



Asset X: Investment Strategy

06, January 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.

Continue staggered addition to domestic equities for the next quarter, accelerate if markets correct 5%

The correction can be used as opportunity to build long-term portfolios. We recommend 50% equity for moderate risk appetite investors, 60% of which can be in large caps and remaining in SMIDS. On factor basis, 60% low volatility and 40% momentum is ideal

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 opportunistic

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 stable bet, China has been our tactical call

Combination of low valuation, growth stimulus and flows make China an interesting tactical investment avenue, US is a strong and stable allocation with Trump victory only bolstering it. A 70:30 split between US and China will provide right diversification but expect volatility in global equities

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 high return expectations

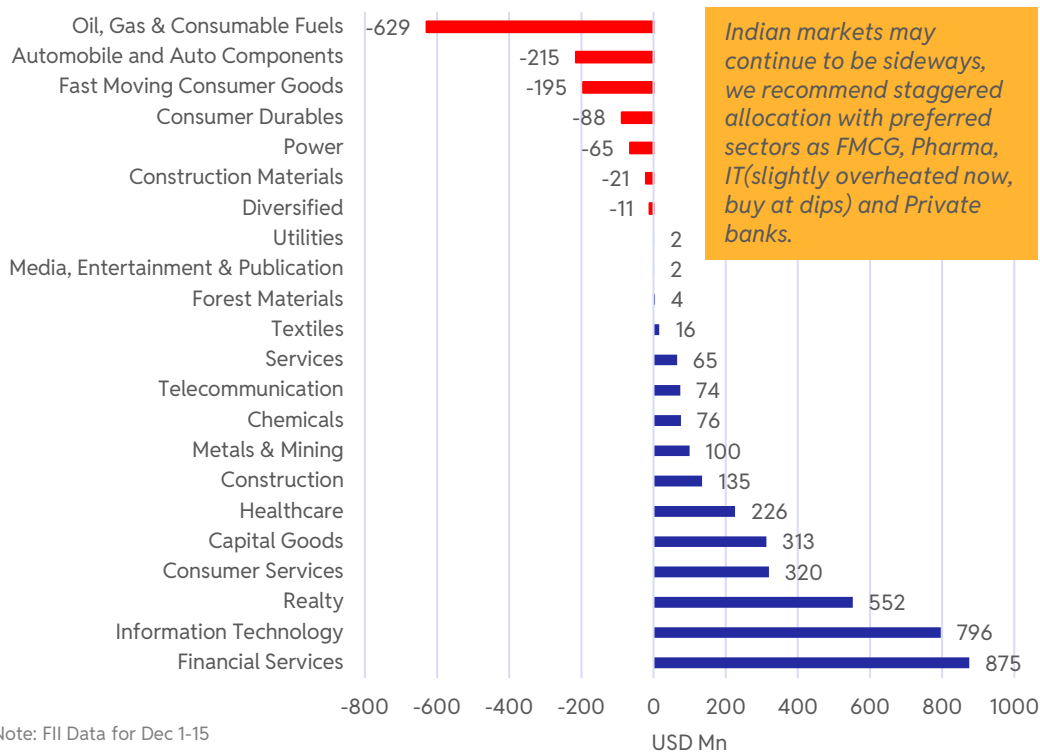
Commercial RE is improving

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

India Equity: Continue Staggered Addition

FII's have come back in December, buying to the tune of USD 1.8bn

Complexion of FII buying in H1 of Dec



Note: FII Data for Dec 1-15
Source: NSDL, Ionic Wealth, Data available as on Jan,2025

In the last 6 months, within Large caps, Value and Low Volatility has performed better as factors. Overall, we suggest 60% low vol and 40% momentum allocation

