

Nifty: 25,158
Sensex: 81,910

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WHERE DO PRECIOUS ASSETS BELONG?

Portfolio Roles for Gold and Silver

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THE MACRO REGIME HAS SHIFTED

From Global Stability to Persistent Uncertainty

GLOBALISATION → FRAGMENTATION

Trade and capital flows are increasingly shaped by geopolitics, not efficiency

RULES → POWER POLITICS

Sanctions, technology controls and energy security now drive economic outcomes

LOW DEBT → FINANCIAL REPRESSION

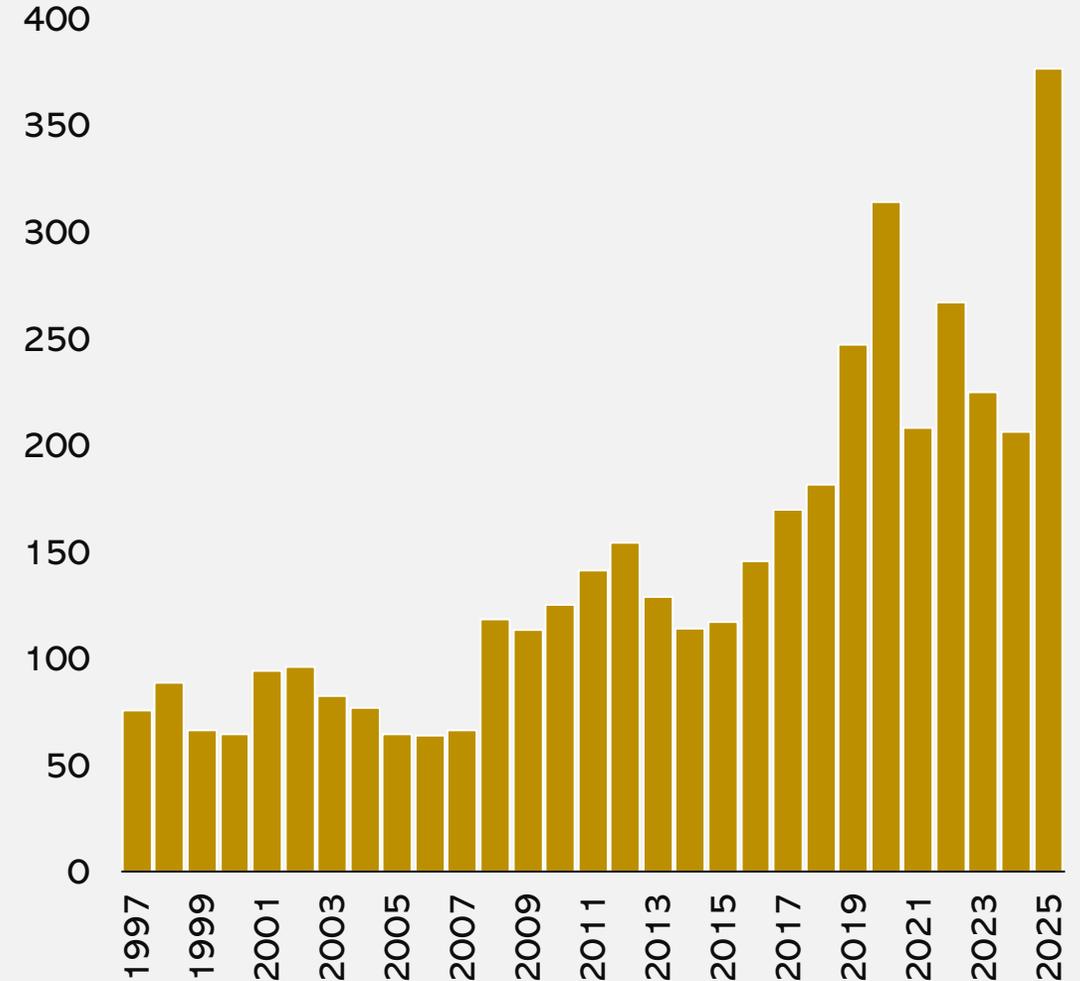
High sovereign debt locks policymakers into negative real rates

