

October 21, 2025

The Enduring Case for Gold in your Investment Strategy!

What's the Point?

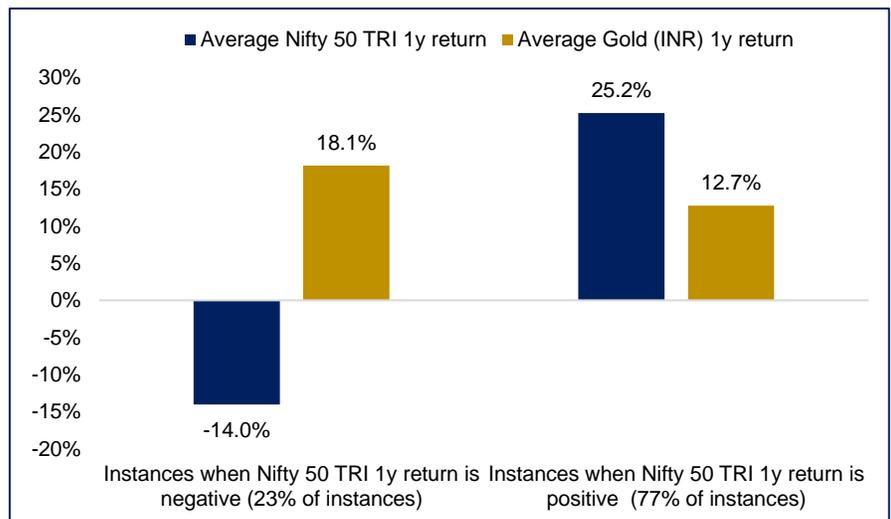
- Gold continues to play a vital role in a well-balanced investment portfolio. It has demonstrated resilience by appreciating during periods when equity markets experienced stress.
- It serves as a buffer against currency depreciation and inflation.
- Given the sharp rally in Gold, investors could consider Systematic Investment Plan (SIP) to participate in the long-term potential of Gold, while averaging out its price fluctuations.

Most discussions on Gold as an investment option centre around one's view on Gold. This note moves away from sharing a view on the "price" of Gold to "how Gold fits one's asset allocation". For the following results, Gold prices are presented in INR and do not include any customs duties, local taxes etc., unless otherwise specified.

On an average, Gold has appreciated whenever Equities have fallen

The equity market touched a bottom during the pandemic on 23rd March, 2020; the 1-year return of NIFTY 50 TRI was -32.7%, while Gold rallied 30.7% over the same time. NIFTY 50 TRI has delivered negative 1 year returns during 23% of the instances since June 1999 till September 2025 (based on daily rolling 1-year returns). In such instances, when equity market 1y returns have been negative, **Gold** has provided:

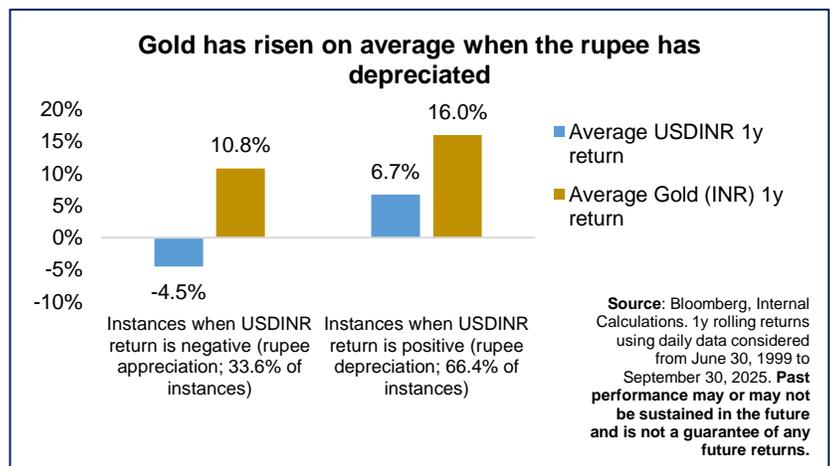
- Positive returns with an 86% probability, serving as a stabilizing force in such times
- 18.1% return on average vs -14% average return for the NIFTY 50 TRI



