

Passive Speak

**Gold & Silver: Outlook
and taxation explained!**

October 2024



HDFC Asset Management Company Limited has been managing equity Index Solutions for over 20 years. Index Solutions also include passively managed fund of funds and commodity(ies) based schemes.

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Gold and silver – Simplified Taxation

- ◆ For fresh purchases made today, a 12.5% LTCG rate (> 12 months holding period for ETFs, > 24 months holding period for ETF FoFs) would be applicable if redeemed after Mar 31, 2025

	Instrument	Holding Period	Units acquired prior to April 01, 2023		Units acquired on or after April 01, 2023	
			Short-Term Capital Gains Tax	Long-Term Capital Gains Tax	Short-Term Capital Gains Tax	Long-Term Capital Gains Tax
Units redeemed between July 23, 2024 and March 31, 2025	Gold / Silver ETF	12 months	Investor's Income Tax Slab Rate*	12.5%*	Investor's Income Tax Slab Rate*	Investor's Income Tax Slab Rate*
	Gold / Silver ETF FOF	24 months				
Units redeemed after March 31, 2025	Gold / Silver ETF	12 months	Investor's Income Tax Slab Rate*	12.5%*	Investor's Income Tax Slab Rate*	12.5%*
	Gold / Silver ETF FOF	24 months				

Source: India Budget. *Surcharge and Health & Education Cess as applicable. In view of the individual nature of the tax consequences, each investor is advised to consult his/ her own professional tax advisor.
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- ◆ **Gold and silver prices have been supported by Central Bank buying, increased geopolitical risks and potential for the US Federal Reserve to continue cutting interest rates etc.**
- ◆ **Gold has particularly benefitted from Central Bank purchases. Most notably-**
 - ✓ RBI purchased 50 tonnes (t) till August 2024, surpassing total 2023 and 2022 purchases at 16t and 33t respectively
 - ✓ Total RBI gold reserves reached a record high of 853.6t in August 2024. Gold accounts for 9% of RBI's total Foreign Exchange (FX) reserves, up from 7.5% a year ago
 - ✓ The People's Bank of China (PBoC) added 29t of gold to its reserves across H1 2024. It was the single largest gold buyer in 2023, adding 225 tonnes (t) to its gold reserves. Despite these large purchases, gold still accounts for just 4.9% of China's FX reserves
- ◆ **The Gold-Silver Ratio recently reached 85.3 (as on Sep 30, 2024), above its 10y average of 79.8. This suggests silver could catch-up with gold's recent rally**
- ◆ **Going forward gold and silver can continue to benefit from:**
 - ✓ Central Bank buying as they diversify their reserves and reduce USD exposure
 - ✓ Geopolitical tensions remaining high in an increasingly multipolar world
 - ✓ Potential for the Fed to deliver interest rate cuts
 - ✓ Long-term drivers of silver demand including in electric vehicles, solar panels etc. remain intact

Source: World Gold Council, Bloomberg, internal calculations

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About Gold and Why invest in it?

- ◆ **Gold is a precious metal which has served as a store of value across millennia**
- ◆ **Gold's atomic symbol, Au, is derived from the Latin word Aurum, which means 'shining dawn'**
- ◆ **Why invest in Gold?**
 - ✓ **Portfolio diversification:**
Gold is considered to balance portfolios against the volatility of other asset classes
 - ✓ **Buffer against currency depreciation:**
Being a globally priced metal, it acts as a hedge against currency depreciation
 - ✓ **Buffer against geopolitical shocks:**
Gold has been perceived as a safe haven since ancient times. Investors generally turn towards gold when adverse geopolitical events occur
 - ✓ **Demand from Central Banks could support prices:**
Central Banks have recently increased gold purchases to diversify their Foreign Forex Reserve holdings



Gold & Equities –

Historically, Gold has performed well or fallen less when Equity markets struggled