Returns							
Indices	Factor	1 Week	2 Weeks	1 Month	3 Months	6 Months	1 Year
Nifty 100 Low Volatility 30	Low Volatility	0.02%	-1.4%	-0.8%	-10.4%	0.1%	11.1%
Nifty 200 Momentum 30	Momentum	-1.1%	-5.8%	-4.2%	-13.0%	-8.0%	20.0%
Nifty 100 Quality 30	Quality	0.07%	-3.0%	-3.0%	-11.7%	-2.7%	9.9%
Nifty 50 Value 20	Value	-0.7%	-3.3%	-1.9%	-7.2%	2.3%	15.6%
Nifty 50	Benchmark	-0.4%	-2.8%	-2.0%	-8.3%	-2.1%	8.8%
Nifty Midcap 150 Momentum 50	Momentum	-1.0%	-4.8%	1.0%	-4.3%	2.0%	31.6%
Nifty Midcap 150 Quality 50	Quality	0.6%	-2.4%	-0.4%	-6.5%	-1.2%	19.3%
NIFTY MIDCAP 150	Benchmark	0.3%	-2.8%	1.1%	-5.5%	0.5%	23.8%
Nifty Smallcap 250 Momentum Quality 100	Momentum	-0.6%	-4.9%	-1.6%	-6.1%	-3.2%	20.8%
Nifty Smallcap 250 Quality 50	Quality	-1.9%	-6.1%	-1.2%	-5.6%	3.1%	26.0%
NIFTY SMALLCAP 250	Benchmark	0.5%	-2.7%	0.2%	-4.2%	2.2%	26.4%

Source: Bloomberg, Ionic Wealth, Data available as on Jan,2025
Note: Returns have been calculated as on Dec 31, 2024

Our Hypothesis

Some correction has played out, markets can be range bound for a bit, but this continues to be a good time to add equity

Drivers

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

Risks

Sudden risk-on momentum, coming back of FIIs, weakening of dollar, earnings outperformance

