



Asset X: Investment Strategy

05, March 2025



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. We live in dynamic times, with geopolitics, politics, monetary policy, and global growth continuing to shape up the world. Our goal is to create strategies for long-term.

Move to your neutral equity allocation

The correction can be used as an opportunity to build long-term portfolios. We recommend neutral equity allocation, 60% of which can be in large caps and remaining in SMIDS. On deployment, at levels of 22000(as also mentioned in the past versions), we believe 100% deployment is warranted. We also recommend 60% low volatility and 40% momentum allocation for the factor strategy

Mid & Long duration bond mix is better positioned

A portfolio with 3–5-year bonds and long duration bonds, a 60:40 mix will be ideal. Rate cut and liquidity injection is likely to advantage this mix

Precious metals will offer hedge against equity volatility and inflationary expectations

Silver can continue to outperform Gold, albeit with higher volatility

In Foreign Equities, US is a staggered bet hereon, China has been our strong tactical call

Combination of low valuation, growth stimulus, tech unleash, and flows continues to make China an interesting tactical investment avenue, US is a strong and stable allocation given the resilient earnings opportunity; dips are a window to add more but on a staggered basis hereon.

On INR there is a depreciative bias

But the worst may be behind us already

Unlisted Equity has become favorable

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

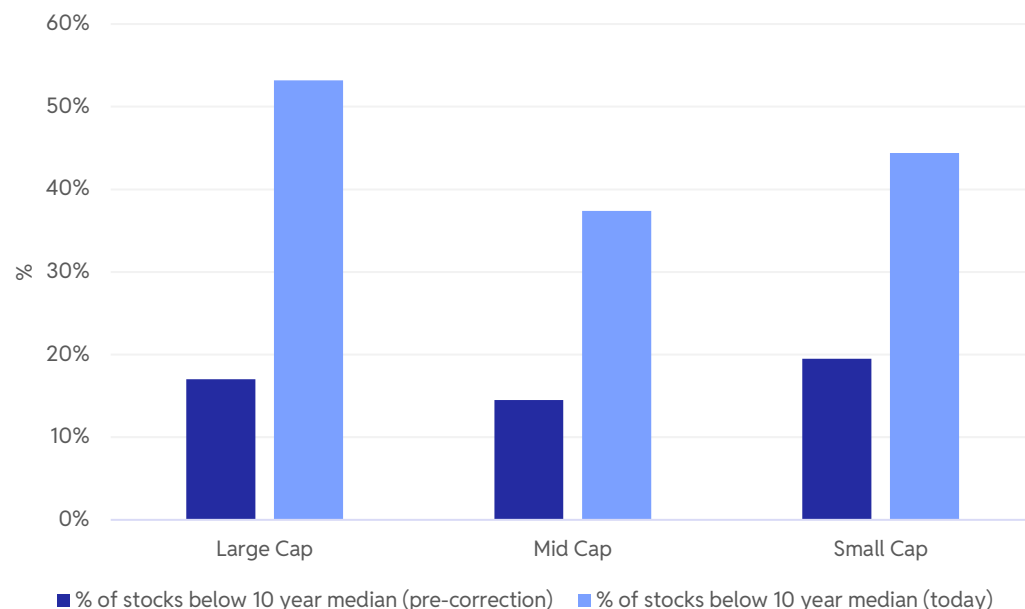
Commercial RE is improving

Growth is primarily driven by GCC and Flexible Office space while India focus business continues to anchor

India Equity: Deploy In Full, Continued Large Cap Bias, Active Manager's Market

Large Caps are now at more comfortable valuations, we therefore continue to prefer a higher deployment here

