b>	<b>-0.18%</b>	<b>5.21%</b>	<b>2.30%</b>	<b>10.51%</b>	<b>13.01%</b>	<b>13.32%</b>

- Momentum went through largest rebalancing in a long time with 19 stocks getting replaced in December 2025.
- Momentum index struggled in the first 15 days of the month; erasing gains over last 3 months.
- Historically, such moves have gotten reversed in a month. Recommending a “hold” on momentum for now.
- Positive view on Low Vol and Value factors in era of concentrated rallies.

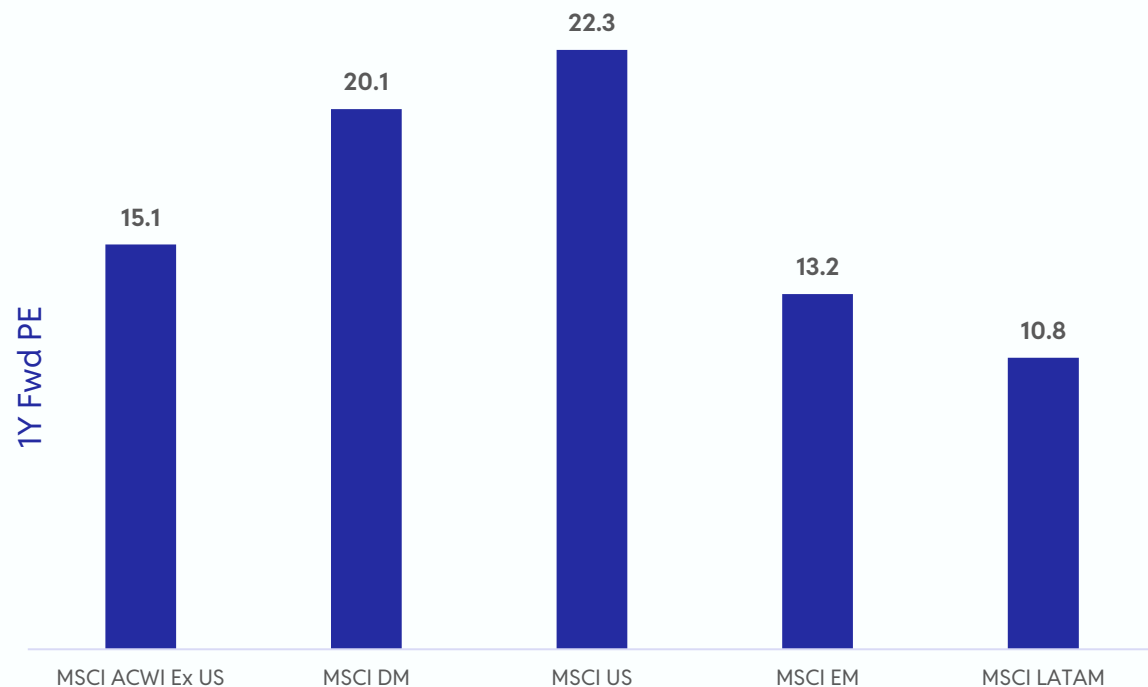
### Risks

- Momentum factor deepens in losing momentum of performance further
- Value is gaining momentum of performance but is yet to deliver significant outperformance

