

The silver lining in a safe-haven

Insight Edge | October 2026

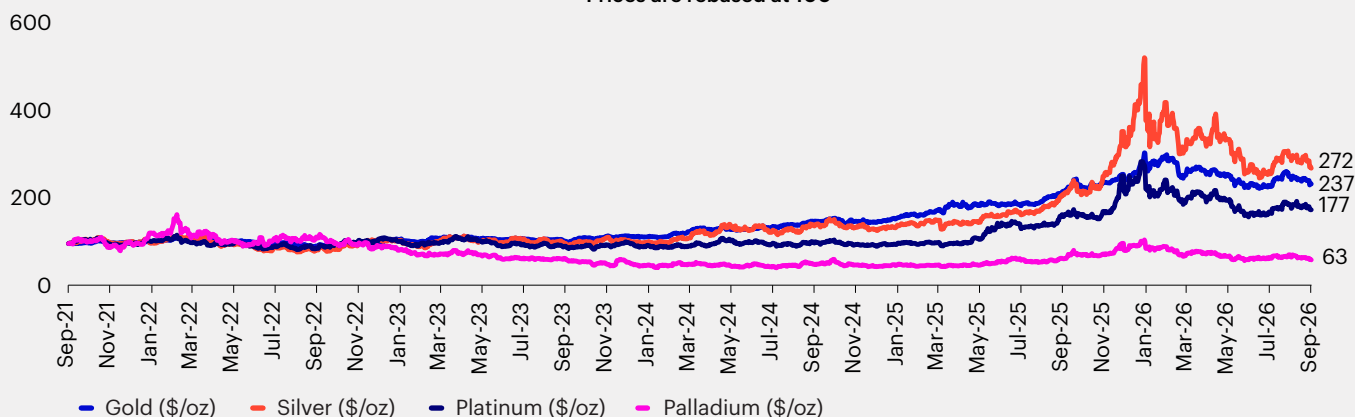
Investors have traditionally turned to gold and silver for protection during economic downturns and inflationary periods. Of these two, **silver occupies a rare position in the global financial and industrial ecosystem. The metal's dual character is coming to the fore amidst the ongoing geopolitical uncertainties, energy transition, digital expansion and financial market volatility.**

Unlike most commodities, silver is neither a pure monetary metal nor a pure industry input. It was once viewed as a cheaper alternative to gold, but is now emerging as a strategic asset with structural drivers of demand.

For centuries and across civilizations, historically silver has served as one of humanity's most reliable and accepted forms of money. Like gold, it serves as a store of value during periods of macroeconomic stress. However, in recent periods, silver saw its role transforming to a high-growth strategic investment driven by the perfect storm of surging industrial demand for green technologies (solar and electric vehicles) and limited supplies. **It plays a dual role as both a precious metal sought for value preservation and a play on industrial innovation, making it a vital tool in portfolio diversification.**

Among precious metals, silver has demonstrated the most impressive 5-year price appreciation

Prices are rebased at 100



Source: Refinitiv. Data as on September 30, 2026.

Past performance may or may not be sustained in future.

Key drivers of the upswing in silver:

Since September 30, 2021, silver has climbed 2.72x in comparison with 2.37x for Gold and 1.77x for platinum.



Demand dynamics: Industrial consumption has consistently been driving the demand in the past five fiscals, accounting for ~60% of global supply.



Dual-role asset: Silver is no longer just 'poor man's gold'. It generally acts as a safe-haven asset during economic uncertainties, while boasting of industrial demand, particularly in renewable energy and electronics.



Industrial powerhouse: Almost 60% of silver demand is industrial, with critical applications in 5G, solar panels and electric vehicles, creating a strong, consistent and rising demand base. Further, AI-driven data center expansion is creating a sustained rise in silver demand, as servers and power electronics rely on silver's superior conductivity. According to the International Energy Agency (IEA), global data center electricity consumption is expected to more than double to ~945 Terawatt hour (TWh) by 2030, driven primarily by AI workloads. This trend is reinforcing long-term demand for silver-intensive electronic components.



Supply constraints: Silver's total global supply is limited due to production changes and sporadic shutdowns. Over 70% of global silver is produced as a byproduct of mining for other metals such as copper, zinc, and lead. Mining companies cannot increase the production of silver even if prices are higher to capitalize. Opening new mines takes more than a decade due to high costs, environmental checks and regulatory approvals, making it difficult to bridge the supply gap. This rising supply-demand imbalance is expected to provide tailwinds to silver prices.



