Gold Exchange Traded Funds: Global Scenario

(With a special emphasis on Indian Gold Exchange Traded Funds)

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Abstract

Exchange Traded Funds (ETFs) are one of the innovative financial products to emerge from the Financial Industry in the last two decades. ETFs have opened a new panorama of investment opportunities to Retail as well as the Institutional Money Managers.

Exchange Traded Fund is a security that tracks an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange.

At the end of March 2014, the Global ETF industry had 3,690 ETFs, with 8,039 listings, assets of US$2,297 Bn, from 196 providers on 57 exchanges. At present, there are 41 ETFs in India, which concentrate mainly on the Indices, Gold and Money Market.

The first Gold Exchange-Traded Fund was actually launched in March 2003 on the Australian Stock Exchange under Gold Bullion Securities (ticker symbol "GOLD"). Gold ETPs are listed and traded across the world providing investors with a wide variety of gold ETPs. This indicates the importance of the gold ETP to the investors as a way to access the gold price. In this context, the study is undertaken to assess the growth and progress of the Gold Exchange Traded Funds globally, with a special emphasis on the Indian Gold Exchange Traded Funds as a decade has elapsed since the introduction of the Gold ETFs.

The period of study is since the inception of the Gold ETFs i.e., 2003 to March 2014.The tools used for the analysis of the data are 3 Day Moving Average; CAGR; and Correlation. F-test is used to test the hypothesis if there is a significant difference in the Average Returns of the various schemes of the Gold ETFs.

Gold ETFs have emerged as an asset in the portfolio of the investors for the diversification of risk. Investors are becoming aware of the new product and Gold ETFs are accepted worldwide which is proved by cross listing and increase in the growth of the number of Gold ETFs and AUM of Gold ETFs.

Keywords: *Exchange Traded Funds; Gold ETFs; Assets under Management; Primary Listing and Cross Listing.*

Exchange Traded Funds (ETFs) are one of the innovative financial products to emerge from the Financial Industry in the last two decades. ETFs have opened a new panorama of investment opportunities to Retail as well as the Institutional Money Managers.

Exchange Traded Fund is a security that tracks an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange. ETFs allow the investors to gain a broad exposure to the stock markets of the different countries, emerging markets, sectors and styles as well as to the fixed income and commodity indices with a relative ease on a real time basis and at a lower cost than many other forms of investing. There are as many different types of ETF products as there are investment styles viz. Index ETFs, Commodity ETFs, Bank ETFs, Leveraged ETFs, and Inverse ETFs etc.

Commodity ETFs with exposure to crude, gold and silver have grown exponentially in the recent years. At the end of March 2014, the Global ETF industry had 3,690 ETFs, with 8,039 listings, assets of US$2,297 Bn, from 196 providers on 57 exchanges. In India, Nifty Bees was the first ETF to be introduced in 2001. At the end of March 2014, the Global ETF/ETP industry had 5,204 ETFs/ETPs, with 10,219 listings, assets of US$2,449 Bn, from 222 providers on 59 exchanges[*1]. At present, there are 41 ETFs in India, which concentrate mainly on the Indices, Gold and Money Market. As per the data available from Association of Mutual Funds in India (AMFI), Assets Under Management (AUM) as on March 31, 2014, for total ETFs stood at Rs. 13,204 Crores (AUM for gold ETFs stood at Rs. 8676 Crores and for other ETFs the AUM was Rs. 4,528 Crores[*2]).

The first Gold Exchange-Traded Fund was actually launched in March 2003 on the Australian Stock Exchange under the Gold Bullion Securities (ticker symbol "GOLD"). Graham Tuckwell, the founder and major shareholder of ETF Securities, was behind the launch of this Fund.

At the end of March 2014, the total assets invested in the Commodity Exchange Traded Products (ETPs) were $122.4bn. Gold ETPs saw the strongest inflows of any other commodity ETP during the first quarter of 2014 and its Assets stood at $75889m. Gold ETPs are listed and traded across the world providing investors with a wide variety of gold ETPs including physical, currency hedged (including AUD, CHF, GBP, EUR), leverage and short. This indicates the importance of the gold ETP to the investors as a way to access the gold price.

In this context, the study is undertaken to assess the growth and progress of the Gold Exchange Traded Funds globally, with a special emphasis on the Indian Gold Exchange Traded Funds as a decade has elapsed since the introduction of the Gold ETFs.