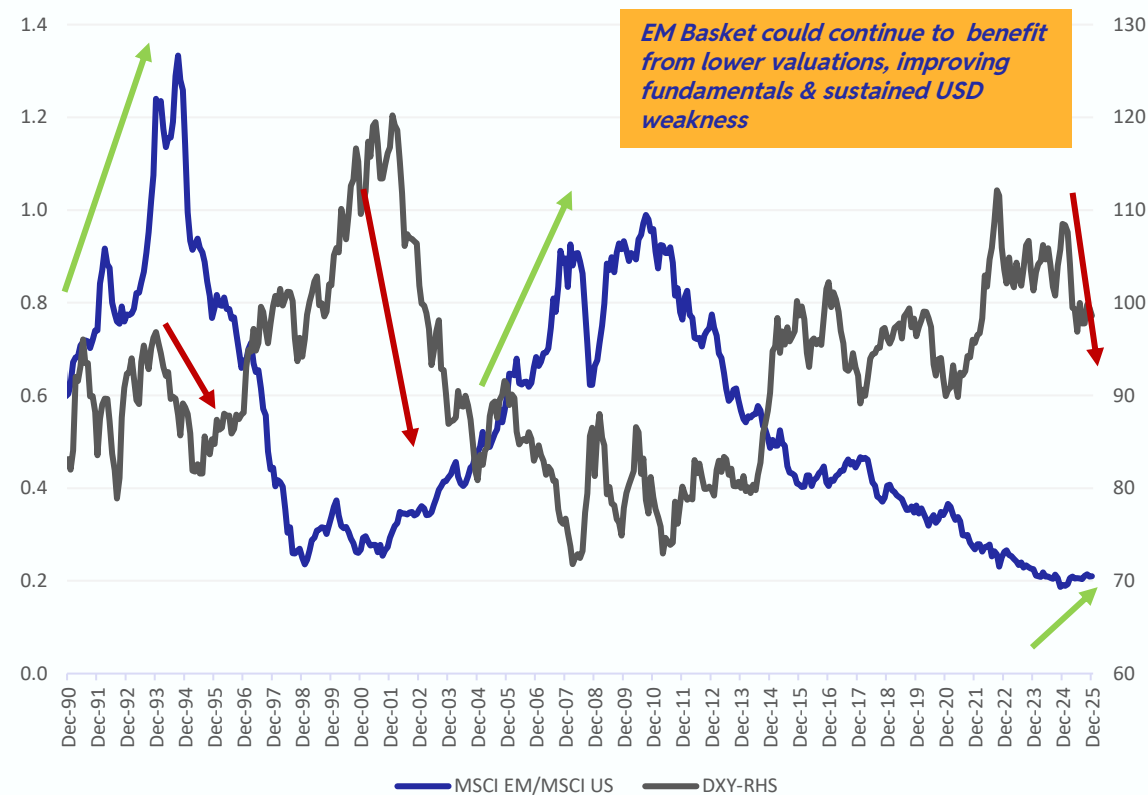
Source: Ionic Wealth, Data available as of December 2025 | NSELV30: Low Volatility | NSENV20: Value | NS200MOMP: Momentum | NSEQ30TR: Quality | Nifty Top 10 Equal Weight: Size

# Global Equities: Favorable Opportunity, While US Is A Core Allocation, EMs Continue To Look Appetizing Into 2026

EMs are cheaper on both relative and absolute terms despite a fantastic run in 2025



EMs outperformed US markets in 2025 for the first time since 2017 reflecting a potential turnaround in global market dynamics- **We believe EM rally could continue in 2026**



Source: Bloomberg, Ionic Wealth, Data available as of December 2025

## Our Hypothesis

Diversify across global economies. Higher valuations in the US, could lead to some correction going forward. We believe, turnaround in EMs that started in 2025, could continue well into 2026.

## Drivers

Higher valuations in US tech stocks although earnings remain solid, reasonable valuations ex US along with improving fundamentals especially in EMs, dollar weakness, monetary policy easing

## Risks

Stagnant/falling global growth, continued policy uncertainty under Mr. Trump's administration could create volatility in the global markets