Strategic investment vehicle: Beyond physical bars, investors can now access silver through ETFs, FoFs and digital silver SIPs that offer liquidity, affordability and ease of storage. Further, demand for silver mutual funds has been buoyant, supported by real-time trading, easy systematic investing, transparency, positive price trends and geopolitical uncertainties.



Inflation hedge: As a tangible asset, silver generally retains intrinsic value and acts as a shield against the devaluation of currency, making it attractive during periods of economic instability.

The case for Silver: A high beta precious metal

Silver has historically demonstrated higher beta relative to gold during precious metal bull markets. When investor sentiment for hard assets turns positive, typically during periods of monetary easing, high inflation and/or expectations of currency movements - silver often outperforms.

It is best suited as a complementary allocation rather than a core holding, as it can be more volatile in periods of drawdowns during corrections.



Source: World Silver Survey 2026, The Silver Institute. 2026F denotes forecasted values for the calendar year 2026

Demand for silver has accelerated sharply due to strong industrial usage, investment flows driven by macro uncertainties and structural energy transition themes where supply is largely inelastic.

Ore grades are declining and production cannot be ramped up quickly in response to higher prices. After 2021, the demand for silver has outclassed supply that has been under pressure for years. Mining output remains largely flat, while demand continues to grow. This has created a supply deficit that supports higher prices in the long term.

Silver's correlation with other asset classes

Asset Class	Correlation with Silver
Gold	Highly (positive)
Equities	Low to moderately positive
Industrial Metals	Moderately (positive)
Bonds	Low (positive)
USD	Negative

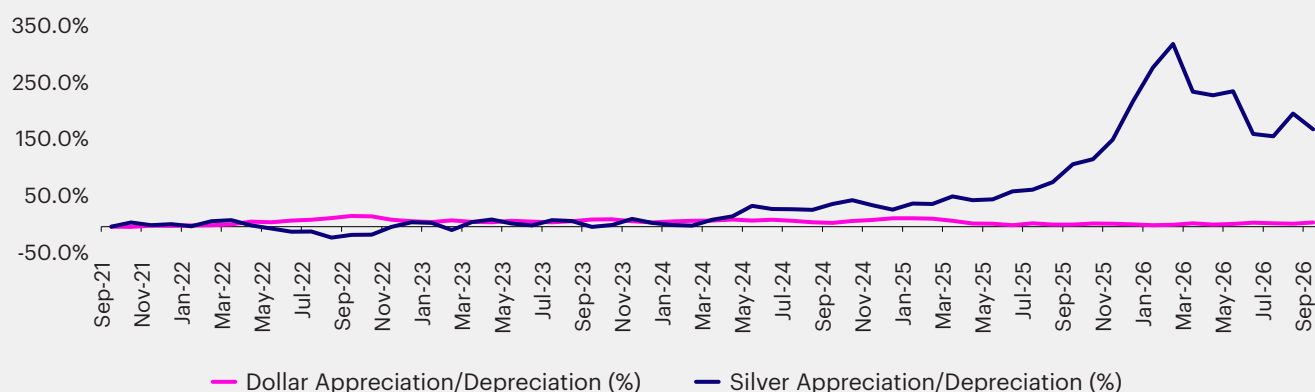


When constructing a well-balanced investment portfolio, it's important to recognize the distinct roles that different asset classes play. Equities are primarily considered for long-term wealth creation. However, during times of market stress, equities fluctuate sharply. During such times, silver is seen as alternative asset class for hedging against market volatility. Over the past two years, Indian equity markets have remained volatile, as trade tensions, geopolitical concerns and FII outflows weighed on investor sentiment. Against this risk-off backdrop, silver prices rose sharply as investors sought safe-haven assets. Over the two years ended September 2026, the Nifty 500 Index delivered an annualized return of -4%, while silver recorded an annualized return of 39%. Moreover, silver is also an industrial commodity due to its heavy industrial demand in manufacturing, EVs and solar, making silver move in tandem with other base metals such as copper and zinc.

Silver's value often increases when real interest rates are negative, and US Dollar is weaker. Monetary policy shifts can majorly influence silver prices. Since December 2025, the rupee depreciation against US Dollar, above Rs. 90 per dollar, has inflated the demand for silver.

After rallying sharply from December 2025 and reaching a peak of ~\$116 per ounce (on Jan 29, 2026), it is now trading close to an average \$60 per ounce (Mid-Jun to Sep, 2026). This moderation has resulted in a meaningful reset from the peak, potentially providing good opportunity for investors seeking long-term exposure to the silver. Nevertheless, silver remains sensitive to changes in interest rates, currency movements, industrial demand and investor sentiment.