Valuation Check



Pre Correction period is taken as on 30/09/2024

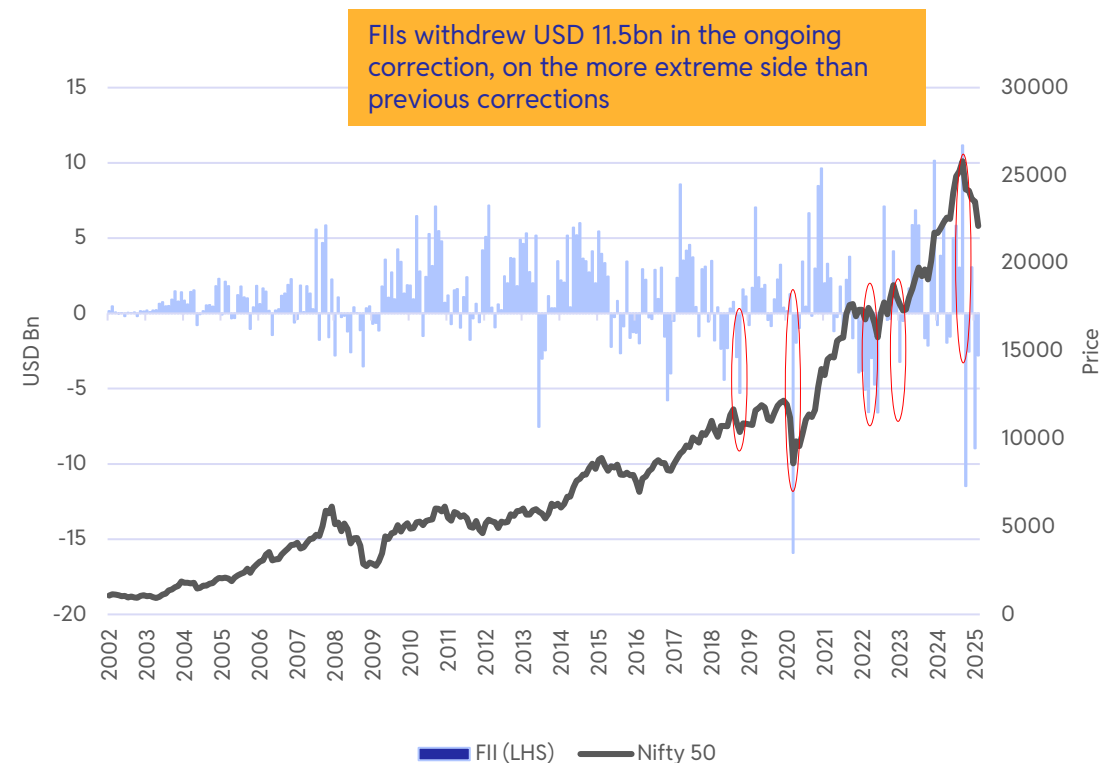
Note: Large Cap = Nifty 50 Index; Mid Cap = Nifty Midcap150 Index; Small Cap = Nifty Smallcap250 Index

Source: Bloomberg, Ionic Wealth, Data available as on March, 2025

Our Hypothesis
Our hypothesis of correction has played out, there are opportunities appearing in select pockets, deploy to neutral equity allocation

Drivers
Valuations, earnings, global and domestic macros, rate cut cycle, domestic growth, strength of dollar and the US economy

FII withdrawal in the current cycle of 10% correction has been very steep, there is a need for the money to return for a sustained recovery



Note: The red circles indicates periods when nifty corrected more than 10% (since 2018)

Source: Bloomberg, Ionic Wealth, Data available as on March, 2025

Risks
India macro weakening further and no signs of earning revival

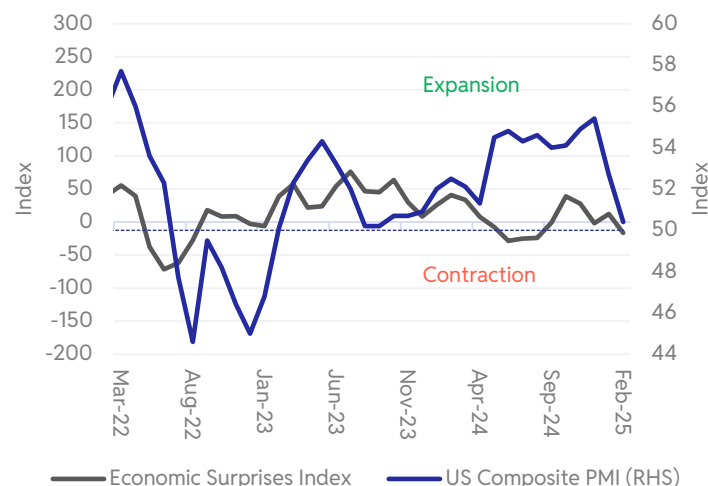
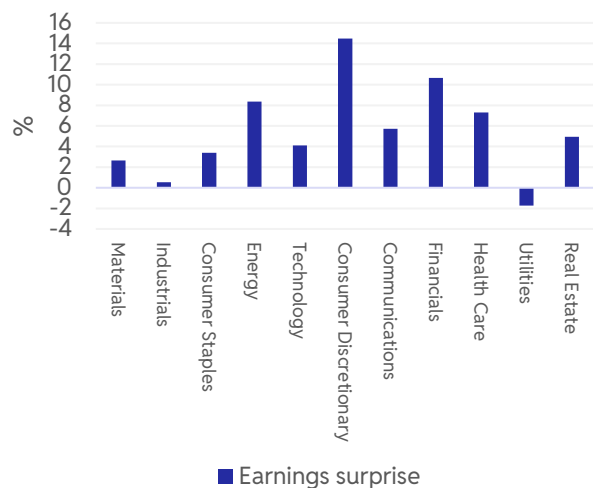
Data to watch
Earnings, interest rates, geopolitics, sentiments, FII and DII flows, domestic demand