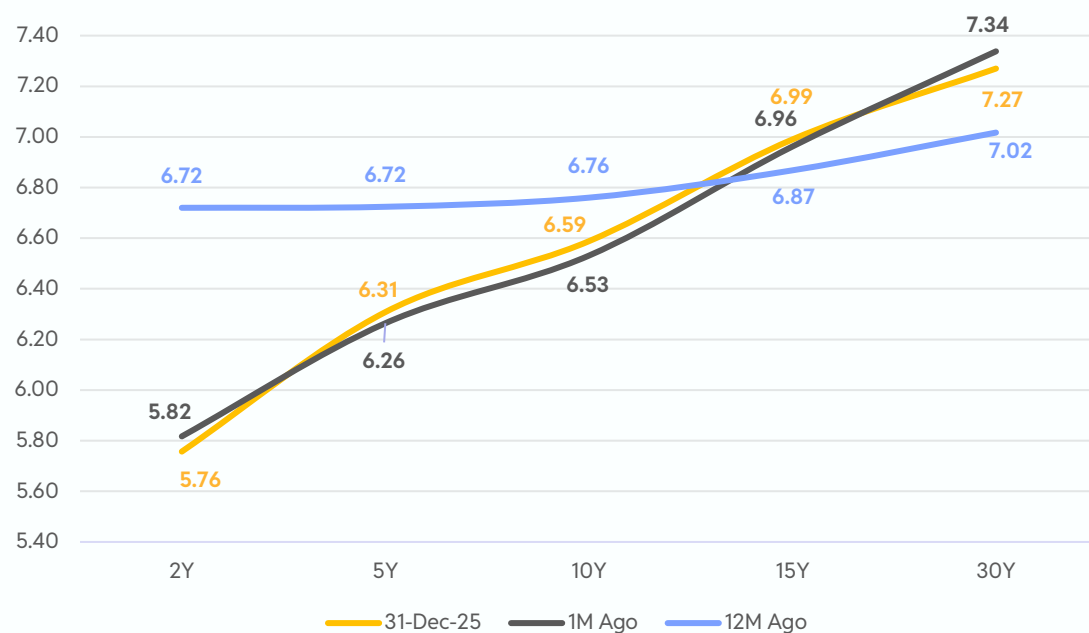
## Data to watch

Monetary and fiscal policy of China, US's rate actions, Japan's interest rate decisions, DXY, yield movement, earnings

# India Debt: Mix of Medium Term And Long-Term Debt

An ideal mix can be **75% allocation in the 3-5 years duration and 25% in the longer duration.**

Yields across the curve showed mixed movement, with 5Y-15Y segment hardening amid tight liquidity & higher US treasury yields.



Source: Bloomberg, Ionic Wealth, Data available as of December 2025

## Our Hypothesis

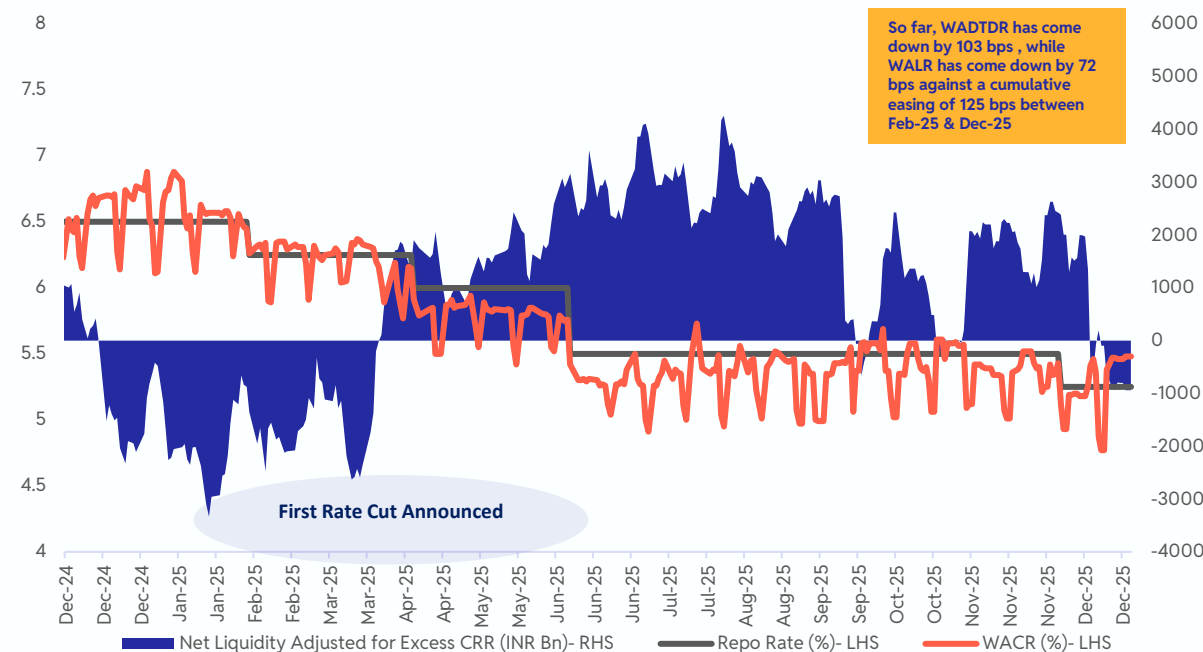
Short-term volatility could continue largely due to global factors. Higher allocation of ~75% in 3-5Y papers ideal, while ~25% could be allocated in longer durations. This mix could benefit from rate cuts and liquidity infusion by the RBI