CURRENCY STABILITY → STRUCTURAL FX VOLATILITY

Policy divergence makes currency risk permanent, not cyclical

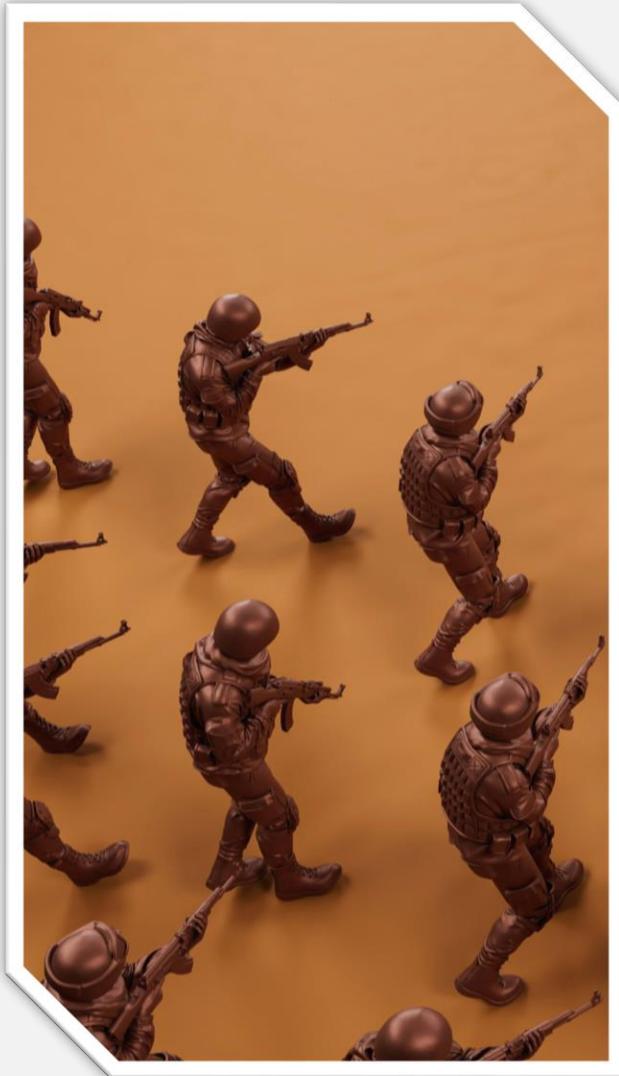


Economic Policy Uncertainty Index, x



WHY PRECIOUS METALS ARE REGAINING STRATEGIC RELEVANCE

From yield optimisation to balance-sheet insurance



EROSION OF MONETARY CREDIBILITY

Persistent deficits and expanding central-bank balance sheets weaken fiat trust

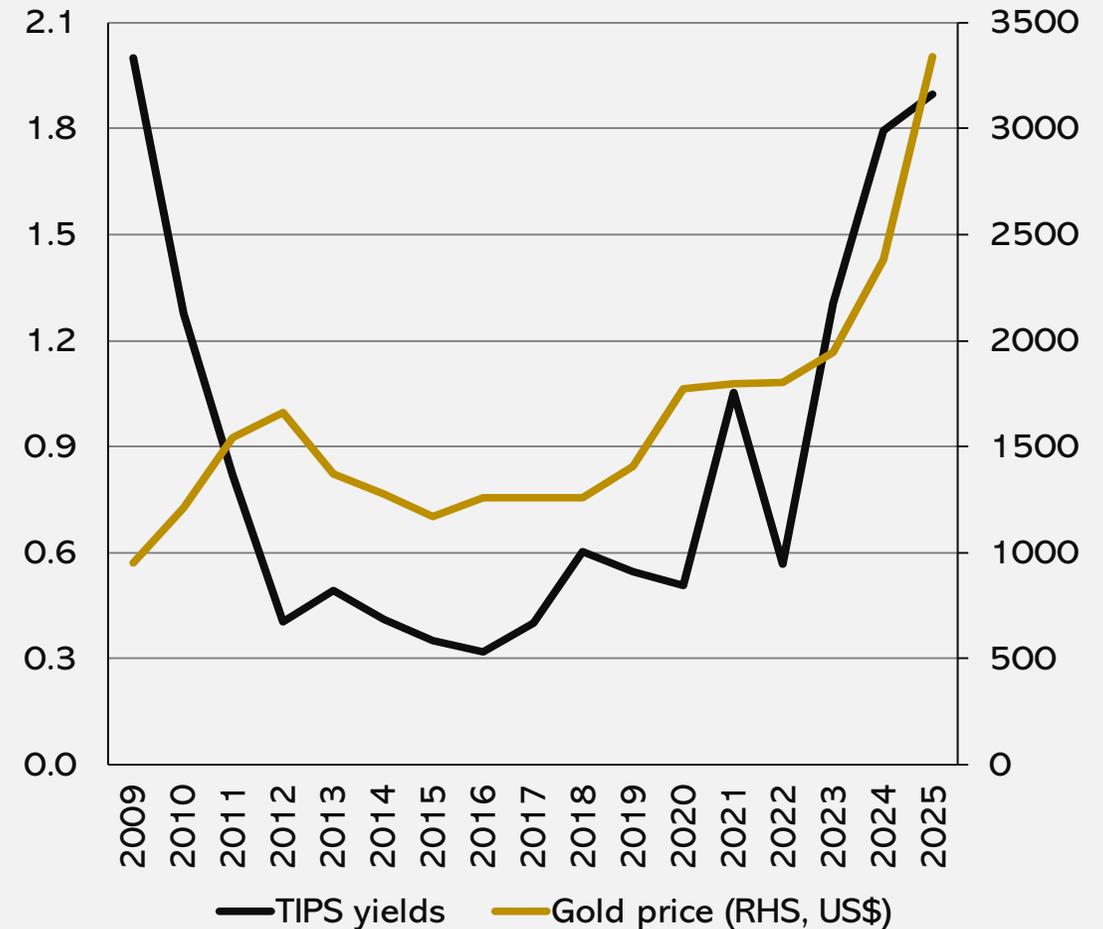
GEOPOLITICS REVIVES NEUTRAL ASSETS

Sanctions and reserve weaponisation raise the value of non-sovereign money