Review of Literature

1. S. Narend and M. Thenmozhi (2013)[1] in their article concluded that Pricing Deviation is significant for gold ETFs listed in US and India but Tracking Error to be minimal and not significant for both the US listed and Indian gold ETFs. The analysis showed that there is ample evidence to suggest that unidirectional causality exists between US listed gold ETFs and spot prices of gold and it is the ETFs that are playing the price discovery role in US market. Whereas, the analysis showed that bidirectional causality exists between Indian gold ETFs and MCX spot prices of gold. The variance decomposition analysis showed information share of US listed gold ETFs is around 45% while it is only around 1.3% for Indian gold ETFs and most of the variance is explained by the spot prices of gold in India, particularly because of the high volume of traded in spot gold market.

2. Dr. M.Jayanthi, Ms. S.Malathy, Ms.T. Radhulya (2013)[2] in their article concluded that Gold ETFs offer investors a convenient and secured way of investment providing a means to diversify. But at the same time, the research indicated that many of the gold ETFs currently available in the Indian market exhibit a large deviation from actual gold returns. They also remarked that this problem is more pronounced in India than in developed markets. In other words, as gold prices rise or fall, the gold ETF value should also rise or fall to that extent. However, very often, the net asset value of the gold ETF gives a skewed picture. Hence, pointed out that Gold ETFs turn out to be a good investment option for investors to hedge their assets against the uncertain global market scenario.

3. Shefali Sinha and Mahua Dutta (2013)[3] in their article concluded that the consistency of the scheme of Goldman Sachs Gold exchange traded fund in generating better performance is dependent on the lower tracking error. They also pointed out that Goldman Sachs gold exchange traded fund is directly tradable at the prevailing market price of gold, so the investors need to equip themselves of the various prevailing market conditions which has a direct relation on the fluctuations of the scheme.

4. Barinder Singh and J. B. Nadda (2013)[4] in their article concluded that the risk involved in the Gold is less than 1/3rd of the risk involved in the investment in Stock Market. Further he concluded that to invest in Gold, investors need not to time the market, understand the complex business environment and know about the various investment tools which are otherwise required in case if he invests in the stock market. Gold ETF returns are directly

correlated with the returns of Gold as such investors should invest in Gold ETF instead of Jewellery and other forms of gold.

5. Mohd. Saleem and Matloobullah Khan (2013)[5] suggested that Gold ETFs is emerging as one the most attractive and preferable investment option for the investors. The business and investment in Gold ETFs is in an initial phase with rapid growth. It can be said that it a dawn for Gold ETFs with shining day. There is a need to make public aware about the emergence of Gold ETFs and make them convinced to take part in the growth of Gold ETFs.

6. Jalpa Thakkar, Sheenam Gogia and Vatsala Manjunathan (2013)[6] in their article gives better understanding of investor's attitude and awareness regarding gold investment decisions and shows where currently physical gold's position among the other gold investment instruments is. According to them, investors go through an information search and market analysis before making the gold investment decision. Research showed that gold is already known and valued by the people for its return and long tradition and all the respondents mostly have investment in gold or plan to buy more gold. Research also throws light on the lack of awareness about the new trends in gold investment alternatives i.e. Gold ETF, E-Gold and Gold Funds.

7. Abhilasha Jain (2012)7 reported that there is a consistent overall growth of AUM in ETF. So, this can be construed that there is a demand of ETF in India and people have accepted ETFs as one of the most important investment destination. During the period 2008-09, there was a downfall in the AUM for the ETF-OTH. This is the time when the market faced the Slump during the subprime crisis, and the Global and India market saw an unprecedented fall. However, there is fabulous growth in the GOLD ETFs. Due to firming of the Gold prices, this index has given phenomenal return during the period. This justifies the interest among the investor community for the GOLD ETF.

8. Deepak Sahni and Praveen Kukreti (2012)[8] in their article mentioned that Gold is one of the investment products which had given phenomenal returns over the recent years. According to them, Gold ETFs are good investment option but one needs to have a demat account to buy them. This paper studies the various options available to an investor to earn a high rate of return by investing in gold. In order to arrive at a correct decision three options were studied to know their returns. F-Test had been used to prove the hypothesis, but the analysis of the data clearly proves the fact that an investor can select any of the three options i.e., Spot, Future or ETFs but the return to an investor is the same.

