

# Multi asset allocation funds lag behind gold and silver across horizons. Is it time to relook at your portfolio?

By Surbhi Khanna, Published on: October 06, 2025.



Multi-asset allocation funds, which are designed to offer diversification by investing across different asset classes, have lagged precious metals funds across time horizons, an analysis by ETMutualFunds showed. Experts attribute the metals' outperformance to heightened global uncertainty, sticky inflation concerns, and consistent central bank buying pushing them to new highs, while multi-asset funds trailed due to their very structure.

“The recent surge in gold and silver can largely be attributed to heightened global uncertainty, sticky inflation concerns, and consistent central bank buying. These dynamics pushed precious metals to new highs, while multi-asset allocation funds lagged because of their very structure. Such funds usually hold only 10–15 percent in gold and silver, with the bulk invested in equities and bonds,” Vishal Dhawan, founder, Plan Ahead Wealth Advisors told ETMutualFunds.

The expert further says that whilst equities struggled with volatility and trade wars, and bonds lost value as yields rose, these allocations pulled down overall returns for multi asset allocation funds whereas gold ETFs, by contrast, fully captured the rally because they directly tracked the metal's price. “Yet, it is precisely this diversified structure that helps multi-asset funds balance risk: while they may not capture sharp commodity rallies, they also shield investors from the deep drawdowns that can come from concentrated exposure to a single asset class,” Dhawan adds.

Having a similar opinion, Pallav Agarwal, Certified Financial Planner, Bhava Services LLP told ETMutualFunds that the gold and silver exposure in multi asset allocation funds is limited to 20-25%, these funds invest in equities and debt also and in some cases international equity, Invits and REITs and because of that the return of these funds and gold & silver can be very different. When it comes to the risk analysis, as multi asset funds are diversified across other asset classes, they are less risky as compared to pure commodity funds.

The analysis by ETMutualFunds showed that multi asset allocation funds have continuously offered lower returns than gold and silver based ETFs in the shorter as well as the longer horizons.

In the shorter horizons, say one month, three month or current calendar year so far, where gold and silver based ETFs delivered stellar performance with double-digit average returns, multi asset allocation funds gave mostly single-digit average return. In the past year, gold and silver based ETFs gave over 50% average returns, the multi asset allocation funds gave 6.15% as the category average.

## Precious metal funds vs Multi asset allocation funds: Performance scoreboard

	1 Month	3 Months	6 Months	9 Months	1 Year	3 Years	5 Years	Year to date
Gold ETF	12.19%	20.08%	27.94%	51.83%	53.39%	31.12%	17.35%	52.17%
silver ETF	17.48%	34.42%	43.38%	65.73%	58.10%	35.07%		65.72%
Multi asset allocation funds	2.84%	2.74%	10.64%	9.81%	6.15%	17.56%	18.27%	10.10%

(Returns as on October 1, 2025)

Chart: Surbhi Khanna • Source: ACE MF

Post analysing the performance trend and understanding the structure of these funds, should one consider replacing part of their multi-asset allocation funds with direct commodity exposure, or does diversification still offer better risk-adjusted returns?

While addressing this, Agarwal says that if an investor is ready to take a strong call in favour of the commodities (even after such a strong rally), they may invest in commodities, else multi asset allocation funds will offer better risk adjusted returns from here.

Echoing a similar view, Dhawan cautions investors that while it may be tempting to chase strong trailing returns from gold and silver, commodities do not generate income, and long-term wealth creation depends on the compounding power of equities and the stability of debt.

“Replacing a diversified portfolio with a pure commodity bet is not a good idea. Adding commodities in moderation can improve diversification and risk-adjusted returns, but once they dominate the portfolio, they begin to drag on growth.”

“Multi-asset funds exist precisely to strike a balance between equities for growth, debt for stability, and commodities for protection in uncertain times. A more prudent approach is to treat gold and silver as a complement, not a replacement,” Dhawan said.

Advising to prefer multi-asset allocation funds now, Bharath S., Head of Equities at Sundaram Mutual Fund says that, “We see one of the key ingredients of long-term wealth creation is balanced asset allocation. Investing in gold and silver ETFs increases concentration risk, alongside attempting to time the commodity cycle. The post-pandemic world is characterized with multiple tail-events, changing geopolitics, trade equations and dynamic policy interventions, leading to sharp swings in investor behaviour. Staying invested in a portfolio of less-correlated asset classes would partly aid mitigate risks arising out of such events.”