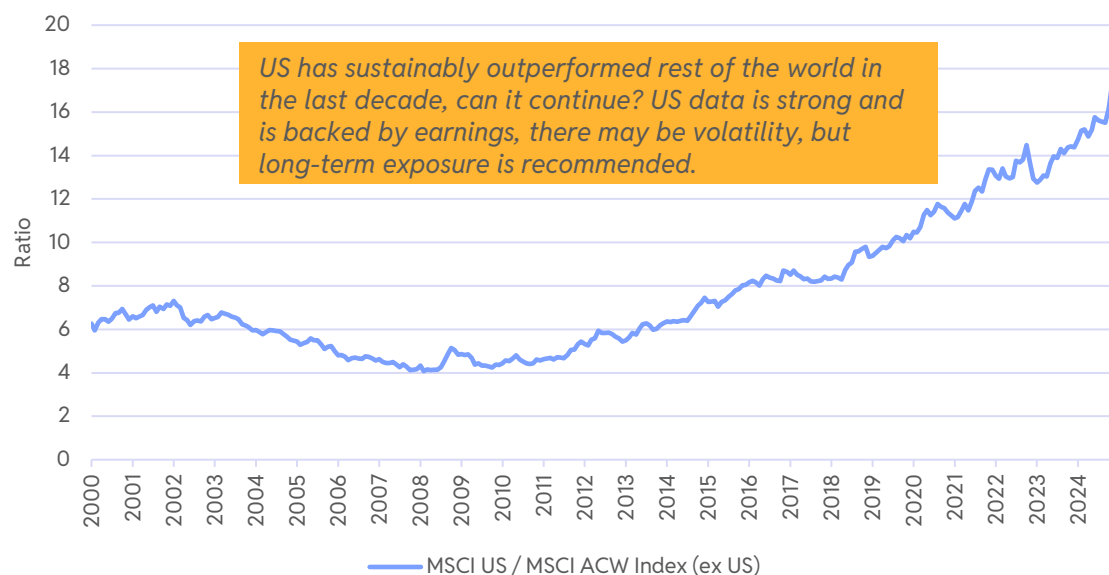
Data to watch

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

Global Equities: Stable US, Tactical China

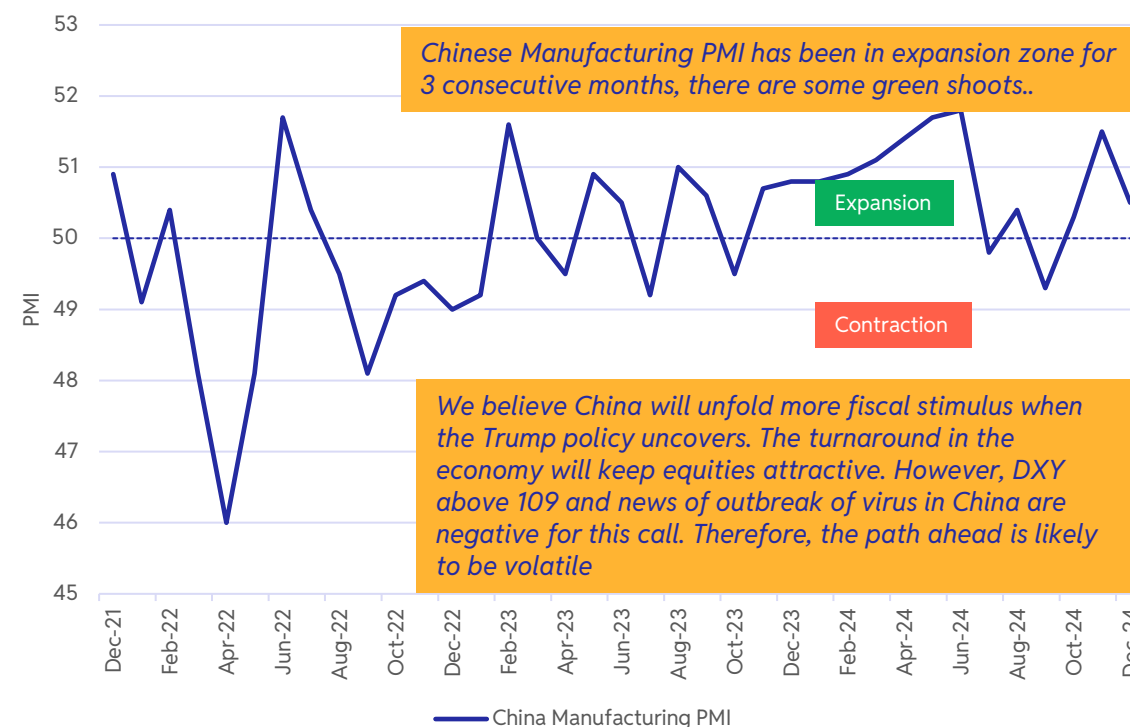
US: Good earnings + robust economy makes US a stable portfolio allocation

S&P 500 Earning Growth	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25
	9%	7.6%	11.8%	9.8%	12.6%	17%



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

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



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

Our Hypothesis

US is a stable bet but China is a tactical call given measures to revive the economy

Drivers

Cheap Chinese valuations, uptick in data, Chinese stimulus to revive its economy

Risks

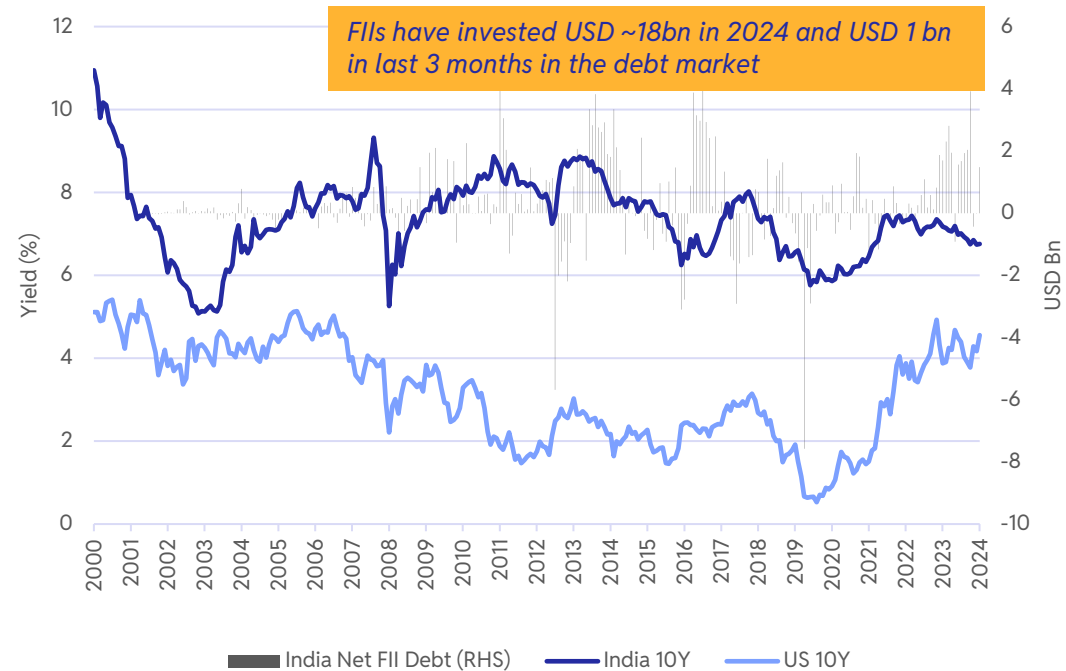
Growth not picking up, Trump's victory and tariffs in ways worse than market's expectations, virus outbreak, strong DXY