Global Equities: Stagger US, Tactical China

US: Good earnings + robust economy makes US a stable portfolio allocation. Economic data correction will create fresh opportunities- stagger & buy

S&P 500 Earning Growth Est	Q1 2025	Q2 2025	Q3 2025	Q4 2025	CY25	CY26
	7.6	9.8	14.3	11.6	12.1	14

US data is strong and is backed by earnings, there may be volatility, but long-term exposure is recommended. **Almost all sectors are currently beating estimates on earnings but we take note of economic data weakening, thereby suggesting a staggered approach**

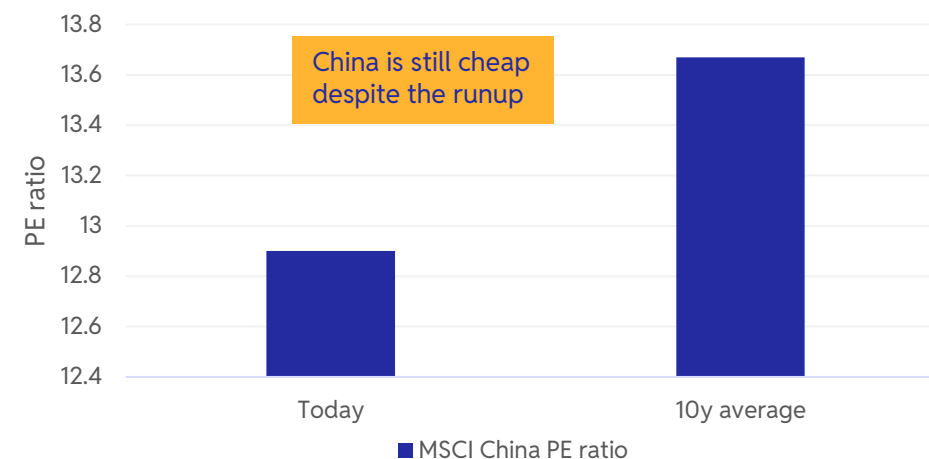


Source: Bloomberg, Ionic Wealth, Data available as on March,2025

China: Cheap Valuation, revival in momentum with stimulus, re-iterating and tech unleash bolsters our Sep 05, 2024 tactical call but there will be volatility ahead...

High-Tech spend as a % of China's GDP	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	10.9	11.0	11.3	11.4	12.5	13.1	14.1	15.4	16.8	18.3

We believe China will unfold more fiscal stimulus when the Trump policy uncovers fully. The turnaround in the economy will keep equities attractive. News of Deepseek has brought Chinese innovation to forefront of global tech and will keep tech investors looking out for more.



Source: Bloomberg, Ionic Wealth, Data available as on March,2025

Our Hypothesis

US is a stable bet, there's merit in staggering now. China is a tactical call given measures to revive economy

Drivers

Cheap Chinese valuations, uptick in data, lower than expected tariffs, tech unleash, Chinese stimulus to revive its economy