## Drivers

Domestic rate cuts and easy liquidity, US rate cuts

Systemic liquidity slipped into deficit amid advance tax outflow + GST outflow + unwind of RBI's short forward dollar positions

Despite a 25-bps rate cut + OMO purchases of Rs. 1.5 Lakh Crore in December 2025 + USD/INR buy-sell swap- **Liquidity slipped into deficit**



Source: Bloomberg, Ionic Wealth, Data available as of December 2025 | WADTDR- Weighted average domestic term deposit rate, WALR- Weighted average lending rate, WACR- Weighted average call rate

## Risks

Domestic/US growth & inflation remaining higher, geopolitics uncertainty, weak currency and delayed rate cuts US

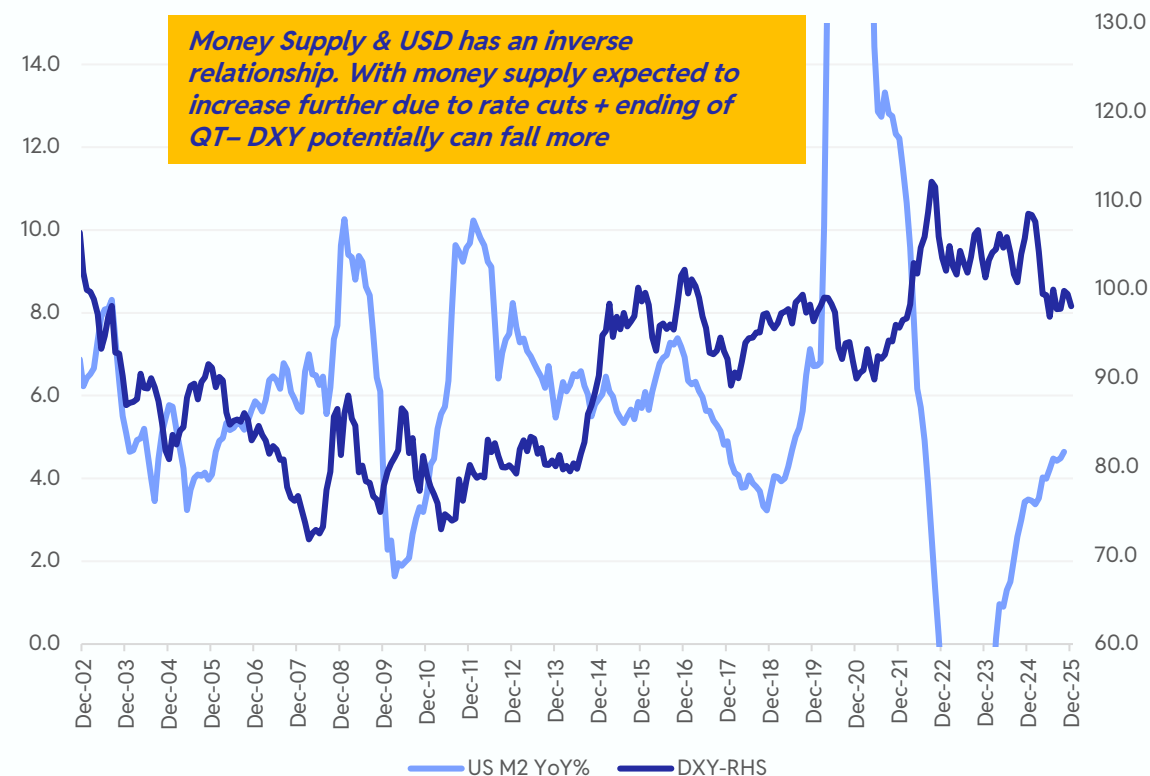
## Data to watch

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

## Currency: As USD Weakened, Most Of The Key Currencies Ex INR Gained

2025 year was clearly not the year for USD, which suffered brutally and depreciated by ~9%. Despite USD weakness, INR depreciated by ~5% in 2025, much higher than 30-year average depreciation of 3.7%

