

Gold ETF FOF (Fund of Fund): Simple access to Gold investing



Gold has long been considered an important component of a diversified investment portfolio. Beyond its cultural significance in India, the yellow metal is widely viewed as a store of value and a hedge during periods of uncertainty. According to the World Gold Council's Gold Demand Trends report, global gold demand reached a record 5,002 tonnes in 2025, crossing the 5,000-tonne mark for the first time. The surge was driven largely by strong investment demand as investors turned to gold amid geopolitical tensions, inflation concerns and market volatility.

Central banks have also played a key role in supporting gold demand. The World Gold Council notes that central banks purchased more than 800 tonnes of gold in 2025, continuing the trend of strong official sector buying in recent years. These trends highlight gold's enduring role as a portfolio diversifier and a potential safe-haven asset during uncertain times.

While many investors traditionally purchase gold in physical form such as jewellery, coins or bars, financial instruments like Gold Funds of Funds (Gold FOFs) offer a simpler and more efficient way to gain exposure to the precious metal.

A Gold Fund of Fund is a mutual fund that invests in Gold Exchange Traded Funds (ETFs), which in turn hold physical gold. This structure enables investors to participate in gold price movements without having to deal with storage, security or purity concerns.

KEY BENEFITS OF INVESTING IN GOLD FOF



No demat account required

Unlike Gold ETFs, which require a demat and trading account, Gold FOFs can be purchased directly through mutual fund platforms or distributors. This makes gold investing more accessible for investors who may not have a trading account.



SIP convenience

Gold FOFs allow investors to invest through Systematic Investment Plans (SIPs). This enables investors to start with small amounts and invest regularly over time, helping them gradually build exposure to gold.



No storage or purity hassles

Investing in physical gold often comes with concerns such as storage, insurance and purity verification. Gold FOFs eliminate these issues because they invest in Gold ETFs that hold physical gold of standardised purity, reducing risks associated with theft or quality concerns.



Liquidity and convenience

Units of Gold FOFs can be redeemed directly with the fund house at the prevailing Net Asset Value (NAV), offering investors a convenient way to access their investment when required.



Portfolio diversification

Gold has historically shown low correlation with traditional asset classes such as equities, according to the World Gold Council. Including gold in a portfolio can therefore help improve diversification and potentially reduce overall portfolio volatility.



Professional management

Gold FOFs are managed by professional fund managers who ensure that the portfolio efficiently tracks the performance of the underlying Gold ETFs, making it easier for investors to gain exposure to gold.



Transparency

Like other mutual funds, Gold FOFs provide daily NAV disclosures, enabling investors to track the value of their investment with transparency.

The Bottom Line

In an environment characterised by geopolitical tensions, inflationary pressures and evolving global economic dynamics, gold continues to play a strategic role in portfolios. The World Gold Council highlights that strong investment demand and central bank purchases have supported gold's relevance as a long-term store of value.

For investors seeking a convenient and accessible way to invest in gold without the challenges of physical ownership, Gold FOF offer a practical solution—combining the benefits of gold with the flexibility and transparency of mutual funds.

Source: World Gold Council – Gold Demand Trends. Data as on Feb 28, 2026 or latest available

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