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| 04:05 PM   31 MAR<br><b>MARKET STATS</b> ▼ | SENSEX<br><b>29,620</b> ▼ -26.92 | NIFTY 50<br><b>9,174</b> 0.00 | GOLD (MCX) (Rs/10g.)<br><b>28,451</b> ▼ -91.00 | USD/INR<br><b>64.85</b> ▼ -0.07 | <b>CREATE PORTFOLIO</b> | <b>Download ET MARKETS APP</b> | CHOOSE LANGUAGE<br>ENG |
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## Gold funds hit badly by poor show, sovereign gold bond issue

By [Shivani Bazaz](#), ECONOMICTIMES.COM | Updated: Mar 31, 2017, 12.30 PM IST

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Investors, it seems, are losing patience with [gold](#) funds. According to mutual fund advisors, more and more investors are moving out of the [gold funds](#) since November last year because of the poor performance of golds fund over the past five years. The government's sovereign gold bond scheme is also taking the wind of out gold mutual fund schemes, say investment advisors.

Gold ETFs witnessed a net outflow of Rs 46 crore in February, higher than the net outflows in January (Rs 35 crore) and December (Rs 26 crore).

"I have seen investors getting irritated by the poor performance earlier as well, but now they have started moving out of the gold funds," says Jayant Vidhwans, a SEBI-registered financial advisor. Vidhwans adds that though general investors invest in gold funds only for diversification, they are completely disappointed with their gold investment and they are now shifting their money to other assets.

The gold funds have offered negative returns in both short and long investment horizons: they returned -0.92 per cent in the last five years, -0.91 per cent in three years, -0.54 per cent in one year and -2.99 per cent in the last month.



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Vishal Dhawan, Founder, Plan Ahead Wealth Advisors, says that investors are looking at other options when it comes to investing in

commodities. "Investors have been bearing with gold funds for long but now they are drifting towards sovereign gold bonds," says Dhawan.

According to Dhawan, the reason for the drift from gold funds to sovereign gold bonds is that they pay an interest in addition to returns they would get from the price change. Sovereign Gold Bond's 2016-17-Series IV, tranche 7 was open for sale from February 27 to March 3. Dhawan says this is one of the crucial factor that led investors to move out of gold funds. According to data from AMFI, gold ETFs saw a net outflow of Rs 46 crore in February.

Things are not looking bright for gold in the coming days. The rate hikes by US Fed may drag gold prices further down. "I don't see any major change in the returns of gold funds in the coming days because the Fed will be raising rates. The Indian rupee is also strong," says Jayant Vidhwans.

Gold funds are used to diversify the mutual fund portfolio of an investor. "Gold funds are a hedge and the allocation should not be more than five to ten per cent in your portfolio. I think investors should stick to them and not expect high returns," says Vishal Dhawan.

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