Data to watch

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

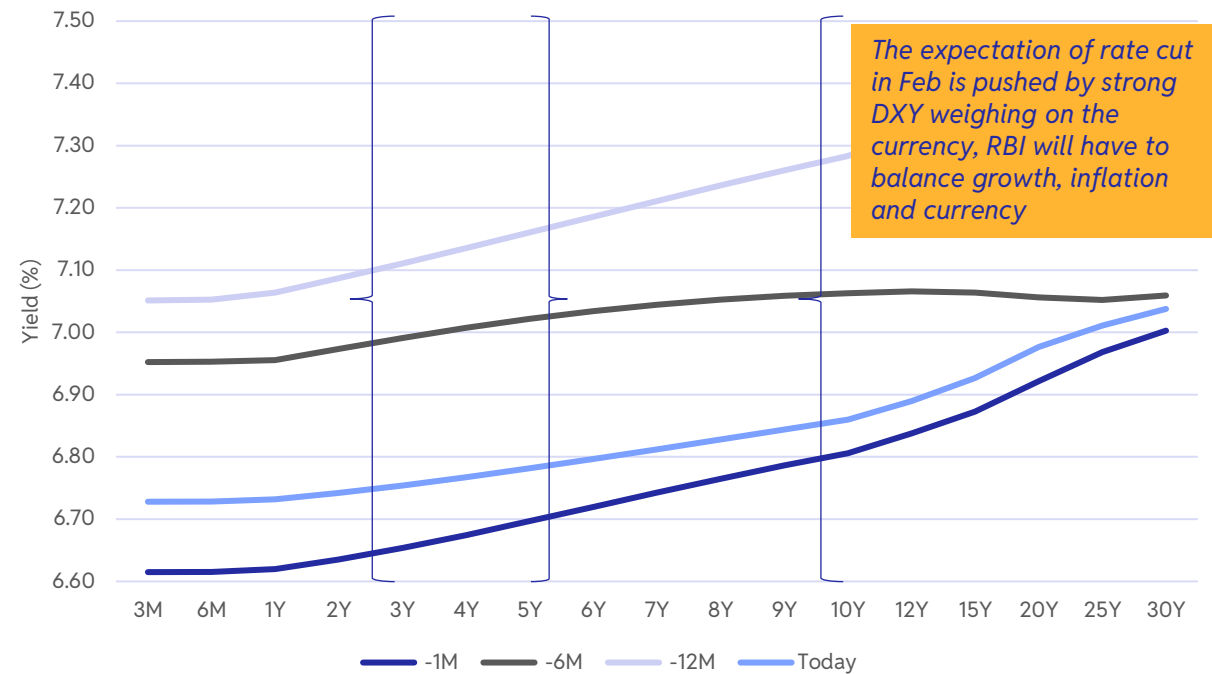
India Debt: Mix of Medium Term And Long Term Debt

India – US Yield spread is at near two decade low as US yields ran up given the inflationary expectations, Indian yields directionally followed but strong domestic fundamentals curtailed Indian yields...



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

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



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

Our Hypothesis

Medium duration is a sweet spot, long duration will play out in a 12 month + time frame

Drivers

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

Risks

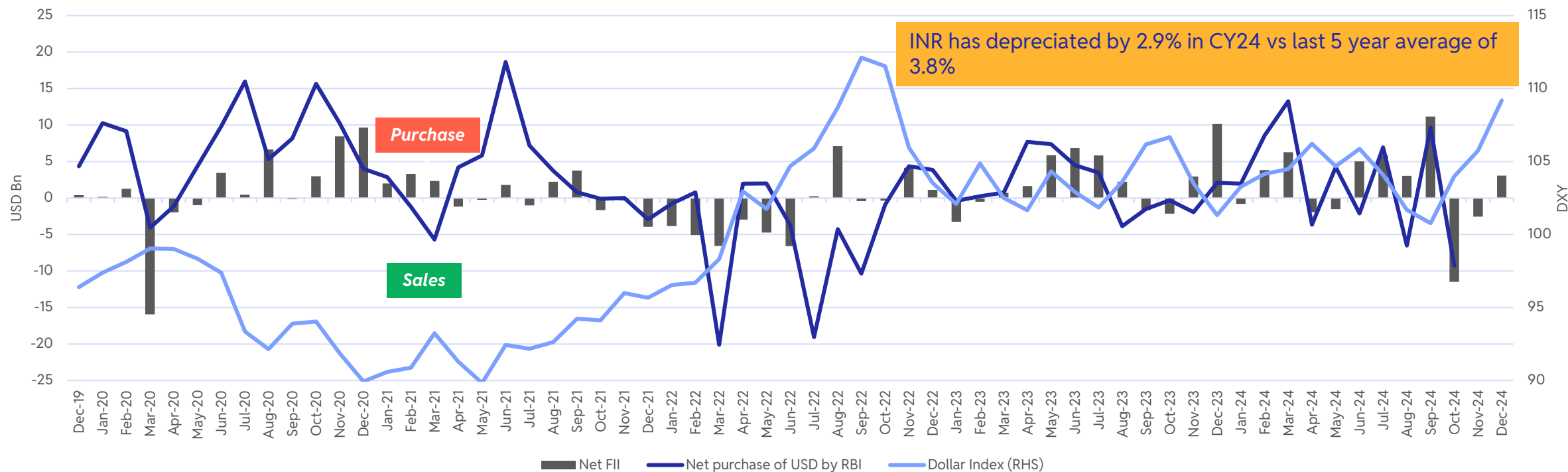
Domestic/US growth & inflation remaining higher, geopolitics, weak currency and delayed rate cuts