9. Arockia Jerold and Kalyanaraman (2012)[9] in their article mentioned that the investor demand for gold has been increasing amid global economic and political uncertainty. There are several options for investors interested in using gold as part of a short- or long-term investment strategy. As gold prices can be quite volatile, investment in gold can be carried out through ETF's in instalments through systematic investment plan. Hence 2011 will prove that gold and gold ETF's are the best investment options. The gold ETF schemes returns need to analyze periodically to achieve the investment objective.

10. Mukesh Kumar Mukul, Vikrant Kumar and Sougata Ray (2012)[10] revealed that Gold investment has been a very important aspect for ages across the globe. This paper attempts to analyze the performance of gold Exchange-Traded Fund (ETF) with respect to risk and return against the diversified equity fund and market portfolio. The study also examines the role of gold in hedging equity investment risk. The study is based on data for the period from January 2010 to August 2011. The analysis shows that gold ETF has given good return in comparison to a diversified equity fund during the study period.

11. Swapan Sarkar (2012)[11] in her article reported that Gold has always been considered as a haven investment with least risk. Further, during the turbulent financial market across the world and debt default woes of even the world's leading economies (like U.S and Japan), gold

has emerged as the most remunerative as well as the safest bet in India or even across the world. With such a sizzling backdrop, GETFs are really glittering like GOLD.

12. Tarun Bhatia (2011)[12] in his article concluded that there has been a tremendous rise in retail investor interest in gold ETFs over the past few years. He also mentioned that there was a phenomenal growth in the number of retail folios over 270%, which stood at 2.35 lakh as of September 2010 as compared to just 0.63 lakh portfolios as of March 2009. He finally remarked that awareness about retail investment products like ETFs is gaining momentum and expects further growth in it.

13. Lixia Wang, Iftikhar Hussain, Adnan Ahmed (2010)[13] in their article concluded that China has significant need of gold ETF as national security strategy, as well as also individuals and institutional need to maximize their profitability. They also pointed out that China needs to reconsider its policy regarding Gold ETFs and the Chinese government needs to encourage and facilitate gold buying by the Chinese public.

14. Nik Bienkowski (2007)[14]in his research article concluded that the development of Exchange Traded Commodities(ETCs) has opened up some of the oldest markets in the world to ordinary investors, providing additional sources of diversification that can improve portfolio performance. He also remarked Exchange Traded Commodities (ETC) have experienced a tremendous growth during 2005-07 where global ETC assets have grown by over 1000% with the number of products increasing from around 10 to over 80. After the introduction of ETCs, approximately 65% of all ETCs are exposed to gold, with the remaining 35% exposed to other commodities. Gold's dominance is partly due to the fact that it was the first ETC to be created – gold's characteristics make it one of the easiest commodities to be securitised.

Research Gap

The survey of literature indicates that not much work has emphasised on the quantitative growth of the Gold ETFs. Hence, the study is undertaken to reflect upon the growth of Exchange Traded Funds over a period of time with the following objective.

Objective of the Study

The objective of the study is to analyse the growth and progress of the Gold Exchange Traded Funds globally with a special emphasis on the Indian Gold Exchange Traded Funds.

Methodology

- The period of the study is since the inception of Gold ETFs i.e., 2003 to March 2014.
- The study covers the global scenario of Gold ETFs in terms of the Number of Gold ETFs and Assets under Management (AUM). Year-wise and Scheme-wise Analysis of Gold ETFs in India has been made.
- The study is based on secondary data. The sources include Websites, Journals and Reports.
- The parameters chosen for the assessment of the growth of Gold ETFs are the Number of Gold ETFs and Assets under Management over a period of time.
- Hypothesis:

$H_{o:}$ There is no significant difference in the Average Returns of the various schemes of Gold ETFs.

$H_{a:}$ There is no significant difference in the Average Returns of the various schemes of Gold ETFs.

- The tools used for the analysis of the data are

✓ 3 Day Moving Average: To smoothen out the fluctuations in the daily prices of the various schemes of Gold ETFs.

✓ CAGR: To smoothen out the fluctuations in the yearly values of the Gold ETFs.

✓ Correlation: To analyse the relationship between the Number of Gold ETFs and AUM.

✓ F-test: To test the hypothesis if there is a significant difference in the Average Returns of the various schemes of Gold ETFs.

Limitation of the Study

The global analysis of the Gold ETFs is made by bringing the value of AUM to a common currency of US Dollar for a comparative purpose. This suffers from the limitation of currency exchange rate fluctuations.