	Dec-23	Dec-24	Dec-24	Dec-25	2024	2025
<b>DXY</b>	101.3	108.5	108.5	98.3	7.1%	-9.4%
<b>USD/CNY</b>	7.1	7.3	7.3	7.0	-2.8%	4.3%
<b>USD/INR</b>	83.2	85.6	85.6	89.9	-2.9%	-5.0%
<b>USD/KRW</b>	1288.1	1472.0	1472.0	1439.8	-14.3%	2.2%
<b>USD/JPY</b>	141.0	157.2	157.2	156.7	-11.5%	0.3%
<b>EUR/USD</b>	1.1	1.0	1.0	1.2	-6.2%	13.4%
<b>GBP/USD</b>	1.3	1.3	1.3	1.3	-1.7%	7.7%
<b>USD/BRL</b>	4.9	6.2	6.2	5.5	-27.2%	11.4%
<b>USD/MXN</b>	17.0	20.8	20.8	18.0	-22.7%	13.5%



Source: Bloomberg, Ionic Wealth, Data available as of December 2025

### Our Hypothesis

We believe the USD weakness to persist. Despite that, INR is likely to be rangebound between 88-92 with a downward bias.

### Drivers

FII outflows, slower FDI inflows, domestic rate cuts  
DXI volatility

### Risks

USD strength, complete risk off and drying of EM liquidity

### Data to watch

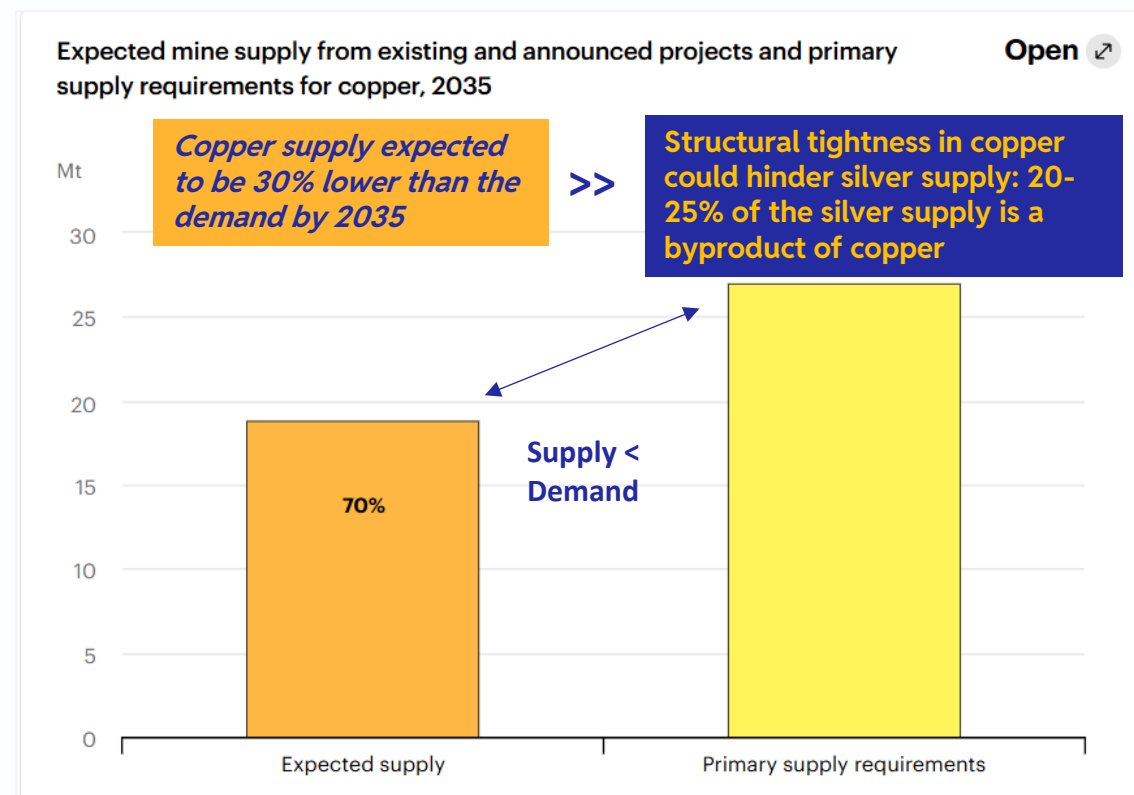
FX reserves, flows, DXI, geopolitics, inflation differential, yield movements

# Commodities: Positive Gold & Silver, Own More Gold Than Silver For Risk Management, Base Metals In Deficit And Supported By Positive Macros

There are reasons for precious metals to do well...