US Dollar and Silver often moved inversely in last five years

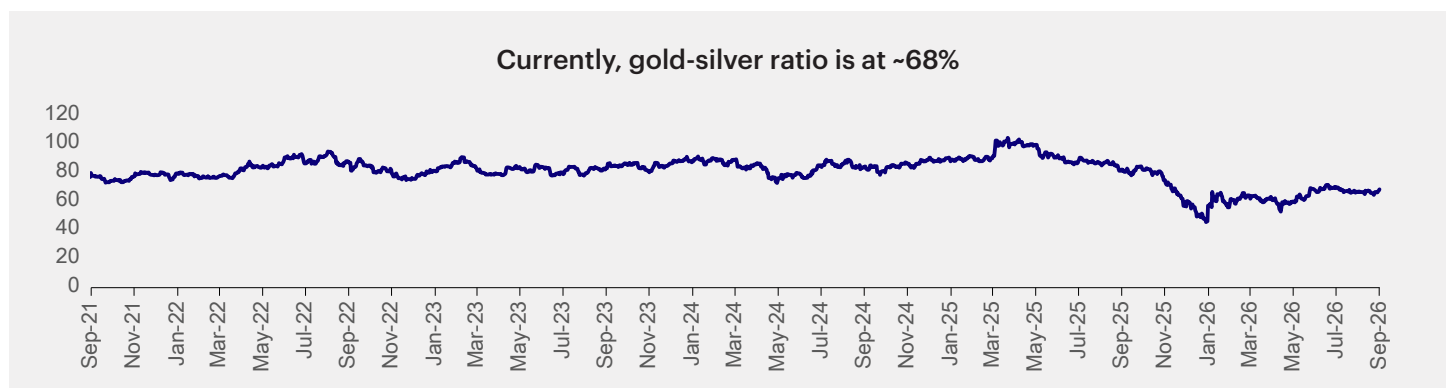


Source: Refinitiv, Crisil Intelligence. Data as on September 30, 2026.

US Dollar Index values and Silver prices (\$/oz) are considered for calculating their respective (%) appreciation / depreciation, rebased to 0 starting September 2021

Silver's behaviour becomes particularly interesting when inflation expectations begin to rise. Historically, silver has outperformed gold during periods of high inflation, as it is often seen as affordable and accessible option to gold which may increase demand for silver and also the price. However, it is more volatile than gold due to the former's smaller market size (Silver market is smaller than gold making it more susceptible to price changes), greater retail participation (more reaction to market news), and sensitivity to industrial data, monetary flows and ETF & FoF driven sentiment swings. Silver ETFs and FoFs can contribute to sentiment-driven price movements. When investors transact in silver ETFs or silver FoFs, the fund manager must buy or sell physical silver (or silver-backed instruments) to match investor flows. This can create a feedback loop that magnifies price moves.

The gold-silver ratio is a useful valuation gauge



Source: Refinitiv, Crisil Intelligence. Data as on September 30, 2026.

Note: The gold-silver ratio is calculated by dividing the market price of one ounce of gold by the market price of one ounce of silver.

A rising ratio also indicates flight to safety (gold) or economic fear, while a falling ratio often suggests industrial demand is boosting silver. Historically, the ratio has fluctuated widely, often expanding during periods of crisis (when gold outperforms) and compressing during an economic recovery or commodity bull cycles. An elevated ratio indicates relative undervaluation of silver versus gold, while a compressed ratio often reflects speculative enthusiasm. Many investors also use the ratio to switch between metals. A common strategy is to swap gold for silver when the ratio is high (>80) and trade silver for gold when the ratio is low (<50). The current gold-silver ratio can be seen as reasonably aligned with current fundamentals, especially considering silver's evolving supply-demand balance. Over the coming years, if silver's industrial demand continues to outpace supply, there is room for the ratio to gradually drift toward levels below the recent low of 45.92 (data as on Jan 27, 2026). In such a setting, the ratio may temporarily diverge from its historical statistical behaviour, remaining somewhat compressed as long as silver's demand-supply dynamics stay tilted in its favour.

Thus, this ratio helps in balancing precious metal holdings to manage risk, as the metals can behave differently during economic shifts. However, the gold-silver ratio alone should not be used for making buying decisions. It must be used in conjunction with other factors such as the broader macro trends, liquidity cycles and investor sentiment for analysis.

Investment vehicles: Why do Silver ETFs and FOFs make sense?

