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

- 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
We now invite you to test your learning by taking up this simple quiz (And Win Exciting Prizes!)
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
Mutual Fund investments are subject to market risks, read all scheme related documents carefully.