Gold ETF: An Overview

Gold ETF is an open ended exchange traded fund, listed on the stock exchange, available for trading with an intention to offer the investors a means of participating in the gold bullion market without the necessity of taking the physical delivery of gold. A Gold ETF is designed to provide returns that, before expenses, closely correspond to the returns provided by the domestic price of Gold. However, the performance of the scheme may differ from that of the domestic prices of Gold due to the expenses and/or the other related factors.

Gold ETFs are divided into three categories. They are Physically Backed Gold ETFs, Futures and Gold Mining ETFs Equity. An investor can either invest in these ETFs during the New Fund Offer (NFO) periods, when the scheme is launched or buy the Gold ETF units from the Stock Exchange. Investing during the NFO period would attract entry load, which differs from one Mutual Fund to the other, and have a minimum investment amount. Post NFO, however, would not attract entry charge, but a brokerage charge of as low as 0.4%-0.5% would be levied by the stock broker.

Gold ETF acts as an inflation hedge and is considered a safe haven investment in both the economic upturns and downturns. It offers diversification benefits for the long-term investors making it the most valuable and attractive metal in the world.

As a coin has two sides, Gold ETFs also suffer from a few limitations like, the returns on Gold ETFs may be hampered due to certain factors such as entry loads and annual fund management charges levied by the Fund House on the Fund's NAV and Gold ETFs are made up of gold contracts and derivatives which can only be redeemed for cash and never for gold itself.

GOLD ETFS: MILESTONES

The milestones of Gold ETFs across the world are tabulated below.

Table 1

Global Gold ETFs: Milestones

Month &Year	Milestone
Apr 2003	First Gold ETF, Gold Bullion Securities (ASX: GOLD) launched in Australia by Graham Tuckwell.
Dec2003	Gold Bullion Securities (LSE: GBS) listed on the LSE in partnership with the World Gold Council (WGC).
Nov 2004	SPDR Gold Shares listed on the NYSE in partnership with the WGC.
Apr 2007	ETF Securities lists ETFS Physical Gold (LSE: PHAU) in London.
Sep 2009	ETF Securities lists the first gold ETF backed by physical gold held in Switzerland on the NYSE Arca.
Jan 2010	Gold ETFs are traded on 13 exchanges around the world and total AUM reach over $50bn.
Sep 2011	65 Gold ETPs with more than 100 listings are traded on 18 exchanges around the world with total asset under management of over $120bn.
Nov 2012	ETF Securities lists the first gold ETF backed by physical gold held in London on the Stock Exchange of Hong Kong.
Dec 2012	67 Gold ETPs with more than 100 listings are traded on 31exchanges around the world with total asset under management of over $147bn.
Mar 2013	124 Gold ETPs listed on 35 stock exchanges around the world, providing investors with a wide variety of gold ETPs including physical, currency hedged (including AUD, CHF, GBP, EUR), leverage and short.

Source: Compiled from Bloomberg

Global Gold ETFS: Country - Wise Analysis

Gold ETFs have started first in Australia in the year 2003 followed by USA in 2004. Though the idea of Gold ETF was first conceptualized in India in the year May 2002, there was no regulatory approval then and later it was launched in March 2007 on par with that of London. The Country - wise Analysis of Gold ETFs in terms of the Number and Assets is given in the Table 2.

Starting with 2 Gold ETFs in Australia, in a short span of 10 years, the total number has reached 156 by the end of 31st March 2014. An analysis of the number of Gold ETFs reveals that 124 Gold ETFs have primary listings in 16 countries and 32 Gold ETFs have cross listings in 8 countries.

Table 2

Global Gold ETFs: Country-Wise Analysis

	No. of Gold ETFs		Primary Listing		
Country	**Primary Listing**	**Cross Listing**	**Assets(MIL US $)**	**AUM/No.**	**Rank**
Australia	2	1	422.4464	211.2232	6
Canada	7	3	749.969	107.1384	8
China	3	-	53.4691	17.82303	13
Denmark	2	-	NA	NA	-
Germany	11	-	3700.161	336.3783	4
Hong Kong	3	-	127.8705	42.6235	11
India	14	-	1499.5296	107.1093	9
Israel	6	-	1053.1025	175.5171	7
Japan	5	-	383.225	76.645	10
South Africa	3	1	1705.2889	568.4296	2
South Korea	1	-	38.5684	38.5684	12
Switzerland	29	5	10689.8027	368.6139	3
Thailand	5	-	49.5447	9.90894	15
Turkey	1	-	10.6597	10.6597	14
UK	13	1	3718.002	286.0002	5
USA	19	6	42243.0047	2223.316	1
Jersey	-	10	-	-	-
Ireland	-	4	-	-	-
Luxembourg	-	1	-	-	-
Total	**124**	**32**	-	-	-
r			**0.6**		