FINANCIAL REPRESSION FAVOURS REAL VALUE

Negative real rates penalise cash and bonds; gold carries no policy risk

Gold vs Real Interest Rates



Note: TIPS yield refers to the real yield earned on Treasury Inflation-Protected Securities (TIPS) issued by the US government

WHO IS BUYING GOLD TODAY

Signals from the Most Conservative Investors

CENTRAL BANKS AS CONSISTENT NET BUYERS

Official sector demand has remained structurally positive since 2010, accelerating post-2018 and post-2022

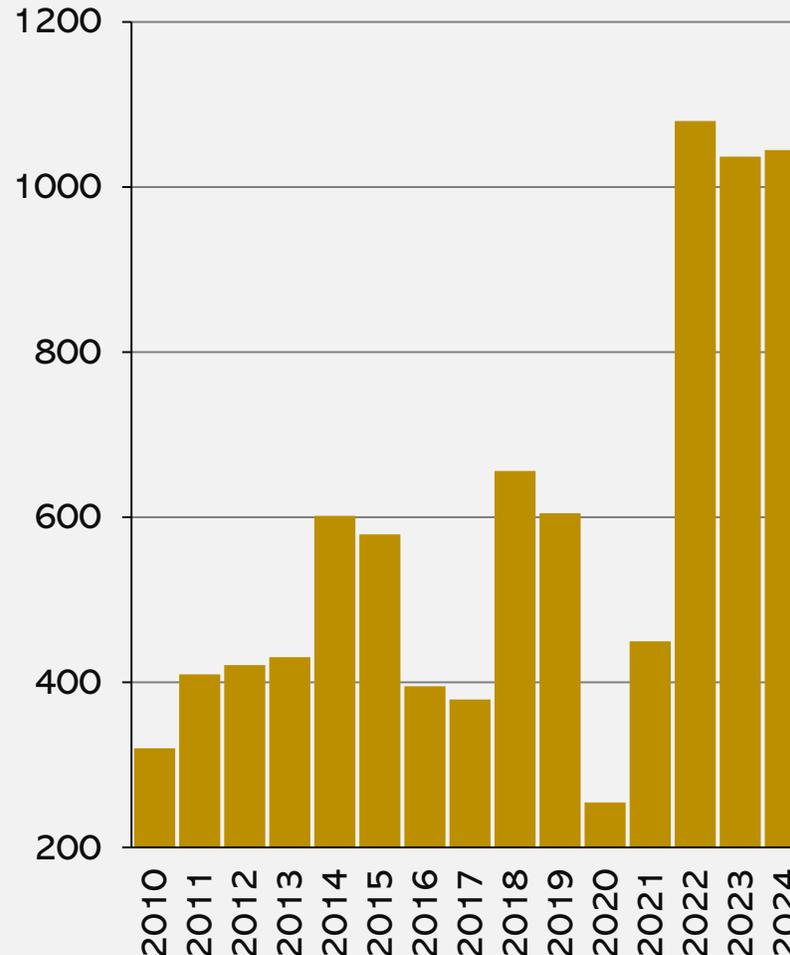
DIVERSIFICATION AWAY FROM RESERVE CURRENCIES