Data to watch

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

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

As we expected, INR has depreciated and is now in our estimated range of 85.5-86. RBI has slowed down the intervention in the FX markets in December, burning roughly 50% less than the run rate of September and October. We believe INR could slide some more as DXY continues to soar new highs, but the worst maybe behind us.



Source: CMIE, Ionic Wealth, Data available as on Jan,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, dXY strength

Risks

Dollar weakness, complete risk off and drying of EM liquidity

Data to watch

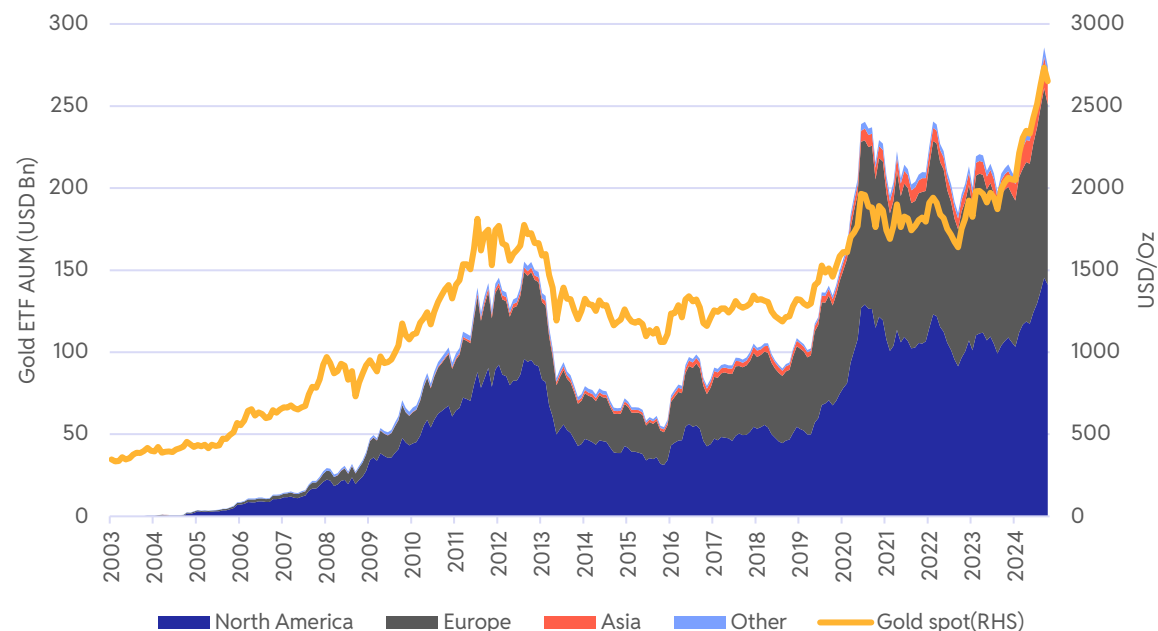
FX reserves, flows, DXY, geopolitics, inflation differential, yield movements