Risks

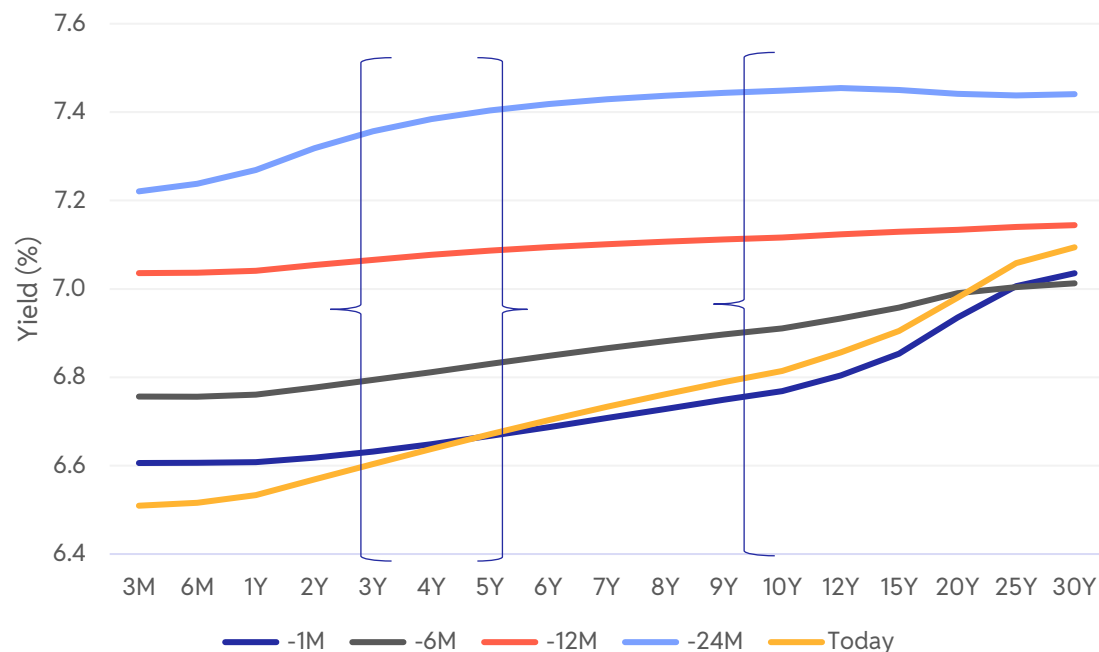
Growth not picking up, Trump's victory and tariffs in ways worse than market's expectations, strong DXY

Data to watch

Monetary and fiscal policy of China, rest of the world moves towards US, DXY, real yields, high frequency data

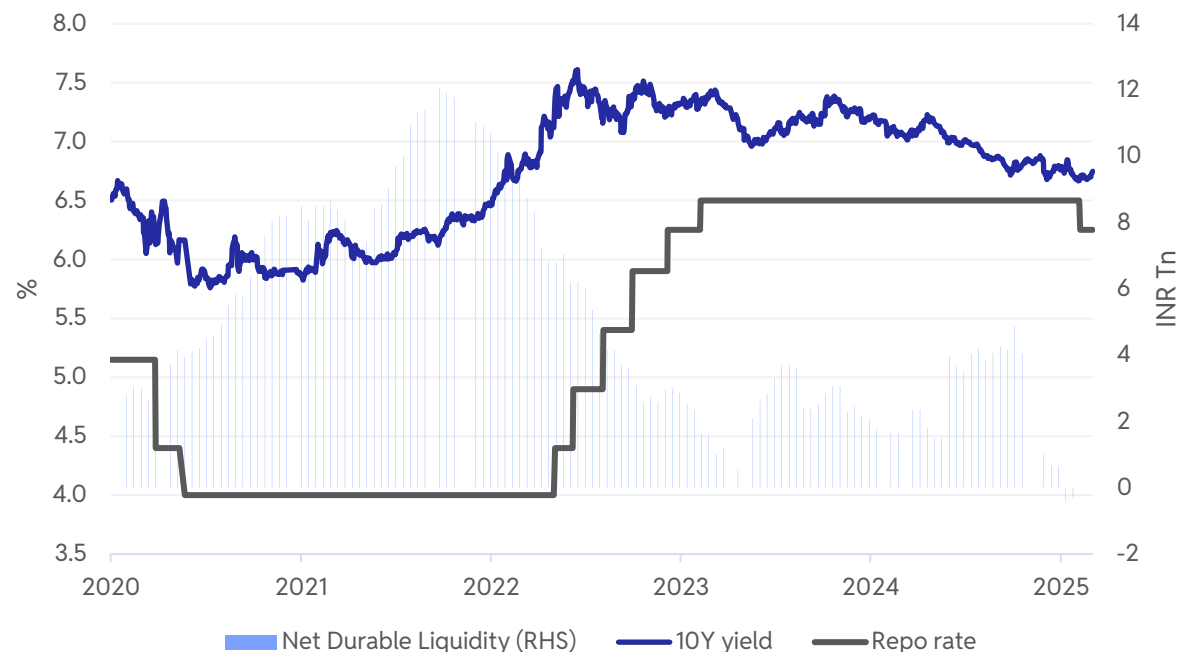
India Debt: Mix of Medium Term And Long Term Debt

We recommend 60% allocation in the 3-5 years duration and 40% in the longer duration, keep accumulating long duration bonds for investment horizon greater than 12 months