- Reported Gold **Central banks purchases remained strong** (Q1-Q3 at 634 tonnes) in 2025, **higher than 10-year same period average of 482 tonnes.**
- Persistent global macroeconomic uncertainties, compounded by rising US–Venezuela tensions but also extending to Japan-China-Taiwan & also US-Iran, are likely to further strengthen demand for safe-haven assets, particularly gold.
- Gold ETF holdings hit a record 3,932 Mt in Nov-25 (up 22% YoY), highlighting strong investor appetite, to likely persist amid heightened geopolitical uncertainty + demand for portfolio diversification.
- Silver’s inclusion as a US critical mineral elevates it to a national security asset—opening the door to Section 232 tariffs, fast-tracked domestic mining, tax incentives, and even a potential Strategic Silver Reserve, all boosting structural demand.
- China’s recent curbs on silver exports adds to the global supply deficit.
- In the last 5 years, silver demand has outstripped supply, with global silver mine production being essentially flat, and production of metals (particularly copper) used for production of silver, have witnessed long structural deficit adding to lower supply growth in comparison to strong demand growth.
- In addition, silver ETF holdings grew at a rampant pace at 21% yoy in 2025 to 26,863 metric tonnes, **however remains lower than high made in 2021.**
- Gold to silver ratio has consistently moved lower from the time we first gave the call (October 2024 at ~84), to now at 60, also lower than LPA of 69, but higher than low of ~33 in 2011. The ratio can compress further but pullbacks are inevitable.

...but base metals with supply deficit + macro regime favoring weaker dollar can also fire hereon



Source: IEA, World Gold Council, Bloomberg, Ionic Wealth, Data available as of December 2025

## Our Hypothesis

Gold could continue to benefit from sustained central bank buying and diversification away from the USD. Silver is also supported by strong fundamentals; however, its higher volatility warrants caution. We believe base metals such as copper could also gain from structural supply deficits, a weaker USD, and a revival in global growth.

## Drivers

Decent demand through investment and Central Bank buying, hedge against inflation and geopolitical risk, USD weakness

## Risks

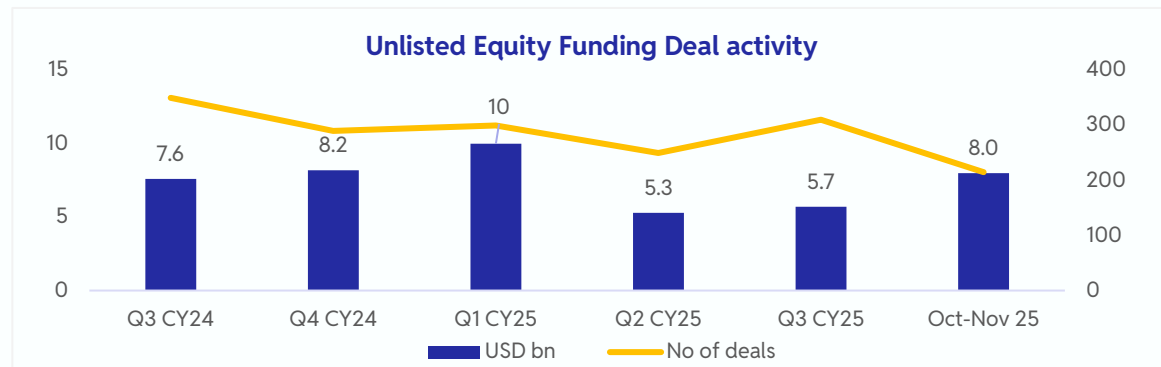
USD strength, growth improving for good without inflation