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

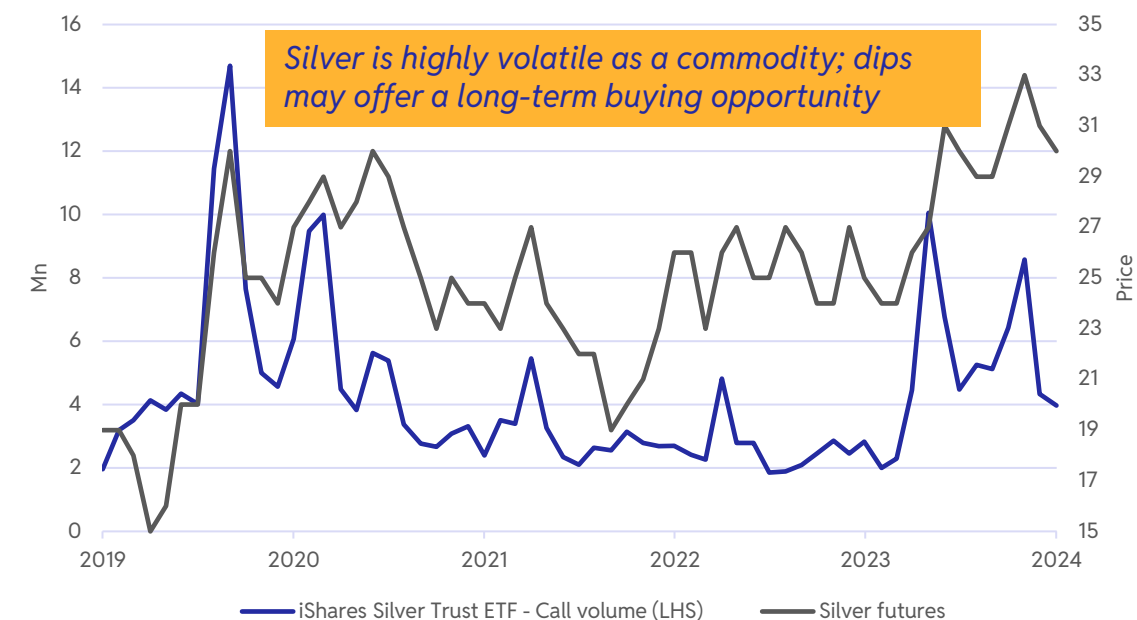
Given that some equity volatility is expected as Trump policy framing starts, Gold still has more space. Separately, if inflation comes back (given strong US growth, early Fed cuts), Gold will offer a good hedge

...Silver is likely to be resilient in the current macro landscape

Average	Gold/Silver Ratio
20 years	69
10 years	80
5 years	83
Today	90



Source: Gold.org, Ionic Wealth, Data available as on Jan,2025



Source: Bloomberg, Ionic Wealth, Data available as on Jan,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

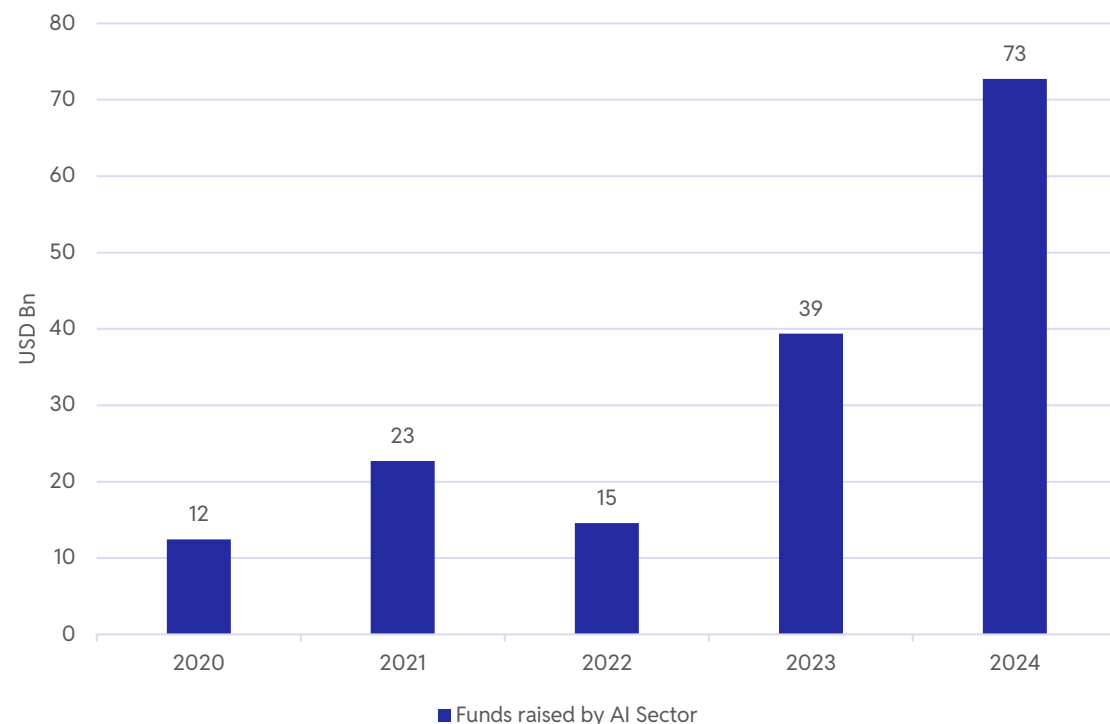
Further dollar strength, growth improving for good without inflation