Source: Bloomberg, Ionic Wealth, Data available as on March,2025

With RBI's efforts to inject liquidity and start of a rate cut cycle, long-duration yields could finally see a significant correction



Source: CMIE, Ionic Wealth, Data available as on March,2025

Our Hypothesis

Medium duration is a sweet spot, long duration can play out as rate cuts and liquidity injection is now in play

Drivers

Increased demand, onset of global rate cut cycle to eventually reflect on India, higher spreads

Risks

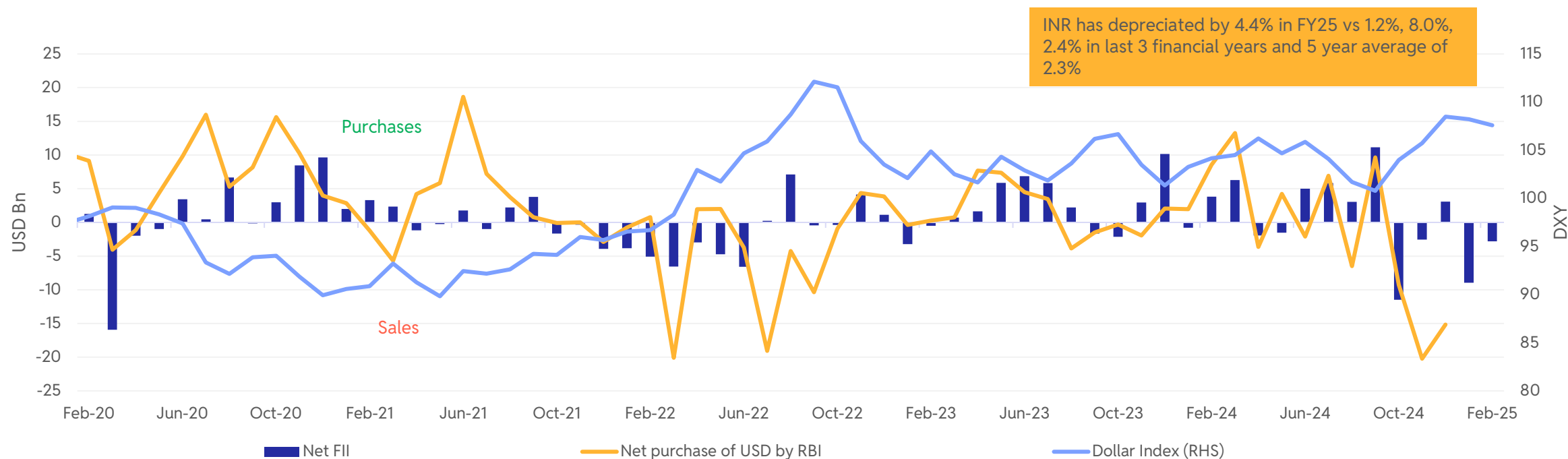
Domestic/US growth & inflation remaining higher, geopolitics, weak currency and delayed rate cuts

Data to watch

RBI policy, high frequency data, crude oil, more FII inclusions

Currency: Expect INR To Be Range Bound, With Continuing Depreciative Bias

INR has depreciated and is now overshooting our estimated range of 86-86.5. RBI has slowed down the intervention in the FX markets in February, adding roughly USD 10 Mn to FX reserves which stand at USD 640 Bn as of 21st Feb 2025