Source: Compiled from Bloomberg

Primary Listing means listing only on the main stock exchange where a company is incorporated and publicly traded company's stock is bought and sold. **Cross Listing** means the listing of a company's common shares on a different exchange than its primary and also on original stock exchange. In order to be approved for cross-listing, the company in question must meet the same requirements as any other listed member of the exchange, such as basic requirements for the share count, accounting policies, filing requirements for financial reports and company revenues.

A further analysis points to the fact that 3 Countries (Jersey, Ireland and Luxembourg) have 15 Gold ETFs with only cross listings; 10 Countries have 51 Gold ETFs with only primary listings; 6 Countries have a total of 90 Gold ETFs with 73 primary listings and 17 cross listings. Cross listings enable the countries to have worldwide acceptance of their Gold ETFs.

It would be interesting to analyse if the Assets under management (AUM) correlates with the number of Gold ETFs. AUM refers to the market value of the assets that an Investment Company manages on behalf of the investors. It is looked at as a measure of success against the competition and consists of growth/decline due to both capital appreciation/losses and new money inflow/outflow. The correlation between the number of Gold ETFs and AUM is 0.6 reflecting that there is a moderate positive correlation which indicates that the greater the number of Gold ETFs, higher would be the AUM. USA ranked first in terms of AUM per Gold ETF with $ 2223.32 mn, though it ranked second place in terms of the number of Gold ETFs. Switzerland with the highest number of Gold ETFs (29) ranked 3 as per AUM per Gold ETF. It is South Africa which outperformed all other countries as with just 3 Gold ETFs, it managed to rank second in terms of AUM per Gold ETF ($ 568.43mn). This shows that the investors have shown a great interest in investing in Gold ETFs. India with 14 Gold ETFs has occupied only the ninth position with respect to AUM per Gold ETF reflecting upon the fact that the Indians prefer Physical Gold more.

Global Gold ETFS: Cross Listings

An analysis of the cross listings of Gold ETFs globally is presented in Table 3.

The cross listing shows the popularity of the schemes across the world. The correlation between the number of cross listings and AUM is 0.435 which shows a low moderate positive relationship between the number of cross listings and AUM. Normally, higher the number of cross listings, greater would be the AUM for a scheme. SPDR Gold shares incorporated in USA has five cross listings ranking second in the number of cross listings, ranked first not only in terms of AUM but also in terms of AUM per cross listing showing the world wide acceptance of the scheme.

ETFS Physical Gold/Jersey, though, has the highest number of cross listings (7) ranked third in AUM and ninth in AUM per cross listing. Julius Baer Precious metals Fund- JB Physical Gold Fund, ZBK Gold ETF- A-USD, ZBK Gold ETF- H CHF have their origin in Switzerland and have cross listing only in UK, performed well in terms of AUM per cross listing. However, by and large, the number of cross listings enables the scheme to perform better if the scheme offers better features to the investors either in terms of returns or risk or price etc.

GOLD ETFS IN INDIA

The idea of Gold ETF in India was first conceptualized by Benchmark Asset Management Company Private Ltd, when they filed a proposal with the SEBI in May 2002. However, there was no regulatory approval then and later it was launched in March 2007. The emergence of Gold ETFs in India is tabulated in Table 4.

GOLD ETFS IN INDIA: YEAR - WISE ANALYSIS

The growth of Gold ETFs in India since their inception in terms of the Number of Gold ETFs and AUM is presented in Table 5.