Incremental reserves are increasingly allocated to gold vs. USD/EUR assets, reflecting currency concentration risk

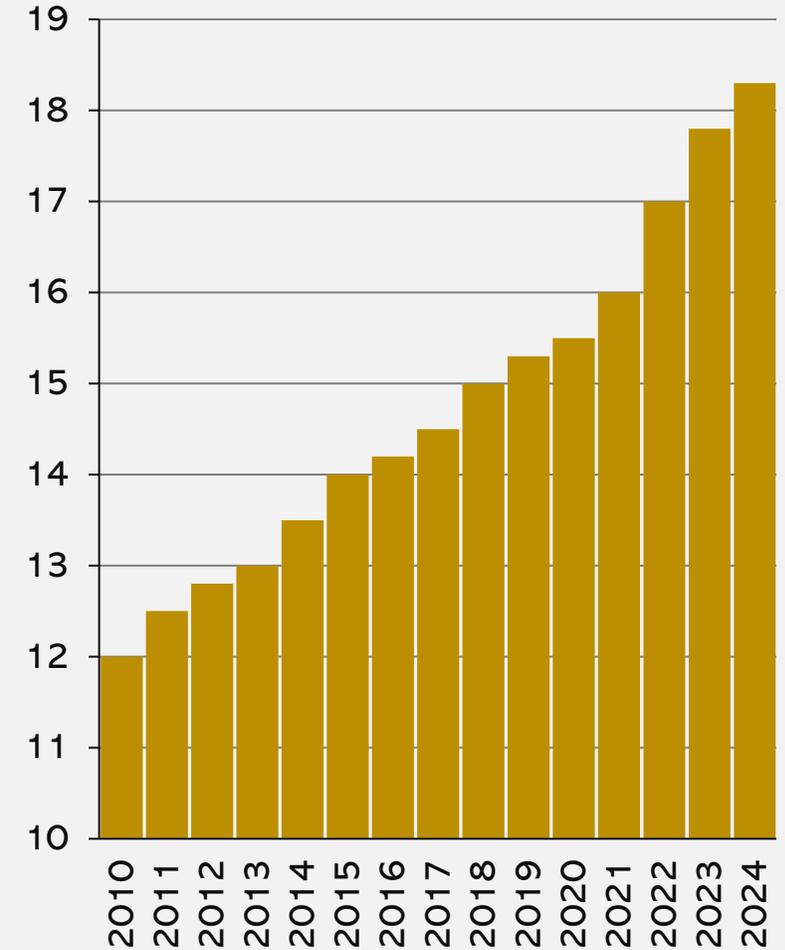
GOLD AS A SANCTION-PROOF, POLITICALLY NEUTRAL ASSET

Gold carries no counterparty risk and remains outside the control of any single sovereign or payment system

Net Purchase of Gold by Central Banks, Tonnes



Share of Gold in Official Reserves, %



PRECIOUS METALS ARE NOT A SINGLE ASSET CLASS

Different Metals, Different Drivers

GOLD

Monetary hedge with deep liquidity; responds to real rates, currency confidence, and systemic risk. Investment aims at capital preservation, crisis hedge

