

# HDFC Mutual Fund limits subscription in its gold ETF and FoF. What this means for investors?

By Surbhi Khanna: Posted on: Jun 05, 2026



In a first-of-its-kind move, HDFC Mutual Fund has temporarily restricted lumpsum subscriptions into its HDFC Gold ETF and HDFC Gold ETF Fund of Fund (FoF), citing broader economic and market conditions. The decision comes amid a sharp rally in gold prices and a surge in investor inflows into gold-backed investment products.

Under the revised rules, the direct subscriptions of Rs 25 crore and above into the HDFC Gold ETF by large investors will not be accepted from June 8. In the HDFC Gold ETF Fund of Fund, lumpsum purchases and switch-ins will be capped at Rs 10 lakh per PAN per calendar month from June 5. Existing SIPs and smaller investments remain unaffected.

The fund house further said, In HDFC Gold ETF, subscription transactions by large investors directly with HDFC Mutual Fund (i.e. investing a minimum of Rs 25 crore) shall not be accepted from the effective date. In HDFC Gold ETF FoF, lumpsum purchases /switch-ins into the FOF shall be processed only up to a limit of Rs 10 lakh per PAN per calendar month (at first holder level). This limit shall apply in respect of transactions received after cut-off time (3:00 PM) on June 5.”

Market participants believe the move is a prudent response to the growing frenzy around gold investments.

"HDFC Mutual Fund's decision to temporarily restrict lump-sum inflows into its Gold ETF and Gold ETF Fund of Fund is a responsible step. We hope other AMCs also follow suit because excessive financialisation of gold at elevated prices can add to import demand, put pressure on the current account deficit and eventually contribute to rupee depreciation," said Feroze Azeez, Joint CEO, Anand Rathi Wealth.

According to him, investors should avoid chasing returns in gold after a strong rally and instead consider partial profit booking.

Our stance on gold has been very clear. Indians should not only stop buying gold at these levels but also look at selling a small portion of their idle gold holdings. This is not just an investment decision. It is a small sacrifice one can make for the nation, symbolising financial patriotism," he said.

Vishal Dhawan, Co-Founder, Plan Ahead Wealth Advisors, told ETBureau that the objective is to slow down inflows into gold and also protect investors against the higher import duty.

India is estimated to hold nearly \$4 trillion worth of household gold, while the country's current account deficit is around \$65 billion. Azeez argues that even if 1-1.5% of idle household gold is monetised or brought back into circulation, it could have a meaningful impact on India's external finances.

The caution comes after a spectacular run in gold prices over the past year. The HDFC Gold ETF Fund of Fund delivered around 57% returns in the last year, while its assets under management (AUM) surged to nearly Rs 11,464 crore in April 2026 from about Rs 3,870 crore a year earlier, reflecting a near threefold jump in investor interest.

When an asset class becomes fashionable after a sharp rally, discipline becomes even more important," Azeez said.

The step is in view of the ongoing discussion around precious metal imports and their implications for the external account," says Navneet Munot, MD and CEO, HDFC Mutual Fund. "We encourage investors to consider equity and debt mutual funds that channel household savings into productive capital formation, helping finance India's growth, enterprise, and infrastructure needs," adds Munot.

On May 12, the Centre increased customs duty on imports of gold, silver and other precious metals. Under the new structure, the effective import duty on gold and silver has been raised to 15% from 6% earlier. The government imposed a 10% basic customs duty along with a 5% Agriculture Infrastructure and Development Cess (AIDC), sharply increasing the landed cost of imported bullion almost overnight.

Post this increase in customs duty, experts believed that the duty hike could gradually accelerate investor interest in regulated digital alternatives such as Gold ETFs and Gold EGRs, where liquidity, transparency and lower physical handling costs may appear more attractive compared to traditional physical ownership.

The surge in gold demand has broader macroeconomic implications. India imported more than \$70 billion worth of gold in FY26, with precious metals accounting for nearly 14% of the country's total imports. Elevated gold imports increase pressure on the current account deficit and can weigh on the rupee over time, Feroze Azeez said.

HDFC AMC has taken a sensible first step. Investors should avoid fresh lump-sum allocations to gold at current levels, review existing holdings and consider booking profits. At this stage, reducing exposure to gold is both prudent portfolio management and a small contribution to India's financial stability," Azeez added.

While gold continues to play an important role as a diversification tool, advisors suggest that investors should avoid increasing allocations aggressively after a strong rally and instead focus on maintaining balanced portfolios.

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