Table 3

Global Gold ETFs: Cross Listings					
			Cross Listing		
Name of the Gold ETF	Origin	Names of Cross listing Countries	AUM(US $mn)	AUM/No.	Rank
ETFS Metal Securities Australia Ltd - ETFS Physical Gold	Australia	Germany,USA(2)	399.1521	199.57605	16
NewGold Issuer Ltd	South Africa	Botswana,Germany,Ghana,Nigeria(4)	1675.06	418.765	12
Horizons BetaPro COMEX Gold Bullion Bear Plus ETF	Canada	Germany(1)	3.4745	3.4745	27
Horizons BetaPro COMEX Gold Bullion Bull Plus ETF	Canada	Germany(1)	17.7164	17.7164	25
iShares Gold Bullion ETF	Canada	USA(1)	333.5339	333.5339	13
iShares Gold Trust	USA	Canada,Chile, Germany, Mexico(4)	6914.449	1728.6123	3
ETFS Gold	Jersey	Germany,France, Italy, UK(4)	103.4186	25.85465	23
Gold Bullion Securities Ltd	UK	Germany,France, USA(3)	3769.477	1256.4923	5
ETFS Daily Leveraged Gold	Jersey	Germany, Italy, UK(3)	69.9079	23.302633	24
ETFS Daily Short Gold	Jersey	Germany, Italy, UK(3)	129.9679	43.322633	22
ETFS EUR Daily Hedged Gold	Jersey	Germany, Italy, UK(3)	3.3013	1.1004333	29
ETFS EUR Daily Hedged Physical Gold	Jersey	Germany, Italy, UK(3)	15.5344	5.1781333	26
ETFS Gold Trust	USA	Germany(1)	1106.579	1106.579	6
ETFS Physical Gold/Jersey	Jersey	Germany, Italy, Japan,Netherlands,Sweden,UK,USA(7)	4595.311	656.473	9
ProShares Ultra Gold	USA	Germany,Mexico(2)	137.0212	68.5106	20
ProShares UltraShort Gold	USA	Germany,Mexico(2)	113.9971	56.99855	21
SPDR Gold Shares	USA	Germany,HongKong,Japan,Mexico, Singapore(5)	33994.89	6798.978	1
Source Physical Markets Gold P-ETC	Ireland	Germany, Switzerland, UK(3)	1860.122	620.04067	10
ZKB Gold ETF	Switzerland	Germany, UK,USA(3)	3124.149	1041.383	8
db Physical Gold ETC EUR	Jersey	Germany, Italy, UK(3)	457.1813	152.39377	17
db Physical Gold Euro Hedged ETC	Jersey	Germany, Italy, Switzerland,UK(4)	859.6174	214.90435	15
ETFS Physical Swiss Gold	Jersey	Germany, Italy, UK(3)	261.5485	87.182833	19
PowerShares DB Gold Fund	USA	Germany(1)	147.4918	147.4918	18
Boost Gold 3x Leverage Daily ETP	Ireland	Italy, UK(2)	1.536	0.768	30
Boost Gold 3x Short Daily ETP	ireland	Italy, UK(2)	1.1039	0.55195	31
Lyxor ETN Gold USD	Luxembourg	Italy, UK(2)	NA	-	-
FinEx Physically Held Gold ETF	Ireland	Netherlands, Russia(2)	3.8767	1.93835	28
Julius Baer Precious Metals Fund - JB Physical Gold Fund	Switzerland	UK(1)	2595.932	2595.932	2
iShares Gold CH	Switzerland	UK(1)	606.2891	606.2891	11
ZKB Gold ETF-A USD	Switzerland	UK(1)	1502.09	1502.09	4
ZKB Gold ETF-H CHF	Switzerland	UK(1)	1067.115	1067.115	7
db Physical Gold ETC	Jersey	Switzerland,UK(2)	457.1813	228.59065	14
r	0.435				

Source: Compiled from Bloomberg

Table 4

Emergence of Gold ETFs in India

Sl. No.	Fund House	Launch Date	Unit Size (1 unit equals)	NSE Symbol
1	Goldman Sachs	15-Feb-2007	Approx. 1 gram	GOLDBEES
2	UTI Mutual Fund	01-Mar-2007	Approx. 1 gram	GOLDSHARE
3	Kotak Mutual Fund	20-Jun-2007	Approx. 1 gram	KOTAKGC
4	Reliance Mutual Fund	15-Oct-2007	Approx. 1 gram	RELGOLD
5	Quantum Mutual Fund	24-Jan-2008	Approx. 1/2 gram	QGOLDHALF
6	SBI Mutual Fund	30-Mar-2009	Approx. 1 gram	SBIGETS
7	Religare Mutual Fund	28-Jan-2010	Approx. 1 gram	RELIGAREGO
8	HDFC Mutual Fund	25-Jun-2010	Approx. 1 gram	*HDFCMFGETF*
9	ICICI Prudential Mutual Fund	28-Jun-2010	Approx. 1 gram	IPGETF
10	Axis Mutual Fund	20-Oct-2010	Approx. 1 gram	*AXISGOLD*
11	Birla Sun Life Mutual Fund	25-Apr-2011	Approx. 1 gram	BSLGOLDETF
12	IDBI Mutual Fund	19-Oct-2011	Approx. 1 gram	IDBIGOLD
13	Motilal Oswal Mutual Fund	02-Mar-2012	Approx. 1 gram	MGOLD
14	Canara Robeco Mutual Fund	16-Mar-2012	Approx. 1 gram	CRMFGETF