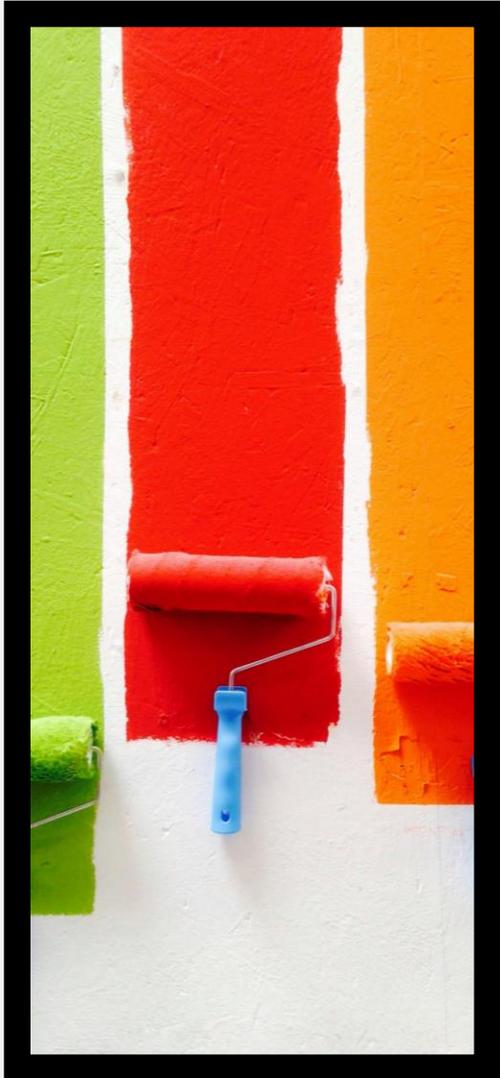
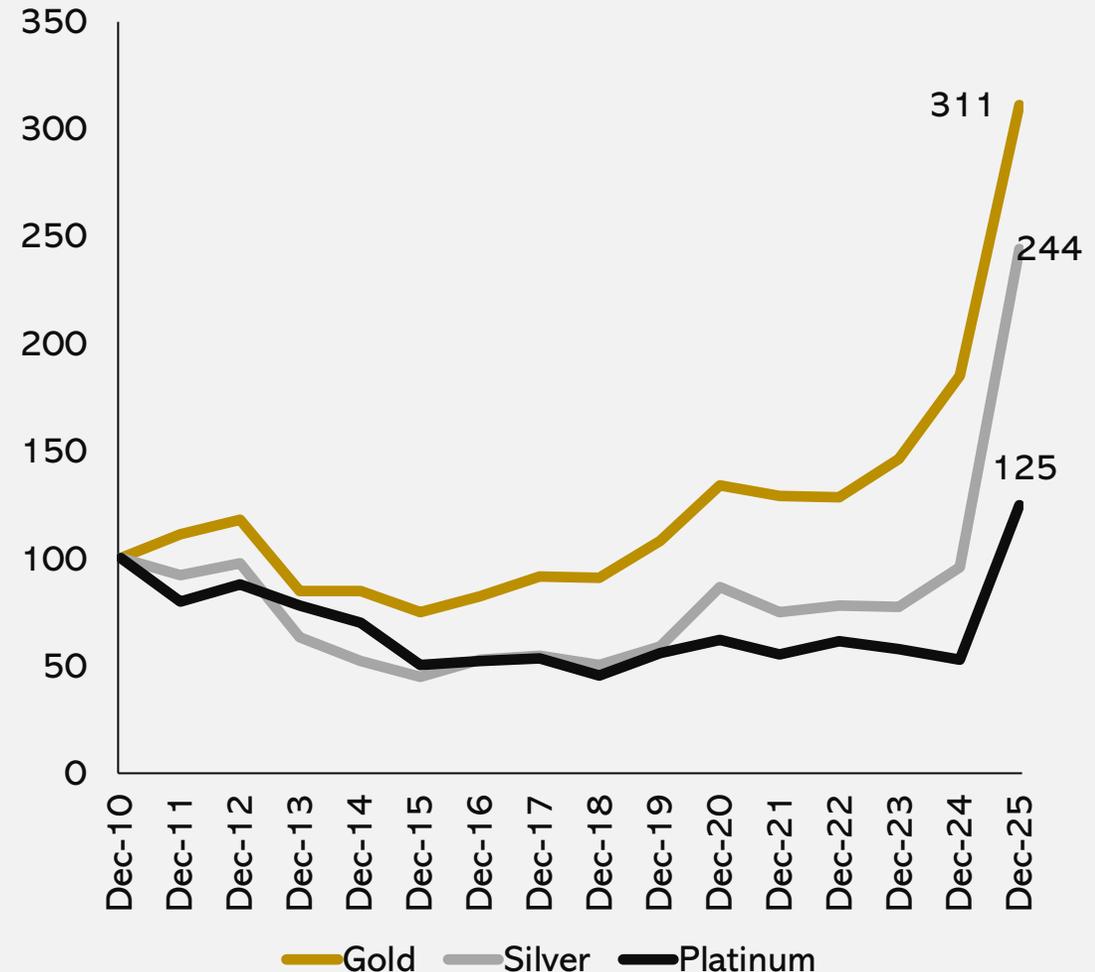
SILVER

Hybrid asset—part monetary, part industrial—exhibiting higher volatility and pro-cyclical swings. Investment in silver aims at tactical exposure, inflation sensitivity

PLATINUM GROUP METALS (PGMs)

Purely industrial metals, driven by supply disruptions, technology shifts, and economic cycles. Investment in PGMs aim at cyclical alpha, niche diversification

Year-end Precious Metal Prices, (2010=100)



SILVER – A TACTICAL BET?