Data to watch

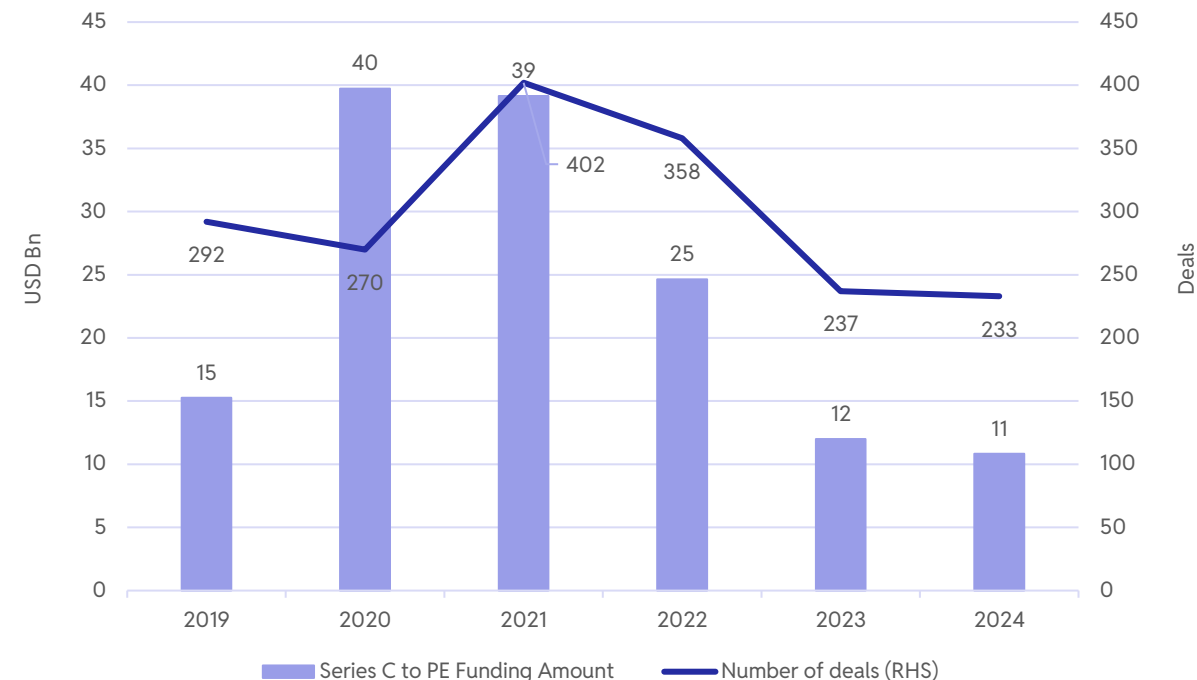
Sentiments, DXY, demand from Chinese central banks for Gold, industrial demand for silver

Unlisted Equities: Revival in Late-stage funding coupled with AI Boom

Globally, unprecedented investment in AI this year is setting the stage for more breakthroughs in 2025 and beyond



Mid-market transactions in mature stages fell short of 2022 levels when capital was more free flowing. However, we expect 2025 to be a year of revival in late stage / pre-IPO funding



Source: TracXn, Ionic Wealth, Data available as on Jan,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