## Data to watch

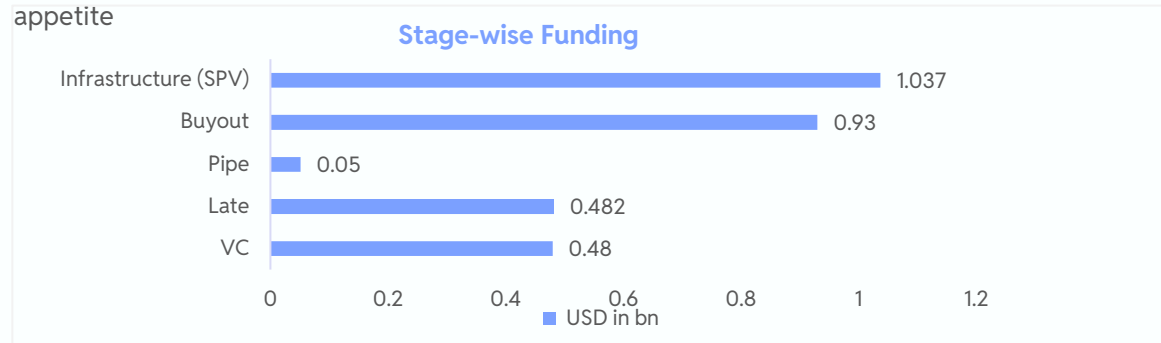
Sentiments, DXY, demand from China and other central banks for Gold, industrial demand for silver

# Unlisted Equities: Strong Fundraising, Strategic Exits Drive Market Dynamics

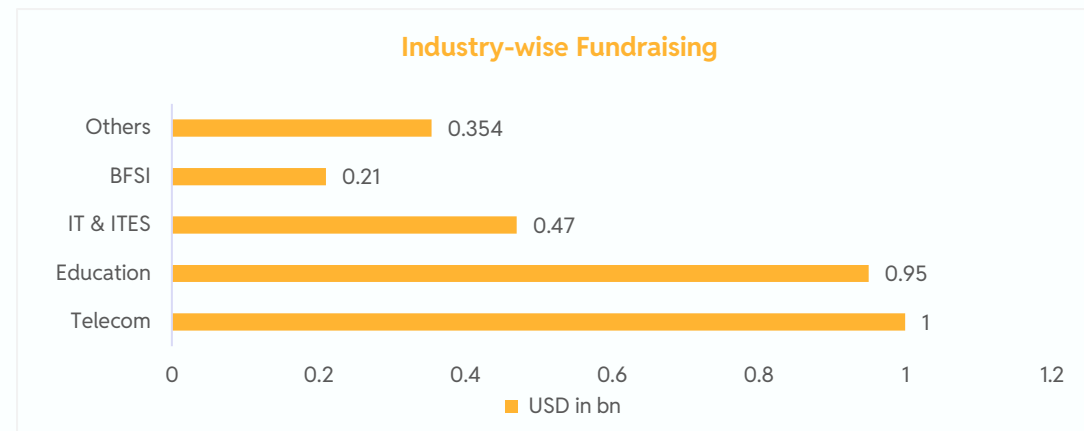
Unlisted equity activity showed signs of steady recovery in Oct–Nov 2025, with total deal value rebounding to USD 8 bn from USD 5.7 bn in the previous quarter. Deal volumes reflected steady investor participation, supported by selective capital deployment across scalable and growth-oriented businesses.



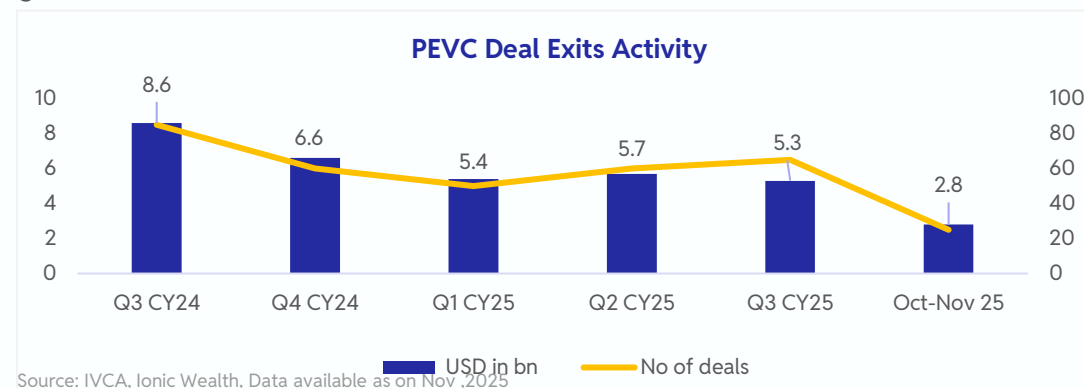
Stage-wise funding was led by Infrastructure (SPV) and Buyout deals, highlighting investor preference for stable, asset-backed and control-oriented investments. VC and late-stage rounds saw moderate capital deployment, while PIPE activity remained minimal, reflecting a selective risk appetite



Telecom and Education led sectoral fundraising, followed by steady investments in IT & ITES and BFSI, with selective participation across other sectors.