Silver's Next Leg Is About the Cycle, Not Valuation

A BY-PRODUCT

- ~60% of global silver production comes as a by-product of mining zinc, lead, copper, and gold
- Supply response is inelastic to silver prices; dependent on base-metal capex cycles

RECENT SPIKE IN PRICES

- Reflation expectations
- Declining real rates
- Catch-up rally after prolonged silver underperformance

NO LONGER A RELATIVE CATCH-UP TRADE

- The relative reflation trade is largely played out; further silver upside now depends on sustained growth and industrial demand



Gold:Silver Ratio, x



WHAT TO WATCH OVER THE NEXT 5–10 YEARS

Drivers That Will Shape Value - Structural forces, not cyclical moods, will determine outcomes



CENTRAL-BANK GOLD POLICY

- Persistent official buying signals a long-term shift in reserve preferences
- Gold's role is evolving from inflation hedge to geopolitical insurance
- Reduced sensitivity to price cycles; higher sensitivity to regime risk

CULTURAL SHIFTS IN WEALTH STORAGE

- Younger cohorts prioritise portability, liquidity, and transparency
- Emotional ownership persists—but migrates away from balance-sheet logic
- Wealth storage increasingly favours state-neutral, fungible assets

SILVER DEMAND IS STRUCTURAL + CYCLICAL

- Energy transition towards cleaner fuels will drive silver demand – solar PV cells, Evs, etc.
- Silver supply is constrained; often a by-product of base metals

HOW INVESTORS PARTICIPATE

Structure Matters More Than Timing



PHYSICAL VS FINANCIAL EXPOSURE

- Physical gold/silver: tangibility, no counterparty—but illiquid, storage-heavy
- Financial gold/silver (ETFs, sovereign bonds): liquid, scalable, transparent
- Mining equities: leveraged exposure, but equity and operational risks

STRUCTURE DEFINES OUTCOMES

- Liquidity varies sharply across instruments
- Tax treatment differs materially (holding period, capital gains)
- Storage, insurance, and custody costs quietly erode returns
- Counterparty risk exists in paper forms—but can be mitigated

PORTFOLIO FIT

- Gold works best as a strategic hedge, not a trading asset whereas silver works best as a satellite bet
- Tactical trades add noise; disciplined allocation adds resilience

GOLD REDUCES PORTFOLIO RISK; SILVER AMPLIFIES IT

EQUITIES VOLATILE, GOLD STABILIZES AND SILVER IS AS VOLATILE

- Equities dominate in risk-on periods, with high volatility and beta translating into superior long-term returns
- Gold protects in risk-off periods, showing low volatility and near-zero or negative beta and correlation when equities correct
- Silver outperforms mainly in risk-on phases, but its high volatility and positive equity linkage limit its effectiveness as a defensive hedge

AVERAGE ANNUAL STANDARD DEVIATION, %

	Gold	Silver	Nifty 50	Nifty 500
1996-01	9.6	10.4	25.1	33.8
2001-06	7.0	13.8	30.7	38.7
2006-11	14.6	27.2	34.5	37.9
2011-16	17.3	39.1	15.9	18.7
2016-21	14.0	17.0	11.8	13.2
2021-25	9.5	19.7	17.6	20.2
1996-25	14.7	24.5	25.1	30.1