Source: www.amfiindia.com (Association of Mutual Funds in India)

Table 5

Gold ETFs in India: Year - wise Analysis

Month &Year	No. of Gold ETFs	AUM (Rs. in Cr.)
Mar-07	1	96.00
Mar-08	5	483.00
Mar-09	5	743.14
Mar-10	7	1590.64
Mar-11	10	4400.20
Mar-12	14	9886.06
Mar-13	14	11648.00
Mar-14	14	8676.00
CAGR	**45.79%**	**90.30%**
r	**0.945**	

Source: www.amfiindia.com

From the above table, it can be observed that there is a fabulous growth in Gold ETFs both in terms of the number and AUM since the inception i.e., 2007 till date, due to an increase in the gold prices. Starting with Rs. 96 Cr in the year 2007, the year of inception, the AUM has reached Rs. 8676 Cr. by 2014. In the year 2013, SEBI has clamped down on new launches of Gold-ETFs as the product is seen to be fuelling demand for gold and contributing significantly to the current account deficit. Hence, there is a fall in the AUM in the year 2014. The growth rate in the AUM is 90.3, which is almost double to that of the growth rate in the number of Gold ETFs (45.79) reflecting upon the increase in the price of the underlying commodity Gold, increase in the investor base, efforts of Mutual Fund Houses, increasing awareness of the product etc., Both, the Number of ETFs and the AUM showed an increasing trend over a period of time.

From the above analysis of increasing AUM, it may be inferred that the Gold ETFs are performing well and there is a demand for the Gold ETFs as the performance of the ETFs is judged based on the AUM. The correlation between the Number of Gold ETFs and the AUM is 0.945 which shows that there is a very high positive correlation between the two implying that an increase in the Number of Gold ETFs over a period of time results in an increase in the AUM also.

Gold ETFS in India: Scheme - Wise Analysis

In India, there are 14 Fund Houses which are offering Gold ETFs. The AUM of these Fund Houses is shown in Table 6.

The performance of any Mutual Fund House is measured in terms of AUM. Gold BeEs and Reliance Gold ETF have taken the first two positions and they were the ETFs launched in 2007. Though, SBI Gold ETF, a little late entrant (2009) in this field, has ranked third position which may be due to the SBI being pioneer in the field of Banking. Quantum Gold ETF though started a year before SBI, ranked thirteenth position indicating poor performance of the Fund House not attracting the investors to the scheme. A general understanding is the early entry of any Fund House launching the scheme would attract the investors due to its long standing and perform better. The same is observed in the above analysis.

Table 6

Gold ETFs in India: Scheme wise Analysis

(Avg. AUM for quarter ended 31.3.2014)

Name of Gold ETF	Launch Year	AUM(Rs. in Cr)	Rank
Gold BeES	2007	235640.40	1
Kotak Gold ETF	2007	78457.88	4
Reliance Gold ETF	2007	223025.48	2
UTI Gold ETF	2007	60648.22	6
Quantum Gold ETF	2008	6122.97	13
SBI Gold ETF	2009	124107.60	3
Axis Gold ETF	2010	36576.59	7
HDFC Gold ETF	2010	74439.85	5
ICICI Prudential Gold ETF	2010	16958.57	8
Religare Gold ETF	2010	6554.47	12
Birla Sun Life Gold ETF	2011	11973.50	11
IDBI Gold ETF	2011	14184.29	10
Canara Robeco Gold ETF	2012	15765.57	9
Most Gold Shares	2012	5535.21	14

Source: Compiled from Bloomberg

Average Returns of Gold ETFS in India: Scheme - Wise Analysis

The investors would look for the Average Returns of the scheme before making any investment in the scheme. The Monthly Average Returns of the scheme provided by the various Fund Houses for the current year 2013-14 are presented in Table 7.