Liquidity was largely driven by strategic exits and secondary sales, with a strengthening IPO pipeline pointing to renewed optimism, albeit with continued emphasis on quality and governance.



Source: IVCA, Ionic Wealth, Data available as of December 2025

Source: IVCA, Ionic Wealth, Data available as on Nov ,2025

## Our Hypothesis

Unlisted markets will gain traction amid private capital's shift toward scalable, tech-enabled, and ESG-compliant models

## Drivers

Favorable policy environment, rising startup maturity, and secondary market development.

## Risks

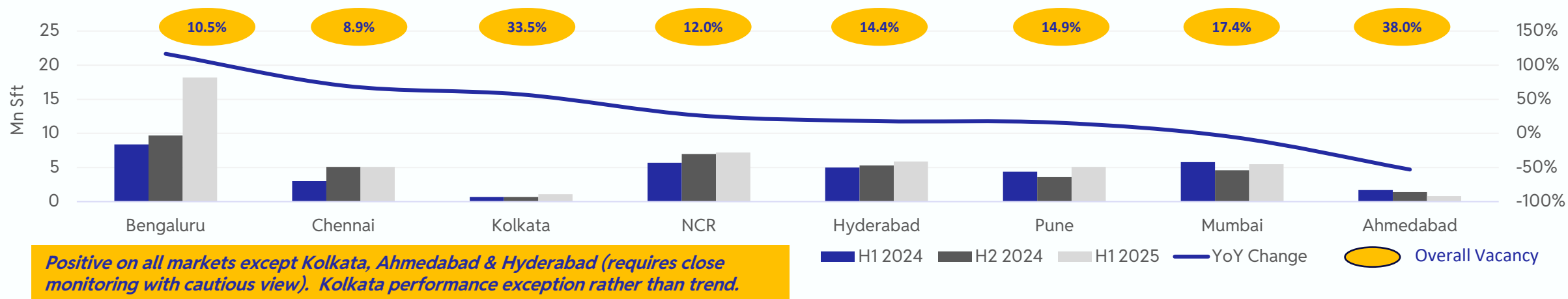
Delayed exit opportunities, inflated valuations, and governance lapses

## Data to watch

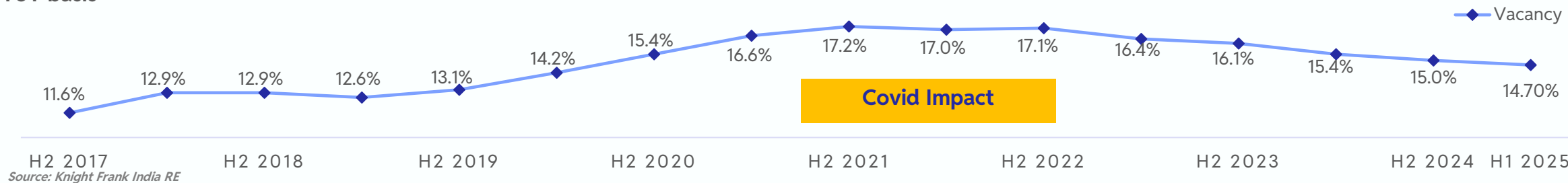
Late-stage deal multiples, dry powder deployment rate, and IPO pipeline activity.

# Real Estate: Commercial Real Estate – Scaling New Peaks

In H1 2025, pan India office leasing got off to a strong start with gross leasing of ~48.9 Mn sft (up 41.0% YoY). Bengaluru & Delhi led from the front accounting for ~50% of the overall leasing, while Chennai & Kolkata were a surprise among markets in leasing growth.



With absorption outpacing supply, vacancy levels have witnessed steady decline in last couple of years. With decline in vacancy levels, rentals surged 5% on a YoY basis



Source: Knight Frank India RE

### Our Hypothesis

Commercial RE on a steady growth path with Bangalore & Delhi NCR market leading the charge.

### Drivers

GCCs contributing ~39% of overall leasing. Flex office space growing at rapid pace (21%) & revival of third-party IT services (22%)

### Risks

Quality supply constraints, monetary tightening, and macro environmental factors

### Data to watch

New completions, vacancy levels, rental rate escalations, leasing transactions

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