## What are multi-asset allocation funds?

Multi-asset allocation funds are hybrid funds that need to invest a minimum of 10% in at least 3 asset classes. These funds typically have a combination of equity, debt, and gold. Some schemes also add international equities, InvITs and REITs.

The equity allocation in the case of multi-asset funds could vary between 0-70%. Aggressive multi-asset funds could typically have 50-65% equity while the conservative ones could have between 35-50%. In the case of multi-asset funds, some schemes that allocate more than 65% to equity enjoy equity taxation. They aim to deliver ease from the volatility linked to plain vanilla equity funds.

Gold ETFs are exchange-traded funds that track the price of physical gold. Each unit of a Gold ETF is backed by a specific quantity of gold, usually equivalent to one gram. They are listed on stock exchanges, and you need a demat and trading account to buy and sell them.

Gold ETFs have been around in the market for a long time now whereas silver ETFs are relatively new entrants in the market compared to gold ETFs as silver ETFs have been in the market since 2022.

Investors invest with an objective to create wealth in the long term, so the question comes whether precious metals help in wealth creation or multi asset allocation funds? Dhawan says that over the long term, multi-asset allocation tends to be more dependable than commodities while equities and balanced portfolios benefit from dividends, earnings growth, and economic expansion, commodities like gold and silver are non-productive and often deliver lower rolling returns over time. “Though they act as useful crisis hedges, their performance can fade once cycles turn. By blending equities, bonds, and limited commodity exposure, multi-asset funds help reduce volatility while staying aligned with long-term wealth creation.”

Agarwal also says that multi-asset allocation funds are better placed for wealth creation in the long term as a major part of these funds is invested in equities and equities have done very well in the long run as compared to other asset classes and at the same time the fund manager of a multi asset allocation funds can dynamically adjust the exposure across asset classes to benefit from the volatility.

According to the last available data by Association of Mutual Funds in India (AMFI), the inflows in multi asset allocation mutual funds dropped by nearly 43% to Rs 3,527 crore in August. In the current calendar year, multi asset allocation funds have witnessed a drop in inflows in the first three months and then saw a surge between April to July.

In 2025 so far, multi asset allocation funds have received a total inflow of Rs 23,989 crore whereas in the current financial year, these funds received a total inflow of Rs 17,967 crore.

The inflows in Gold ETFs in August have surged by 74% to Rs 2,189 crore compared to an inflow of Rs 1,256 crore in July. On a year on year basis, the inflows have gone up by 36% from Rs 1,611 crore in August 2024.

For the last four consecutive months, gold ETFs have witnessed positive inflows after seeing outflows for two consecutive months in March and April of Rs 77.21 crore and Rs 5.82 crore respectively. In the current financial year so far, gold ETFs have received a total inflow of Rs 5,812 crore and in the current calendar year, the total inflow in these ETFs has been Rs 11,466 crore.

In the current macro environment, is there merit in combining both strategies instead of choosing one, to this Agarwal says that an investor should look at factors which are under their control and not play too much on the macro environment and keeping financial goals in mind and the risk profile, asset allocation should be done by an investor.

“After such a strong rally, the momentum in the prices of commodities should subside and we may see a long consolidation phase in the prices of these commodities. Multi asset allocation should continue to do well in the long term as they are diversified across various asset classes,” he adds.

On the other hand, Dhawan shares a different view. According to him, the current global landscape makes a strong case for combining multi-asset diversification with a measured allocation to commodities.

“On the one hand, conditions favour precious metals: expectations of rate cuts, a weaker dollar, and large-scale central bank purchases have supported gold’s rally to new highs, whilst silver benefits both from safe-haven demand and from industrial usage. On the other hand, equities and bonds cannot be ignored,”

Equity markets, though volatile, offer long-term growth potential. Bonds too still offer attractive yields, providing both income and a buffer against equity volatility. In such an environment, a blended allocation appears most sensible. This mix captures the resilience of traditional assets and the protective qualities of precious metals, creating a portfolio that is better equipped to navigate inflationary shocks, geopolitical risks, and the next phase of the economic cycle. History shows that no single asset class outperforms consistently. Given the volatility across markets, multi-asset funds remain robust, and the outlook for them stays positive in our view for long term investors. Investors who prefer to do asset allocation themselves could invest in equities , bonds and precious metals themselves and rebalance on a regular basis,” he added.

One should always consider risk appetite, investment horizon, and goals before making any investment decisions.