



# How to Smartly Invest in Gold

An Investor Education and Awareness Initiative  
by Franklin Templeton Mutual Fund



# Importance of Gold

- Store of Value
- Reserve Currency
- Hedge against Economic Pressures
- Pledging during Emergency Purpose
- Portfolio Diversification



# Perils of Investing in Physical Gold

- High Holding Cost
- Quality
- Premium
- Re-sale Value
- Tax



# Gold Exchange Traded Funds (Gold ETFs)

- Gold ETF is an instrument representing ownership of Gold asset
- They are open-ended funds that track prices of Gold
- Gold ETFs are traded on the stock exchange
- To own units of Gold ETFs you need to have a demat account along with a share trading account
- A contract indicating your ownership of Gold



# Advantages of Investing in Gold ETFs

- Convenience
- Low cost
- Quality
- No premium
- Resale value
- Taxation



- Gold funds are Fund of Fund schemes which invest their corpus into an underlying Gold ETF
- They benchmark their performance against the prices of physical Gold
- Gold funds are passively managed
- Units of Gold funds are allotted in a paper form which are reflected in the mutual fund account statement
- Annual expenses charged by Gold funds may be comparatively higher than what are charged for Gold ETFs
- The cost includes fund management cost along with the cost of Gold ETFs
- Gold funds, along with lump sum investing, also offer investors the Systematic Investment Plan (SIP) mode

# Advantages of Investing in Gold Funds

- **Added Convenience**
- **Reduces holding cost as one does not have to incur charges such as:**
  - Annual Maintenance Charge for Holding a Demat Account
  - Delivery Brokerage Charges
  - Transaction Charges (while Investing in Demat Mode)
- **Liquidity is Not Restrained by the Fund**
- **The SIP mode of investing provides investors with advantages such as:**
  - Discipline While Investing
  - Rupee-cost Averaging
  - Compounding

# Points to Evaluate While Exploring the Smart Ways of Investing in Gold ...

- Percentage of Gold Holdings
- Tracking Error
- Expense Ratio
- Performance Track Record of Gold ETF to Judge - How much returns you can expect





# Points to Remember...



- Gold is a store of value
- Gold is also used as reserve currency
- Gold acts as a hedge during uncertainties
- Gold can be an effective Portfolio diversifier
- Avoid investing in gold in the physical form
- Investing in physical gold carries with it high holding cost
- You also tend to pay more than the market price due to the premium charged by jewellers and banks

# Points to Remember...



- If the physical gold that you've bought is not from a reliable source then its quality can come under question
- Gold ETF and Gold fund are unconventional and smart ways of investing in gold
- Gold ETFs are listed on the stock exchange
- Gold funds are open-ended Fund of Fund schemes
- Both Gold ETF and Gold funds benchmark their performance against the prices of physical gold
- By buying into Gold ETFs and Gold funds you represent ownership of gold asset

# Points to Remember...



- Gold ETFs and Gold funds are convenient ways to invest in gold
- The cost of investing in them is low and quality is not questionable
- Transacting in Gold ETF is at the prevailing market price, while in the case of mutual funds it is at the prevailing NAV
- Gold funds offer you the option to invest via the SIP mode
- While investing in gold the smart way, you should evaluate: Percentage of Gold Holdings, Tracking Error, Expense Ratio and the Performance Track Record

# Lets Do A Short Quiz!



**We now invite you to test your learning by taking up this simple quiz  
(And Win Exciting Prizes!)**



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**Thank You For Participating!**

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# Quick Quiz

- 1) Which of the following are the unconventional and smart ways of investing in gold?
  - A. Jewellery
  - B. Gold ETFs
  - C. Gold funds
  - D. Bars and coins
  
- 2) Gold funds offer you the SIP mode of investing
  - A. True
  - B. False
  
- 3) \_\_\_\_\_ are listed on the stock exchange.
  - A. Gold funds
  - B. Gold ETFs

# Quick Quiz



- 4) Transacting in Gold ETF is at \_\_\_\_\_.
- A. Premium
  - B. Prevailing NAV
  - C. Prevailing market price
  - D. Ad-hoc price
- 5) As per the existing taxation structure, Taxation of Gold ETF and Gold funds are similar to \_\_\_\_\_
- A. Equity Mutual Funds
  - B. Stocks
  - C. Fixed Deposits
  - D. Debt Mutual Funds





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



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