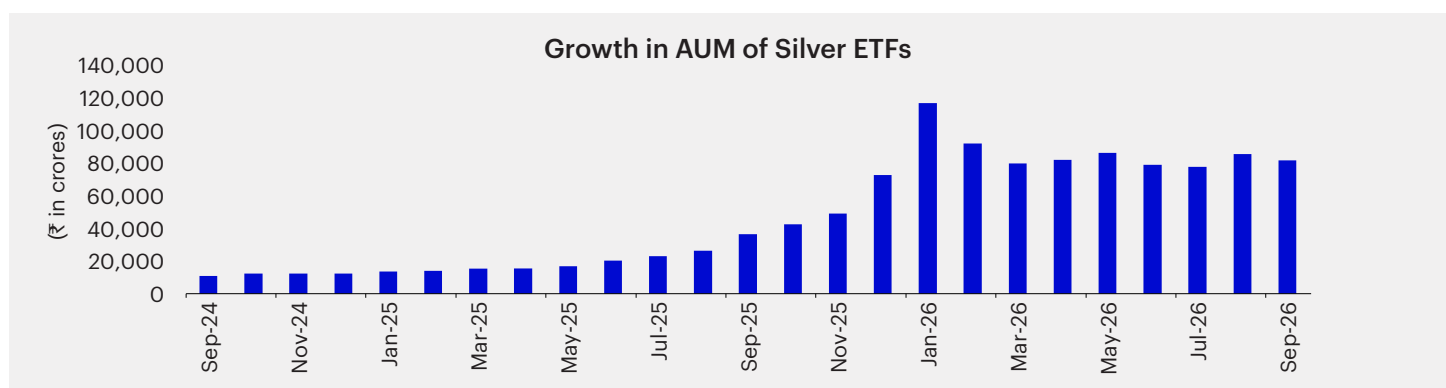
For investors, silver exposure is most efficiently accessed through regulated vehicles such as silver ETFs and FoFs.

Both Silver ETFs and Silver FoFs are market-linked mutual fund products regulated by SEBI. Compared with physical silver, these instruments offer transparency in pricing, elimination of storage and purity concerns, liquidity and ease of transaction. They also allow investment in silver without the operational challenges of physical silver. Silver FoF invests primarily in units of a Silver ETF, which in turn holds physical silver.

ETF prices in India aim to replicate the domestic price of gold and silver as close as possible. These domestic prices are derived from international benchmark prices after adjusting for local factors. ETF prices are influenced by international gold and silver prices, exchange rate movements, import duties and taxes, domestic demand-supply dynamics and ETFs' expense ratios. FoF prices involve expense ratio of the FoF plus underlying ETF expenses.

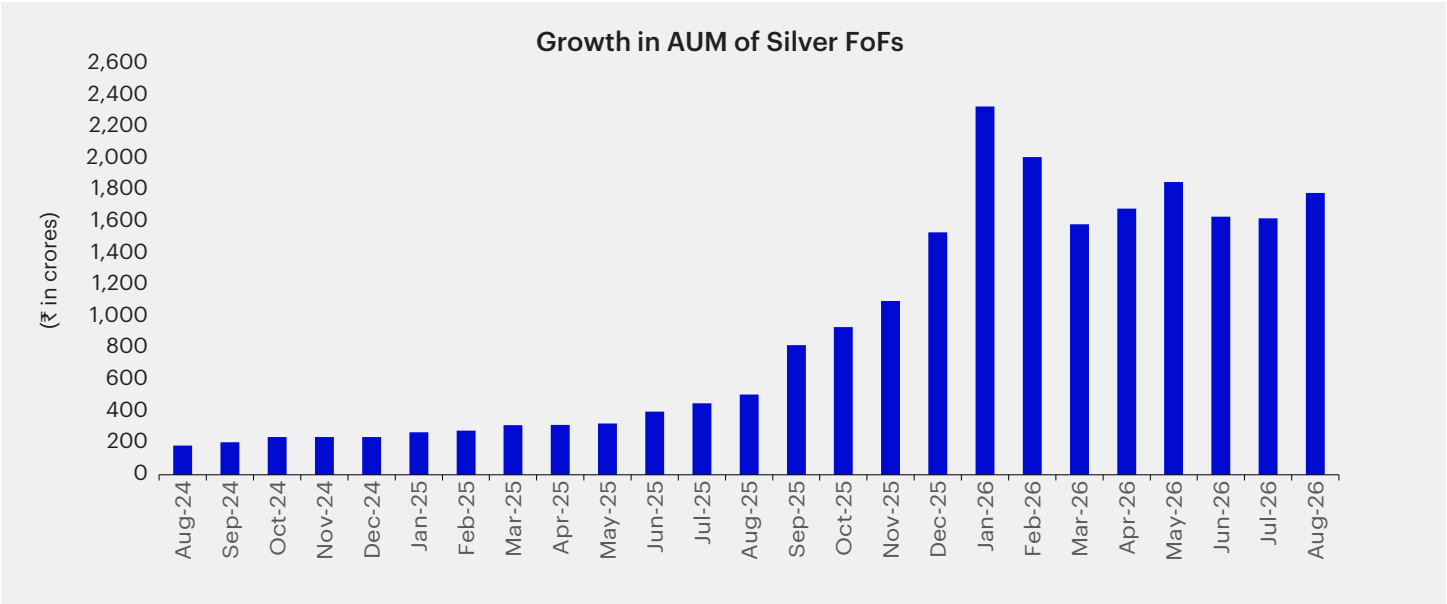
ETFs are bought and sold on recognized stock exchanges during market hours, typically require trading and demat account. While, FOFs are purchased and redeemed with the fund house at the end-of-day NAV, typically through SIP or lumpsum facility.

