



## YOUR MONEY

### PRECIOUS METAL ETFs

# Avoid overexposure after recent runup in gold and silver prices

HIMALI PATEL

Gold and silver exchange-traded funds (ETFs) saw record net inflows of ₹4,085 crore in June 2025. Gold ETFs received ₹2,080 crore, while silver ETFs attracted ₹2,005 crore. After the sharp price rally in these ETFs in recent times, experts suggest avoiding overexposure to them.

### Price performance driving inflows

Gold prices have risen steadily over the past two years, a major driver being sustained buying by central banks. Recent price performance has been a major driver of flows.

“Gold prices rose in June. Also, growing uncertainty led investors to view gold as a safe haven,” says Satish Dondapati, fund manager, Kotak Mahindra Asset Management Company (AMC). Silver is benefiting from

strong industrial demand. “There has been strong demand from industries like solar power, electric vehicles, electronics, and AI (artificial intelligence) chips,” says Dondapati.

Nearly a third of global silver demand comes from cleantech and renewable energy applications. “This structural demand is expected to keep the silver market in deficit in the coming years,” says Vikram Dhawan, head-commodities and fund manager, Nippon India Mutual Fund. Limited supply has widened the demand-supply gap, driving silver to record highs in India.

Silver’s recent price performance has also led to enhanced investor interest. Many investors track the gold-to-silver price ratio, which rose above long-term averages due to the sharp rise in gold prices. “The gold-to-silver ratio reached 100

in April 2025, indicating silver’s undervaluation vis-à-vis gold, as the ratio historically moves between 50 and 80,” says Gurvinder Singh Wasan, senior fund manager, Baroda BNP Paribas Mutual Fund. This led to a catch-up rally in silver. Advisors emphasise diversification across asset classes, which augurs well for the demand for these ETFs. Inflows may persist in the near term, supported by the above-mentioned factors.

### Risks to future flows

An increase in US interest rates would make bonds more attractive and reduce the appeal of gold ETFs. A stronger dollar would also weigh on gold prices. An improving economy would shift investor preference to risky assets. “As equity markets pick up, flows into gold ETFs could possibly slow down,” says Wasan. A decline in geopolitical risk would similarly reduce the demand for this safe-haven asset.

Silver could face risks from a possible slowdown in clean energy investments. “This could

occur if subsidies and policy support are rolled back in the US under the Trump administration, or if China’s solar manufacturing sector decelerates significantly,” says Vikram Dhawan.

Silver’s demand stems from its use in solar panels, electronics, and electric vehicles. “A slowdown in these sectors — due to technological changes or delays in energy transition — can negatively affect silver’s appeal,” says Vaibhav Porwal, co-founder, Dezerv. Changes in import duties on precious metals in India would also create price volatility and affect the performance of these ETFs.

### Limit exposure

Exposure to gold and silver should be capped at 10 per cent of the portfolio. “Within that, a 75:25 split in favour of gold is recommended,” says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors. Given recent price gains, he recommends a seven to 10-year investment horizon and staggered purchases via systematic investment plans (SIPs) or systematic transfer plans (STPs).

Vikram Dhawan cautions against tactical trading in precious metal ETFs and recommends using them instead as portfolio diversifiers. Vishal Dhawan cautions that past returns from gold and silver may not be sustainable, hence investors should not overexpose their portfolios to them. Porwal recommends choosing ETFs with low expense ratio and minimal tracking error.

## Precious metal ETFs’ performance

### Category average returns (%)

Period	Gold ETFs	Silver ETFs
1-year	29.7	19.1
3-year	23	25.2
5-year	13.5	-
10-year	12.8	-

ETF: Exchange-traded funds  
Source: PBCS.in