BETA, X

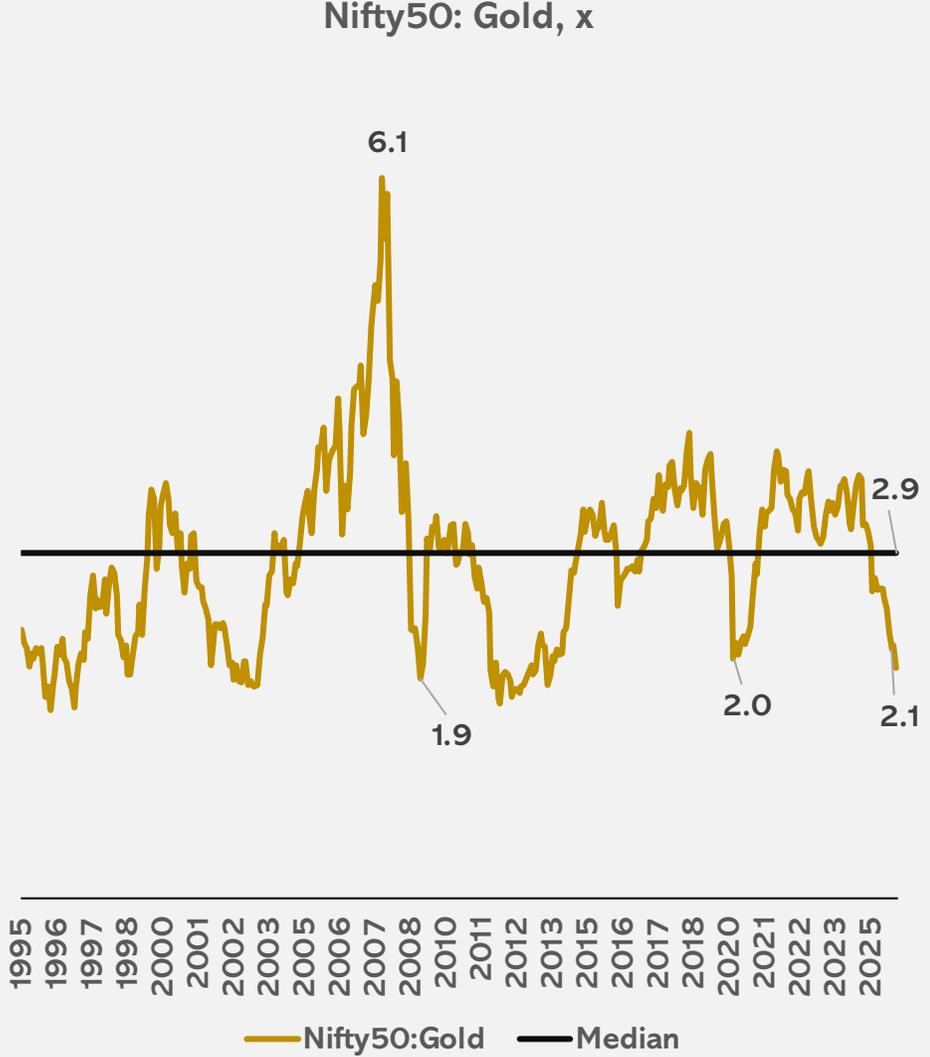
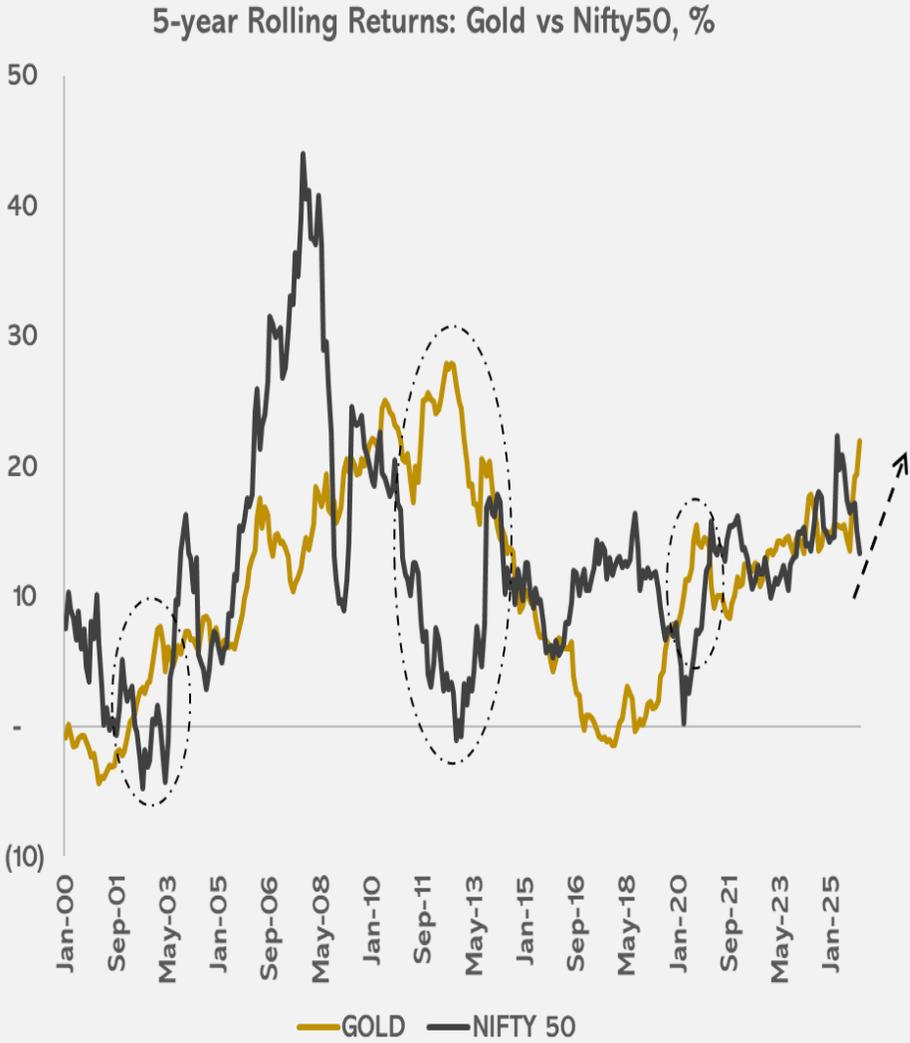
	Gold	Silver
	0.02	0.00
	0.04	0.28
	0.00	0.41
	-0.72	-0.73
	-0.62	-0.35
	-0.24	0.56
	-0.02	0.24