The recent correction in silver prices presents a valuable opportunity for long-term investors. Staggered investments offer lower volatility and better downside protection, especially when silver is viewed as a complementary addition to investors' overall asset allocation goals.



Source: Association of Mutual Funds of India

The number of folios of silver ETFs soared 257% on year in September 2026, while the net AUM jumped 124% on year to reach Rs. 816 billion. Precious metals, including silver ETFs, witnessed ~29% price surge over the year.



Silver FoF AUM has witnessed sharp growth over the last two years, rising from Rs. 1.85 billion in August 2024 to Rs. 17.84 billion in August 2026, an increase of nearly 10 times. Steady momentum was seen through mid-2025 before accelerating significantly from September 2025 onward, reaching a peak of Rs. 23.3 billion in January 2026. Although AUM moderated thereafter, it remained substantially higher than the levels recorded in the previous year.

Precious metals rose sharply in December-January 2026 due to global uncertainties, changing currency trends and growing demand for safe-haven assets, driving investors to buy precious metals as a protection against market risks and pushing prices to exorbitant levels. Silver mutual funds, therefore, offer a cost efficient and operationally simple way to incorporate silver into long-term portfolios. The growth in both folios and AUM highlights a shift towards appreciation of hard assets, with more investors embracing silver mutual funds to balance risk and uncertainty in an evolving global financial landscape.

Summing Up

Silver’s investment case is increasingly supported by the confluence of structural industrial demand and its traditional role as a monetary metal. The acceleration in clean-energy technologies, particularly solar installations alongside the supply constraints, this metal could remain structurally well supported over medium term. It is important to note that investors should have a measured and disciplined allocation approach.

Silver should not be positioned as a standalone bet, but rather as a strategic allocation within a diversified portfolio. For diversified portfolios, silver can act as a tactical complement to gold and equities.

Portfolio allocations to precious metals can vary depending on risk tolerance and strategic considerations, usually conservative investors may have 3-5% allocation in their portfolio while commodity tilted portfolios may have up to 10%. Given the metal’s volatility, a staggered or buy on dips strategy is often more effective than lumpsum investing at elevated levels. For most investors, Silver ETFs and FoFs provide the simplest route to seek allocation in Silver. Its ability to function both as a hedge and a growth-linked commodity is something that makes it unique. Following the higher tariffs and global uncertainties last year, silver offers a differentiated risk-return profile. For investors ready to tolerate volatility, measured exposure through mutual funds can enhance portfolio diversification.

Source: CRISIL intelligence

Disclaimer: This document alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as investment advice to any party. All figures and data included in this document are as on date. The statements contained herein may include statements of future expectations and other forward looking statements that are based on the prevailing market conditions / various other factors and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. The data used in this document is obtained by Invesco Asset Management (India) Private Limited (IAM) from the sources that it considers reliable. While utmost care has been exercised while preparing this document, IAM does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. The information provided is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use is prohibited or which would subject Invesco Asset Management (India) Private Limited (IAM) or its affiliates to any registration requirement within such jurisdiction or country. It shall be the sole responsibility of the viewer to verify whether the information expressed herein can be accessed and utilized in their respective jurisdictions. The content of this document is intended solely for the use of the addressee. If you are not the addressee or the person responsible for delivering it to the addressee, any disclosure, copying, distribution or any other action taken or omitted to be taken in reliance on it is prohibited and may be unlawful. The readers should exercise due caution and/or seek appropriate professional advice before making any decision or entering into any financial obligation based on information, statement or opinion which is expressed herein.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.