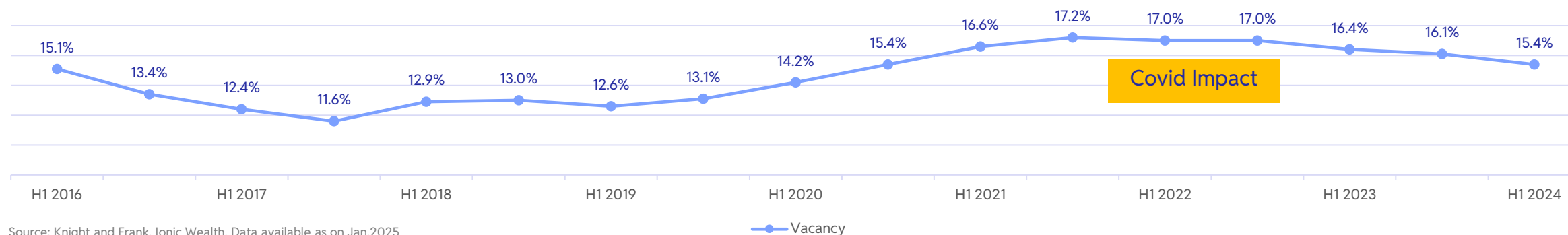
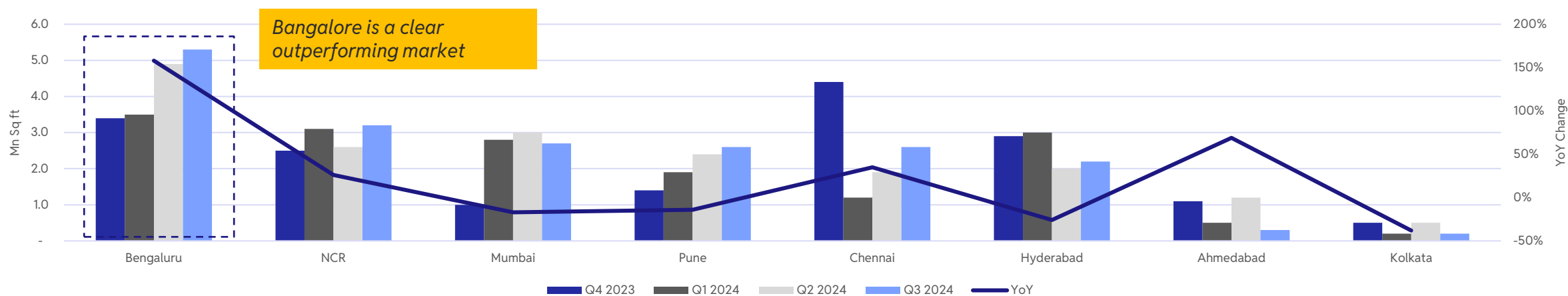
Data to watch

Liquidity, rate cut cycle, operational efficiencies

Source: TracXn, Ionic Wealth, Data available as on Jan,2025

Real Estate: Commercial Real Estate Is Improving

In Q3 2024, pan India leasing of commercial real estate grew by 18% YoY and scaled a record high of 19 Mn sq ft



Source: Knight and Frank, Ionic Wealth, Data available as on Jan,2025

Our Hypothesis

Commercial Real estate is set to do well, with Bangalore being the market of choice

Drivers

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

Risks

Saturation of demand, worsening macro environment, liquidity squeeze

Data to watch

Rental levels, vacancy, transaction volumes etc.

Reach us at hello@ionic.in

Disclaimer

This presentation is intended for informational purposes only and does not constitute an offer or solicitation for investing in any products distributed by or services made available by Angel One Wealth Limited (“AOWL”) or any of its affiliates or group entities. Any information contained in this presentation shall not be treated or construed as an investment advice or a recommendation. The recipient is advised to conduct its own due diligence and consult with its legal, tax and financial advisors before making any investment decisions. The recipient is requested to note that past performances is not indicative of future results.

Although all information and opinions expressed in this document were obtained in good faith from sources believed to be reliable, no representation or warranty, express or implied, is made as to the document’s accuracy, sufficiency, completeness or reliability. AOWL is under no obligation to update or keep current the information contained herein.

All pictures or images (“images”) herein are for illustrative, informative or documentary purposes only, in support of subject analysis and research. Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights.

To the extent this presentation contains statements about future performance, such statements are forward looking and subject to a number of risks and uncertainties. Predictions, forecasts, projections and other outcomes described or implied in forward-looking statements may not be achieved. To the extent this presentation contains statements about past performance, simulations and forecasts are not a reliable indication or future performance. Any information obtained from the public domain herein is based on sources believed to be reliable and accurate at the time of preparation. It is further requested to note that any information contained in herein with respect to business expansions pursuant to obtaining of business licenses is subject to regulatory approvals.

All trademarks and logos are the property of their respective owners. This presentation is confidential and is intended solely for the recipient. Unauthorized distribution, reproduction, or other use of the information contained herein is strictly prohibited.

AOWL disclaims any liability for actions taken based on the information provided in this presentation.