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Market Watch

# Gold mutual funds top chart with 23% returns in one year. Is it time to invest?

BY SHIVANI BAZAZ, ET ONLINE | SEP 18, 2019, 11.11 AM IST

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Gold is shining once again on the back of slowdown fears in the [global economy](#). Gold [mutual funds](#) are topping the returns chart in one year, beating the [long duration bond fund](#), [gilt fund](#) and all equity mutual fund categories. These schemes are giving an eye-popping 23.81 per cent returns in one year and 16.64 per cent returns in three months. Is it time to diversify into gold funds? Most investment pundits had given up on gold after its poor run in the last few years.

A combination of factors such as falling interest rates in the backdrop of failing growth, trade war, and rising crude oil prices has created a perfect scenario for gold bulls. "The dovish stance adopted by all the major central banks globally re-affirms the fact that all is not well from an economic stand point. To add to that the Brexit issue, slowdown in resolution of US-China trade war and on-going geopolitical tensions in the Middle East, will keep the safe haven appeal in gold intact," says Pritam Kumar Patnaik, Head - Commodities, Reliance Commodities.

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Pundits believe the demand from central banks for physical gold and growing investments in [Gold ETFs](#) globally indicate a sustained long-term investment interest in the precious metal. This is the reason why many commodity experts continue to be bullish on the yellow metal despite the recent rally.

"Gold outlook from here is very positive. So, we can expect gold funds to continue to do well in the next couple of years. The recent spike in crude oil prices, tension in middle east, has given another push to gold globally," says [Chirag Mehta](#), senior fund manager-alternate investments, [Quantum Mutual Fund](#).

The oil prices spiked as a consequence of the drone attack on Saudi Arabia's oil facilities, which resulted in an aggravation in the geopolitical tensions in the region. Experts believe that if the situation were to worsen, we could see gold prices rally further. The gold prices stand at Rs 39,010 per 10 grams in India, which is \$1,502.10 per ounce globally.

While the future for the yellow metal looks bright, chances are that it might not replicate its current performance. "See, no category of mutual funds can be expected to perform brilliantly year on year. These categories see highs and lows. Gold funds might not be able to give you 23 per cent next year also, but on an average they can be a good alpha generating asset class," says Chirag Mehta.

Mutual fund advisors and fund managers believe that if you do not have allocation to gold, you can start investing now. "Gold funds are not a bad investment, but it should suit your portfolio. If you are a conservative investor who wants to save for gold for a later stage in life, it is better to go via the SIP mode," says Vishal Dhawan, Founder, Plan Ahead Wealth Advisors. Chirag Mehta believes that if you already have exposure to gold, you should stick to it. "Gold is a good asset class to diversify. If it suits your portfolio, you should have a 10-15 per cent allocation to gold funds. If you already have this much, you don't need to overdo because of the current scenario," says Chirag Mehta.

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