Source of the Above Chart: Bloomberg, NSE Indices Ltd., internal calculations. 1y rolling returns using daily data from June 30, 1999 to September 30, 2025. **Past performance may or may not be sustained in the future and is not a guarantee of any future returns.**

Gold: A Buffer against Currency Depreciation

As a store of value, Gold helps provide a buffer against currency depreciation. The rupee has depreciated vs. the US dollar in 66% of instances from June 1999 to September 2025 (based on daily rolling 1-year returns). In such periods, Gold has delivered 16% average return, compared to a rupee depreciation of 6.7% on average. Thus, Gold has provided a buffer against rupee depreciation in strong USD environments. In weak USD environments (34% of the instances), Gold has delivered an average return of 10.8% compared to average rupee appreciation of 4.5% over the same period.



Gold has been largely effective in beating inflation over the long term!

The chances that Gold beats inflation, that is, delivers positive real returns, increase as the holding period increases.

As the table below shows, Gold has delivered positive real returns ~77% of the time over rolling 5-year periods since June 1999 (using monthly rolling returns). However, if the holding period drops to 1 year, the chances of earning positive real returns reduces somewhat. Gold delivered positive 1-year real returns, around 68% of the time.

Longer Holding Period → Higher Chances of beating Inflation

Real Return CAGR (%)	Historical Probabilities of beating Inflation			
	1 years	3 years	5 years	10 years
More than 0%	67.7%	78.9%	76.9%	88.2%

Source: Bloomberg, internal calculations. Daily rolling returns considered over the period June 30, 1999 to September 30, 2025. Difference between Gold CAGR and CPI-IW CAGR used to compute real returns. CPI – IW = Consumer Price Index – Industrial Workers. This inflation series has been used as long-term data is available. **Past performance may or may not be sustained in the future and is not a guarantee of any future returns.**

Thus, while Gold is perceived to be a hedge against inflation, the data above shows its ability to beat inflation increases with holding periods of at least 3-5 years.

Gold has seen a price rally. *Is it an opportune time to invest?*

Given the sharp rally in the price of Gold, investors could consider SIP as an option to get exposure at the current juncture. Maintaining Gold in the portfolio, per the investor's asset allocation, can help reduce overall portfolio volatility.

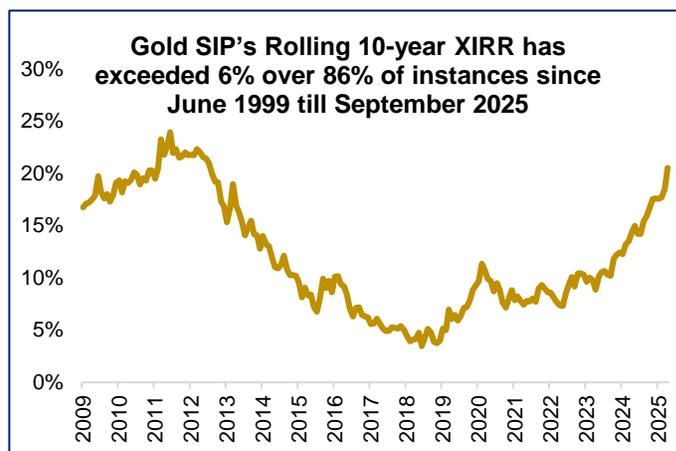
SIPs could work well with Gold too!

SIP remains an effective tool to manage the volatility inherent in Gold, as investors accumulate more units when the price of Gold dips. Other advantages of investing via SIP are –

- Investors can invest a small amount every month which may help create the discipline of regular investing
- Prevents over-allocation / panic buying, if Gold experiences sharp rallies especially during equity market stress
- Drawdowns allow investors to steadily add units through time

Increasing the duration for SIPs increases the chance of making healthy returns. For example, over 86% of historical 10-year SIPs since June 1999 have returned an Extended Internal Rate of Return (XIRR) of >6%. Meanwhile, none of the SIPs over that same period yielded negative XIRRs.