Source: CMIE, Ionic Wealth, Data available as on March, 2025

Our Hypothesis

INR can see some more depreciation hereon but the worst is likely behind

Drivers

RBI action, cushion from FX, FII flows coming back, bond indices inclusion

Risks

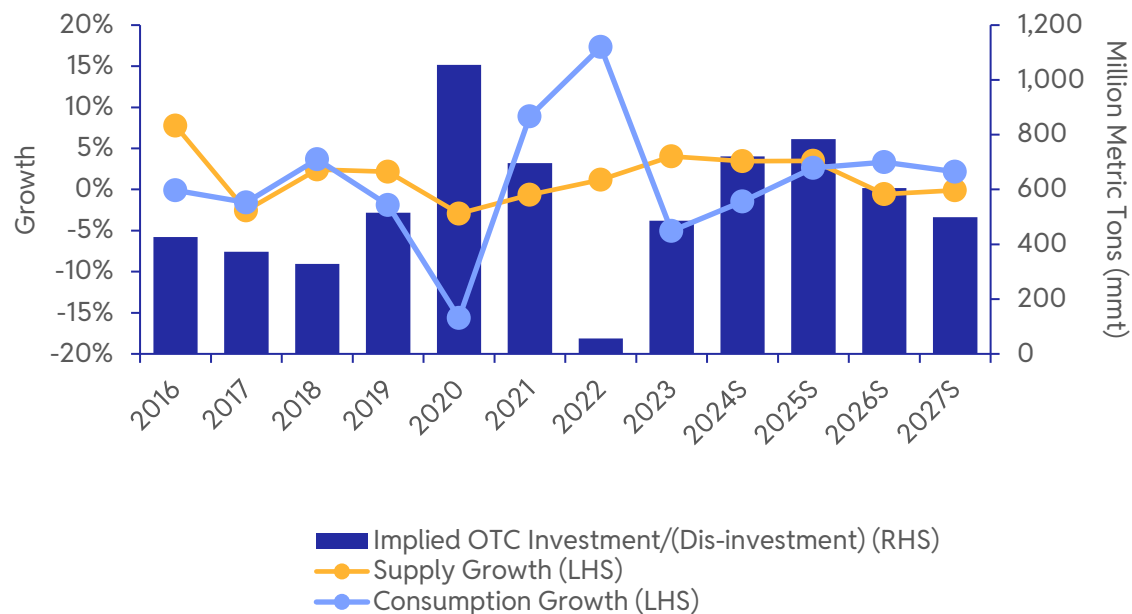
Dollar strength, complete risk off and drying of EM liquidity

Data to watch

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

Commodities: Still Positive Precious Metals, Silver May Have More Space

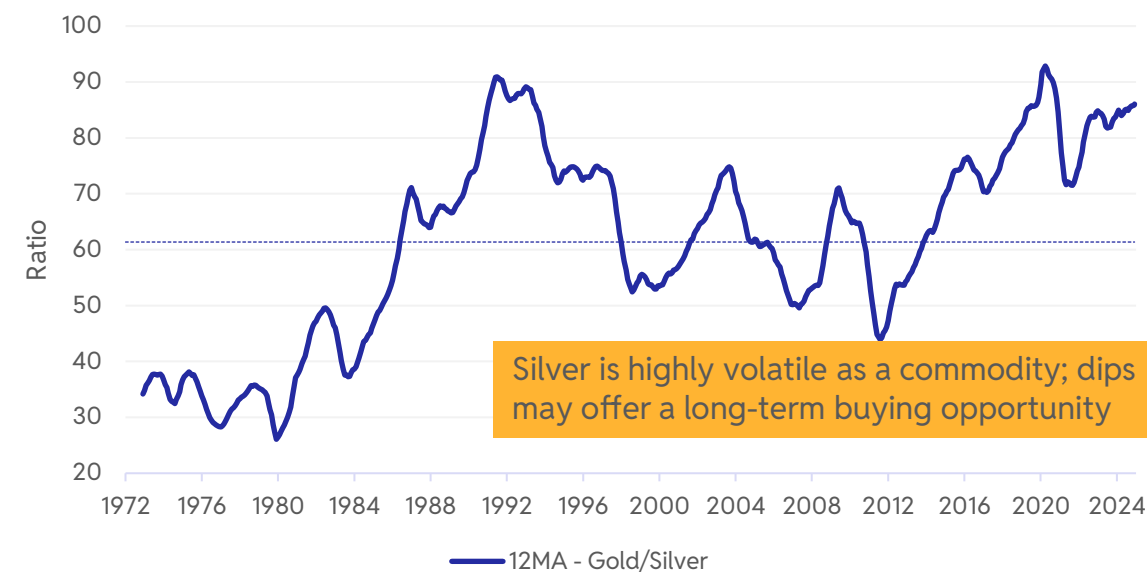
Visible Gold demand could jump 3-5% in 2025 as ETF flows remain positive, jewelry demand rebounds and robust albeit moderating central bank demand. However the OTC market may still account for slightly higher gold demand in 2025 in the face of additional supply



Source: Bloomberg, Ionic Wealth, Data available as on March,2025

...Silver is likely to be resilient in the current macro landscape. Robust industrial demand led by the solar sector could drive prices, as silver demand from the photovoltaic industry has grown from 6% of total demand in 2015 to over 19% in 2024

Average	Gold/Silver Ratio
20 years	69
10 years	81
5 years	83
Today	91



Source: Bloomberg, Ionic Wealth, Data available as on March,2025

Our Hypothesis

Precious metals may have more upside left, Silver could possibly benefit more than Gold

