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GOLD ETF FOFs AND SILVER ETF FOFs

Precious metals, especially **gold and silver**, have always held a place of significance in an investor's portfolio. Beyond their traditional appeal, they now play a strategic role in **diversified and inflation-resilient investment portfolios**. With the launch of **Gold ETF Fund of Funds (FoFs)** and **Silver ETF FoFs**, investors can now access these asset classes easily—without needing to buy, store, or insure physical metal.

What Are Gold and Silver ETF Fund of Funds (FoFs)?

A **Fund of Fund (FoF)** invests in another fund rather than directly in securities. In this case:

- A **Gold ETF FoF** invests in **units of Gold Exchange Traded Funds**, which in turn hold physical gold.
- A **Silver ETF FoF** invests in **units of Silver ETFs**, which hold physical silver.

This structure enables investors to participate in the price movements of gold and silver without requiring a **Demat account**, as FoFs can be purchased and redeemed like regular mutual funds.

Why Invest in Gold and Silver ETF FoFs?

a. Inflation Hedge

Gold and silver have historically served as **effective hedges against inflation**. When prices rise and currency value falls, precious metals often retain or increase in value, preserving purchasing power.

b. Portfolio Diversification

Both metals have a **low correlation with equities and debt instruments**, meaning their performance often differs from traditional asset classes. Including them in a portfolio helps **reduce overall volatility** and improve **risk-adjusted returns**.

c. Easy Access and Liquidity

Unlike physical gold or silver, ETF FoFs provide **high liquidity, transparent pricing, and ease of investment and redemption** through regular mutual fund channels.

d. Purity and Transparency

Each unit of Gold or Silver ETF is backed by **99.5% pure gold** or **99.9% pure silver** stored in secure vaults. This ensures transparency and eliminates concerns about purity, storage, or security.

e. No Need for Demat Account

ETF FoFs can be held like any other mutual fund—through SIP or lump sum investments—making them **accessible even for first-time investors**.



Role in a Diversified Portfolio:

Investor Objective	How Gold/Silver FoFs Help
Capital Preservation	Provide safety during market downturns.
Inflation Protection	Maintain value when currency weakens.
Tactical Allocation	Capture opportunities from commodity upcycles.
Long-Term Stability	Offer steady returns with minimal correlation to equities.

A prudent allocation of **5–10% of the total portfolio** to gold and silver FoFs can meaningfully enhance portfolio stability over time.

Comparing Gold and Silver FoFs:

Parameter	Gold ETF FoF	Silver ETF FoF
Asset Base	More established, stable historical performance	Relatively newer, higher volatility
Use Case	Inflation hedge and wealth preservation	Industrial and investment demand play
Ideal Holding Period	Medium to long term (3+ years)	Medium term (2–5 years)

Conclusion

Gold and silver have evolved from traditional stores of value to **modern financial assets** that can be conveniently accessed through mutual fund platforms. By investing in **Gold and Silver ETF FoFs**, investors gain:

- Hassle-free exposure to precious metals,
- Inflation protection,
- Diversification benefits, and
- The potential to balance risk and return during uncertain market phases.

As part of a well-constructed asset allocation plan, these funds can play an important defensive and strategic role in wealth creation.



Top 5 Gold ETF FOFs:

Fund Name	5 Year Return
SBI Gold Fund	28.70
ICICI Pru Regular Gold Savings Fund (FOF)	28.63
HDFC Gold ETF FOF	28.58
Nippon India Gold Savings Fund	28.47
Kotak Gold Fund	28.43

Returns as on 31st October, 2025.
Data from ET Money

Top 5 Silver ETF FOFs:

Fund Name	3 Year Return
HDFC Silver ETF FOF	33.9
Axis Silver FOF	33.8
ABSL Silver ETF FOF	33.7
ICICI Pru Silver ETF FOF	33.6
Nippon India Silver ETF FOF	33.5

Returns as on 31st October, 2025.
Data from Groww

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* Mutual funds are subject to market risks. Please read all scheme-related documents carefully before investing. Past performance does not indicate future results. Investments are subject to market fluctuations, and there is no assurance of returns.

