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e-Gold engendered better investment returns than Gold etfs

The robustness of an investment portfolio plays a significant role in the achievement of goals. Among asset classes, gold is considered the most robust. In the current scenario, the investors in Gold have different options to hold gold in electronic forms which is considered as the safest option. Some of the options to invest in Gold as a asset class in India are the e-Gold, launched by National Spot Exchange (NSEL), and the Gold ETFs.

The introduction of e Gold has emerged as a better medium of investing. It is a demat based investment product whose units represent physical gold that is 99.5% pure, with each unit representing 1 gram of gold. Since its launch in March 2010, e-Gold has outperformed other gold investment options in demat form like Gold ETFs. It has offered 85.25 per cent return as compared to gold ETFs which have recorded returns around 78.01 per cent.

The reason behind better performance of e-Gold over Gold etfs is due to its least transaction, brokerage and delivery costs. It also provides the seamless entry and exit, safety and security, zero holding cost, demat statements, convertibility into physical gold, etc, that has attracted a large number of retail and HNI investors to invest in e-Gold.

The annual account maintenance charge (AMC) is another area where an e-Gold has an edge Gold ETFs. Investors have to pay an additional charge between 1 to 2.5% as Annual Maintenance charge (AMC) for holding Gold ETFs units. The asset management fee Or AMC is charged by the fund house, so the return becomes less than the actual increase in the gold price. In case if the Gold prices remain static over the period of time, investors' asset value shrinks by 1-2.5 % per annum in case of Gold ETFs. Therefore the overall return diminishes if the investor holds the Gold ETF units for long time.
Moreover e-Gold is preferable over physical gold or gold jewellery as one does not lose out on any jewellery making costs. One does not require a locker as e-gold is held in demat form, hence it's 100% safe with no holding costs. The concept behind e-gold is Relieving investors of the anxiety and concerns of storage as well as purity, making gold investment more organized and hassle free.

In a span of about 2.5 years, e-gold has yielded an average return of about 48.25% p.a. As a part of diversifying one's investment portfolio, the retail investors should ideally look to reserve 10 %-15 % of one's assets in e-gold. NSEL has provided the SIP software to its Members so that their clients can accumulate e-gold gradually over the period of time in small denominations. The purpose of e-Gold is to park a small fund on Gold on daily, weekly or monthly basis, so that the investor gets decent returns on a long-term basis. The e-Gold units in demat do not attract any mark-to-market profit/loss settlement on a daily basis and also no storage that encourages the investors to hold e-Gold units for long term.

Chart below shows the price diversion of Benchmark e-Gold Price vs. Gold ETFs price:

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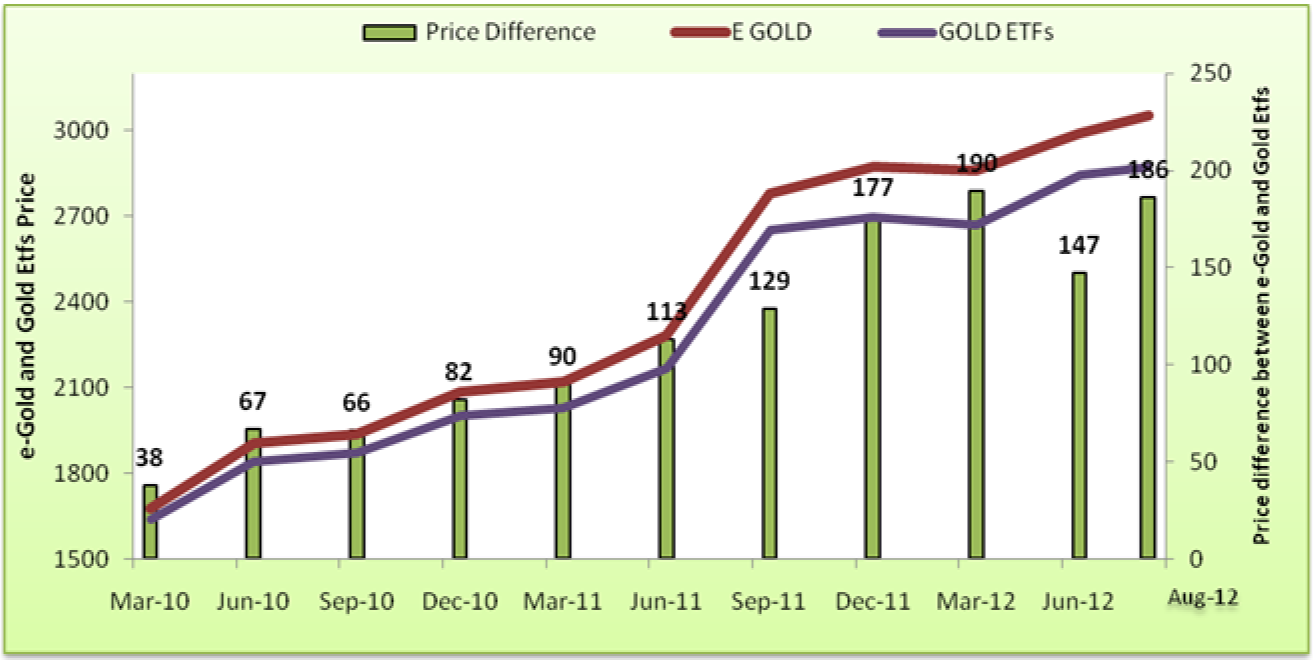
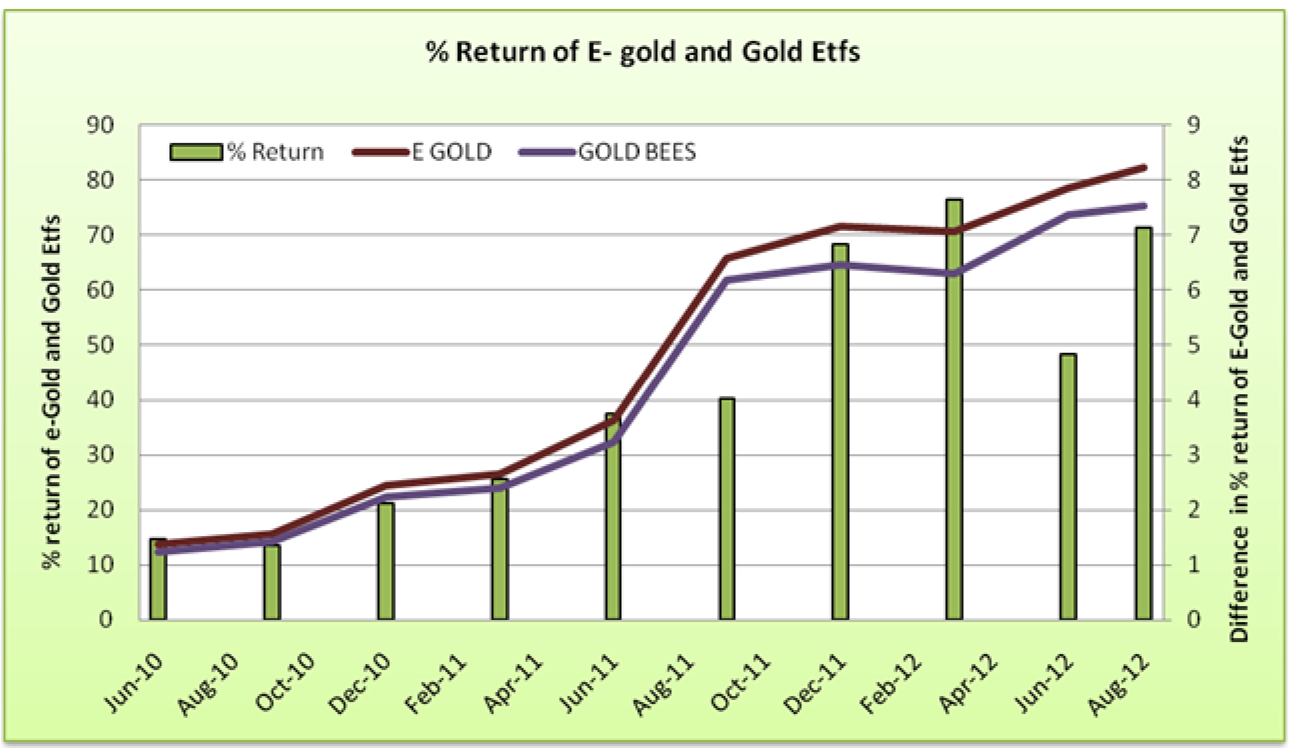


An analysis of the performance reveals that investment in e-Gold units has given investors better returns compared to investment in Gold ETFs as below:



National Spot Exchange
Electronic Spot Market

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It has been noted that the investor if invested in March 2010 in e-Gold has earned 85.25% appreciation in its investment while the Gold ETFs investors has earned nearly 78.01 % on the investment, if calculated on today's price. I.e. investment in e-gold has engendered 7.24 % more returns as compared to Gold ETF.

In view of this comparison between the forms of gold investment based on returns, it can be safely said that e-gold is the most promising forms of investment in gold as compared to gold ETFs or physical gold. Investing in Gold through e gold provides a smart way of taking a portfolio exposure to gold as it closely endeavors to mimic the returns of gold.