CORRELATION, X

	Gold	Silver
	0.05	-0.01
	0.19	0.62
	0.01	0.53
	-0.66	-0.30
	-0.52	-0.24
	-0.44	0.50
	-0.04	0.25

EQUITIES OUTPERFORMED ~60% OF THE TIMES

Nifty50:Gold ratio is below mean, indicating equities are likely to outperform



EQUITIES DRIVE LONG-TERM RETURNS, GOLD PROVIDES DIVERSIFICATION, AND SILVER REMAINS CYCLICAL

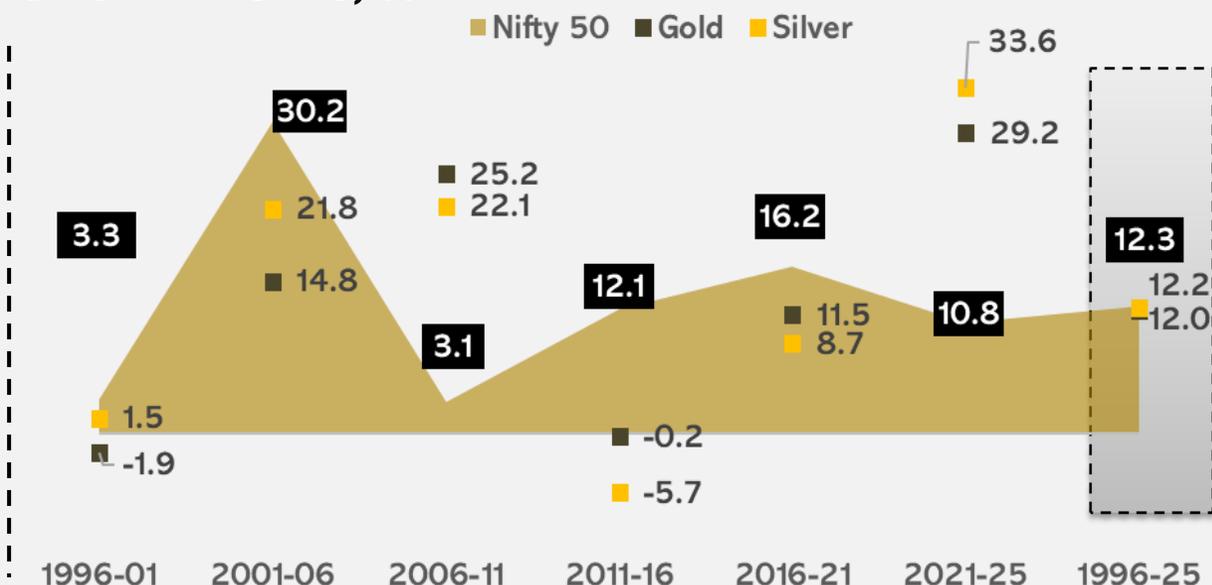
EQUITIES WIN, BUT METALS STAY RELEVANT

- Equities are the core wealth creator, delivering consistent double-digit returns over long periods and dominating performance across most market cycles
- Gold adds stability, not growth, offering low-to-mid returns
- Silver is cyclical, not defensive, showing higher volatility and positive equity correlation, making it a tactical risk-on asset rather than a hedge

AVERAGE ANNUAL (MEDIAN) RETURN, %

	Gold	Silver	Nifty 50	Nifty 500
1996-01	1.6	1.5	3.3	2.1
2001-06	6.5	6.0	6.6	16.8
2006-11	24.1	25.9	28.7	28.6
2011-16	2.5	-7.0	9.1	5.9
2016-21	9.0	3.7	9.7	6.8
2021-25	13.0	10.5	19.9	24.2
1996-25	9.1	5.4	11.4	11.1

CAGR RETURNS, %



Appendix

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