Drivers

Chinese demand, hedge against inflation and geopolitical risk

Risks

Further dollar strength, growth improving for good without inflation

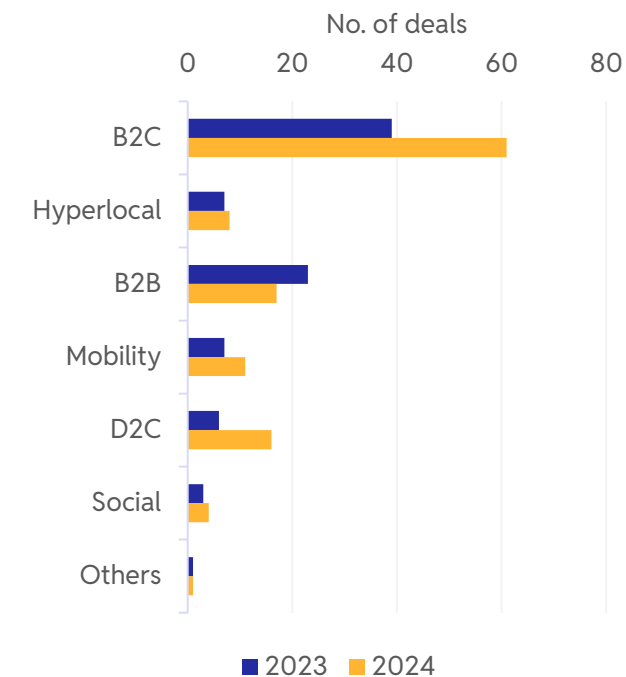
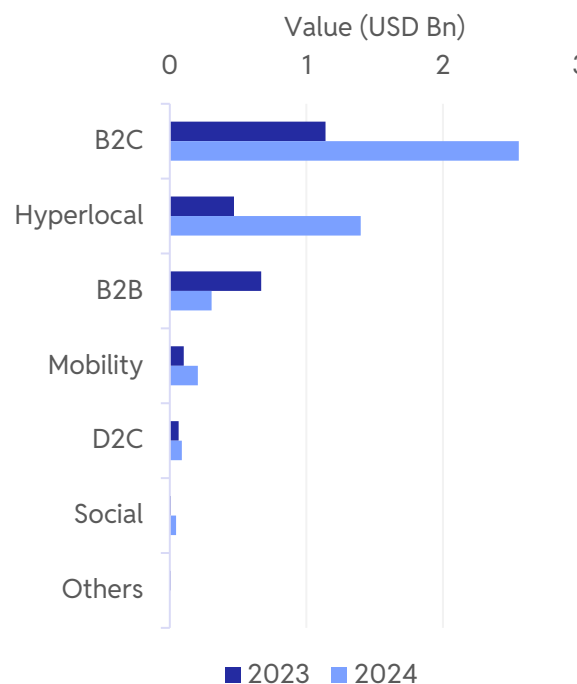
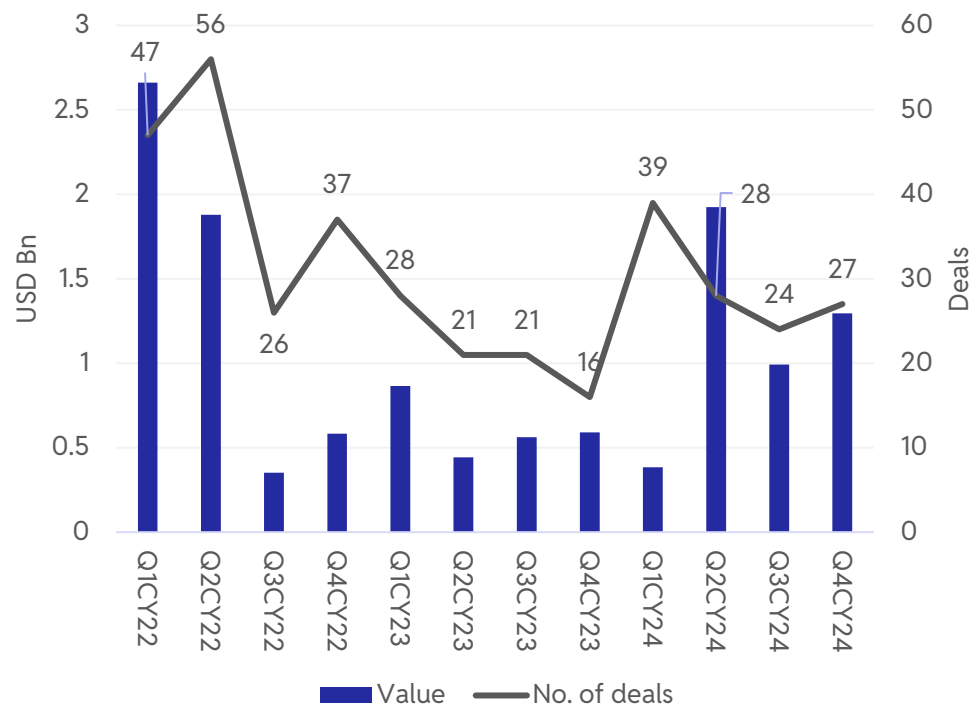
Data to watch