Table 7

Performance of Gold ETFs for the year 2013-14													
Month	Axis	Birla	GoldBees	UTI	HDFC	IDBI	ICICI	Kotak	Mgold	Quantum	Reliance	Religare	SBI
Apr '13	-0.44	-0.50	-0.45	-0.39	-0.40	-0.47	-0.37	-0.48	-0.51	-0.44	-0.41	-0.43	-0.45
May '13	-0.11	-0.05	-0.05	-0.11	-0.13	-0.19	-0.15	-0.03	-0.07	-0.09	-0.09	-0.10	-0.09
June'13	-0.24	-0.18	-0.23	-0.21	-0.22	-0.01	-0.22	-0.24	-0.14	-0.20	-0.24	-0.24	-0.17
July'13	0.38	0.39	0.38	0.38	0.38	0.21	0.40	0.42	0.31	0.39	0.43	0.39	0.33
Aug'13	0.54	0.50	0.59	0.60	0.58	0.56	0.56	0.58	0.58	0.52	0.57	0.60	0.60
Sep'13	-0.23	-0.26	-0.28	-0.27	-0.27	-0.20	-0.29	-0.25	-0.22	-0.26	-0.23	-0.30	-0.30
Oct'13	0.21	0.20	0.14	0.07	0.16	0.19	0.16	0.13	0.11	0.16	0.13	0.23	0.14
Nov'13	-0.14	-0.13	-0.06	-0.16	-0.07	-0.14	-0.04	-0.09	-0.08	-0.06	-0.09	-0.14	-0.06
Dec'13	-0.19	-0.15	-0.23	-0.42	-0.21	-0.16	-0.19	-0.20	-0.18	-0.19	-0.22	-0.24	-0.20
Jan'14	0.05	0.01	0.09	0.12	0.07	0.05	0.06	0.07	0.04	0.03	0.07	0.10	0.07
Feb'14	0.14	0.18	0.12	0.13	0.16	0.17	0.18	0.16	0.16	0.14	0.16	0.15	0.15
Mar'14	-0.24	-0.29	-0.27	0.01	-0.26	-0.36	-0.28	-0.30	-0.29	-0.26	-0.29	-0.30	-0.28

Source: Compiled from Bloomberg

The Average Returns for all the schemes is more or less negative due to a fall in the prices of the underlying asset gold in the year 2013-14 and also due to the restrictions on the import of gold by the Government of India by levying a higher excise duty on gold imports. The increase in the excise duty has resulted in a fall in the demand for gold resulting in a lower NAV of Gold ETFs.

An analysis is also made to see if there is any significant difference in the returns of the various schemes of Gold ETFs. The `p' value of F test is 1 at 5% level of significance, proving that there is no significant difference in the returns of the various schemes of the Gold ETFs (Accept H_o). Since there is no significant difference in the returns of the various schemes of Gold ETFs, investment in any of the 14 Gold ETFs would enable the investors to diversify their risk.

Findings

- Globally, there is a moderate positive correlation between the number of Gold ETFs and AUM which indicates that the greater the number of Gold ETFs, higher would be the AUM.
- Globally, there is a low moderate positive correlation between the number of cross listings and AUM.
- In India, the growth rate in the AUM is 90.3 which is almost double to that of the growth rate in the number of Gold ETFs (45.79) reflecting upon the increase in the price of the underlying commodity Gold, increase in investor base, efforts of the Mutual Fund Houses, increasing awareness of the product etc.
- In India, the correlation between the Number of Gold ETFs and the AUM is 0.945 which shows that there is a very high positive correlation.

➢ There is no significant difference in the returns of the various schemes of the Gold ETFs in India.

Suggestions

➢ In India, as only physically backed Gold ETFs are available, there is a lot of scope for introducing the other types of Gold ETFs like Futures and Gold Mining ETFs Equity. The Indian Market may be explored further.

➢ Since all the 14 Gold ETFs of India have primary listings only, there is a scope for the Fund Houses for cross listings to improve their AUM.

➢ A little more effort from the Mutual Fund Companies to create awareness among the investors about the ETFs would bring India on par with the developed economies.

Conclusion

Gold ETFs have emerged as an asset in the portfolio of the investors for the diversification of risk. Investors are becoming aware of the new product and Gold ETF are accepted worldwide which is proved by the cross listing and increase in the growth of number of Gold ETFs and AUM of Gold ETFs.

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