



Will gold regain its sheen with buyers?

Mouthwatering returns from equities has led investors to stay away from gold funds this season.

It is that time of the year when Indians rush to buy gold to mark the occasion of Dhanteras, which is considered to be an auspicious time for buying the yellow metal.

With the negative returns generated by gold funds over the past one year, we asked financial advisors and AMCs if investors are keen to invest in gold funds this season.

Lackluster performance of the yellow metal is deterring clients from investing in gold, say advisors. Hemant Rustagi of Wiseinvest Advisors says, "Unlike while buying physical gold, clients look at the past returns of gold funds when it comes to investing in paper gold. Rather than chasing performance, investors should maintain their asset allocation at all times."

Gold has also lost its sheen in the eyes of investors due to the stellar performance of equities. Chirag Mehta, Fund Manager, Commodities, Quantum Mutual Fund says, "As compared to last year the demand for gold funds has been low this year since investors are attracted to equity funds."

Despite the lackluster performance of gold, financial advisors say that investors should park certain percentage of their investible assets in gold funds at all times. Hemant Rustagi suggests, "It is advisable to have 5%-10% of the total investment corpus in gold. SIP in gold is a good option."

Import restrictions laid by the government has also impacted the demand for gold. Vishal Dhawan of Plan Ahead Wealth Advisors says, "Once the government relaxes import restrictions, domestic demand may bounce back".

Even though the interest for gold funds is tepid this season, advisors feel buyers will be back in the market. Vishal Dhawan adds, "Whenever the US dollar strengthens, the price of gold falls. Gold will react positively when the value of Indian rupee rises. However the gold market is bearish in the short run."

"Even though gold looks attractive, people get into wait and watch mode. The demand has been less this season as investors were expecting gold prices to fall further. People usually do their asset allocation based on the trend in the market," adds Chirag.

10/22/2014

Gold ETFs reflect domestic prices of gold. Falling gold prices has led investors to desert Gold ETFs. Over a one year period, gold has been the worst performing asset delivering – 9% return, shows Value Research data.

Investors have pulled out Rs. 978 crore from Gold ETFs as on September YTD. As a result, the assets under management have fallen sharply from close to Rs. 10,000 crore last year to Rs. 7,277 crore as on September 2014, shows AMFI data.