

# Gold ETFs: A smart way of investing in Gold



February, 2026

Gold holds a special place in the heart of every Indian household — not just as a cultural or emotional asset, but also as a financial one. Traditionally, gold has been purchased in physical form — jewellery, coins, or bars. But with changing times and the rise of digital world, investing in digital Gold viz. Exchange Traded Funds (ETFs), FOF, etc. have emerged as some of the efficient and practical ways to invest in the yellow metal.

Gold ETFs are passive investment vehicles that require minimal management and are traded on stock exchanges just like equity shares. Investors need a demat account to buy or sell them during market hours.

These ETFs eliminate the hassles of physical gold storage and offer transparent, market linked pricing. Typically, the net asset value (NAV) of each ETF unit is directly related to the prevailing price of the underlying metal. For investors looking for long-term exposure to precious metals, ETFs offer a convenient, cost-effective route.

Recent reports suggest Gold ETFs have seen rising investor interest over the last couple of years, especially amid resilient gold prices, market volatility and geopolitical tensions.

## Why are investors choosing Gold ETFs?



### No making charges or storage issues

When you buy jewellery, you're paying in making charges, which do not add to your investment value. Gold ETFs eliminate these costs. They are held electronically in your demat account — no need to worry about lockers, purity testing or security.

### Transparency and liquidity

Gold ETFs are traded on Indian stock exchanges which means investors get real-time pricing. You can buy or sell units during market hours at prevailing prices, offering better liquidity compared to physical gold or gold bars that may come with dealer margins or resale challenges.

### Small ticket investment and SIP option

You don't need to invest large sums to get started. Gold ETFs are highly accessible because a single unit typically represents a fractional weight of gold, allowing even small-scale investors to build their holdings incrementally. Most digital platforms now support Systematic Investment Plans (SIPs) for Gold ETFs, fostering disciplined accumulation and removing the stress of trying to 'time' the market.

### Tax efficient

If held for more than one year, Gold ETFs qualify as long-term capital assets, compared to physical gold which requires 24 months holding period to qualify for LTCG.

### Portfolio diversification

Gold has historically shown low correlation with equity markets, making it a potential hedge during volatility or inflationary periods. Including Gold ETFs in your portfolio may help balance risk.

### Growing popularity

Gold ETFs ended 2025 on a strong note, with net inflows reaching an all-time high of Rs 116 billion (US\$1.29bn) in December, according to data from the Association of Mutual Funds of India, reported World Gold Council (WGC). The foundation of sound investing is asset allocation: not merely chasing the highest returns. Gold plays a vital role here, offering diversification and may offer potential to act as an hedge against geopolitical uncertainty.

### Conclusion

For Indian investors seeking the safety and traditional appeal of gold — but in a modern, convenient, and efficient format — Gold ETFs are a wise choice. Whether you are saving for a future wedding, building an emergency reserve or diversifying your wealth, Gold ETFs can offer the best of both worlds: Gold's timeless value and today's investing ease.

Source: AMFI, Bloomberg – Data as on December 31, 2025.

**Disclaimer:** Views provided above are based on information available in public domain at this moment and subject to changes. Please consult your financial advisor for any investment decision. Past performance may or may not be sustained in future and is not a guarantee of any future returns.

Document intended for distribution in Indian jurisdiction only and not for outside India or to NRIs. HSBC MF will not be liable for any breach if accessed by anyone outside India. For more details, [click here](#) / refer website.