Source of the Right-hand Side Chart: Bloomberg, internal calculations. Assuming Rs. 10,000 invested systematically on the first day of every month for 10 year rolling monthly periods. Period of analysis is from June 1999 to September 2025. CAGR returns are computed after accounting for the cash flow by using XIRR method (investment internal rate of return) for Gold (INR) without duties and taxes. The above investment simulation is for illustrative purposes only and should not be construed as a promise on minimum returns and safeguard of capital. **Past performance may or may not be sustained in future and is not a guarantee of any future returns.**



Conclusion

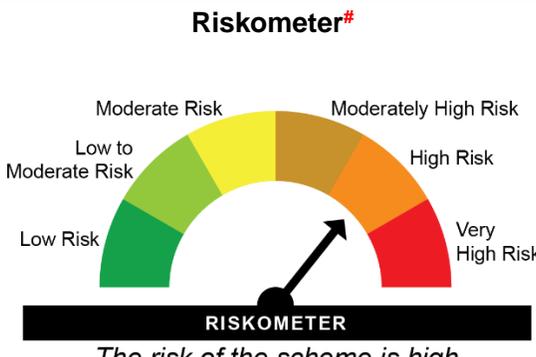
In an increasingly multipolar world, trade frictions and geopolitical tensions are likely to support demand for Gold as a politically neutral safe-haven asset going forward. Central banks can remain steady buyers as they diversify reserves and gradually reduce reliance on the US dollar. There is potential for global Gold ETF demand to recover. The above factors, along with a strong historical track record of protecting investors against a variety of risks – equity and bond market volatility, currency depreciation, inflation etc. highlight Gold's enduring appeal as a key holding for investors to build resilient portfolios. Investors can consider investing small amounts regularly through SIP, without the hassle of storage or purity concerns through HDFC Gold ETF and HDFC Gold ETF Fund of Fund.

About Tuesday's Talking Point (TTP): TTP is an effort by HDFC AMC to guide key conversations in the Indian financial markets and investing ecosystem. We aspire to do this by providing relevant facts, along with our perspective on the issue at hand. Please provide your feedback at this link: <https://forms.office.com/r/Cr8JNjMGWk>

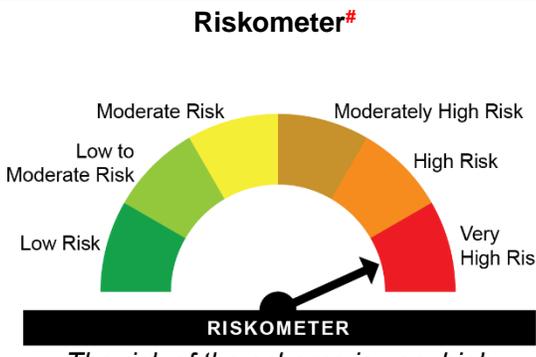
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MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

Product Labelling and Riskometer of HDFC Gold ETF

<p>HDFC Gold ETF (An open ended scheme replicating/tracking performance of Gold) is suitable for investors who are seeking*:</p> <p>NSE Symbol: HDFCGOLD BSE Scrip Code: 533230</p>	 <p>Riskometer[#]</p> <p>Moderate Risk Moderately High Risk</p> <p>Low to Moderate Risk High Risk</p> <p>Low Risk Very High Risk</p> <p>RISKOMETER</p> <p><i>The risk of the scheme is high</i></p>
<ul style="list-style-type: none"> Returns that are commensurate with the performance of gold, subject to tracking errors, over long term. Investment in gold bullion of 0.995 fineness. 	
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p> <p>#For latest riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. www.hdfcfund.com.</p>	

Product Labelling and Riskometer of HDFC Gold ETF Fund of Fund

<p>HDFC Gold ETF Fund of Fund (An open ended Fund of Fund scheme investing in HDFC Gold ETF) is suitable for investors who are seeking*:</p>	 <p>Riskometer[#]</p> <p>Moderate Risk Moderately High Risk</p> <p>Low to Moderate Risk High Risk</p> <p>Low Risk Very High Risk</p> <p>RISKOMETER</p> <p><i>The risk of the scheme is very high</i></p>
<ul style="list-style-type: none"> Capital appreciation over long term. Investment in Units of HDFC Gold ETF (HGETF). HGETF invests in gold bullion of 0.995 fineness. 	
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p> <p>#For latest riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. www.hdfcfund.com.</p>	