Sentiments, DXY, demand from Chinese central banks for Gold, industrial demand for silver

Unlisted Equities: E-commerce sector sees renewed interest

In 2024, the e-commerce sector rebounded strongly, recording an impressive 87% year-on-year growth, with total investments reaching USD 4.6 billion

PE/VC investments were concentrated in hyperlocal and B2C, which collectively accounted for 86% of total investments by value and 58% by deal volume



Source: EY, Ionic Wealth, Data available as on March,2025

Source: EY, Ionic Wealth, Data available as on March,2025

Our Hypothesis

Unlisted Equity is likely to benefit in select pockets

Drivers

Favourable taxation, reduced future expectation in listed

Risks

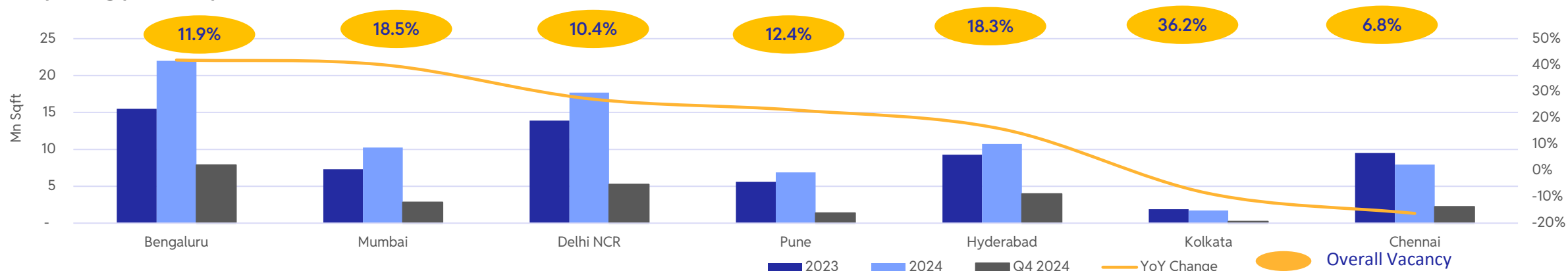
Opaque valuations, liquidity squeeze

Data to watch

Liquidity, rate cut cycle, operational efficiencies

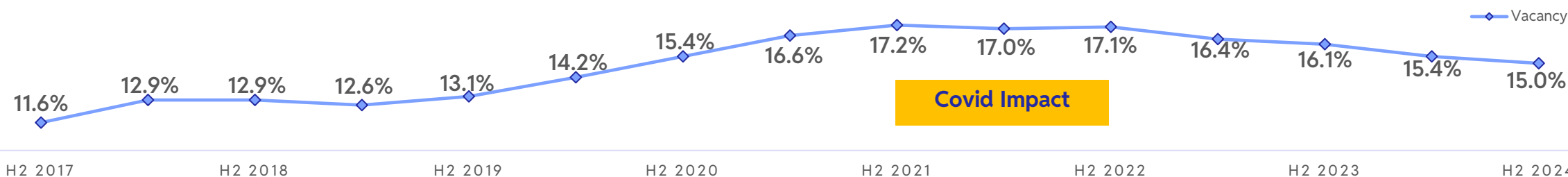
Real Estate: Commercial Real Estate – Scaling New Peaks

In 2024, pan India leasing achieved a record high, with gross leasing of ~77 Mn sqft (up 22.6% YoY) and with leasing of ~24 Mn sqft in Q4 2024 (up 13.6% YoY), surpassing previous peaks.



Positive outlook across locations except Hyderabad and Kolkata

With absorption outpacing supply, vacancy levels have witnessed steady decline in last couple of years



Source: Knight Frank, JLL Research, Data available as on March,2025

Our Hypothesis

Commercial RE poised for steady growth with Bangalore & Delhi NCR market leading the charge.

Drivers

GCCs contributing 35-40% of overall leasing and flex office space growing at rapid pace accounting for 15 Mn sqft leased

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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