Financial Year	Gold (in INR)	NIFTY 50 TRI	Financial Year	Gold (in INR)	NIFTY 50 TRI
FY00	-3.2%	-3.8%	FY12	33.1%	-8.2%
FY01	-1.2%	-24.2%	FY13	2.3%	8.7%
FY02	22.9%	-0.1%	FY14	-10.8%	19.3%
FY03	8.4%	-11.7%	FY15	-4.9%	28.3%
FY04	16.1%	86.3%	FY16	10.6%	-7.8%
FY05	0.8%	17.3%	FY17	-0.7%	20.2%
FY06	39.0%	70.0%	FY18	6.7%	11.8%
FY07	10.8%	14.3%	FY19	3.8%	16.4%
FY08	27.5%	25.1%	FY20	32.5%	-25.0%
FY09	26.8%	-35.4%	FY21	5.3%	72.5%
FY10	7.0%	75.3%	FY22	17.6%	20.3%
FY11	28.0%	12.4%	FY23	10.4%	0.6%
			FY24	13.2%	30.1%

Source: Bloomberg, internal calculations. Gold prices in INR do not include any customs duties, local taxes etc. **Past performance may or may not be sustained in the future and is not a guarantee of any future returns. HDFC AMC/Mutual Fund is not guaranteeing or promising or forecasting any returns**

Since FY2000, Gold outperformed or fell less than Equities in every FY that Equities had a negative return

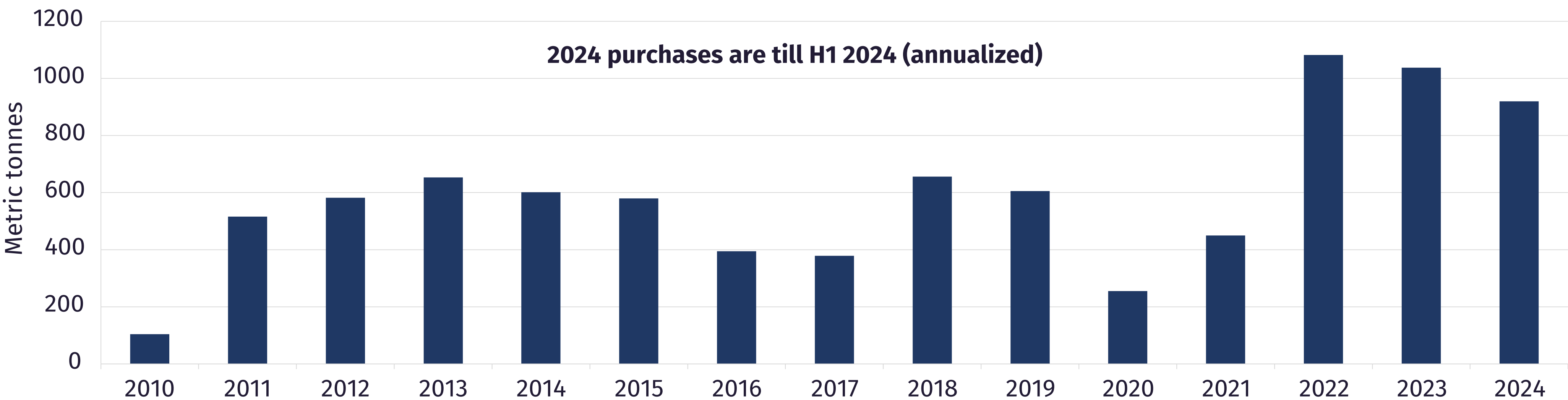
Geopolitical risks have intensified over the past year

- Tensions in the Middle East have increased since the start of the Israel-Hamas war in 2023
- The conflict has expanded to the north with Israel and Hizbollah clashing regularly
- Attacks between Israel and Iran are of particular geopolitical significance owing to the risk Iranian oil supplies could be impacted, leading to oil price spikes
- Finally, election uncertainty in the US also remains high
- These geopolitical uncertainties have led investors to turn towards gold as a hedge to protect their portfolios



Central banks have been increasing gold purchases

Net Purchases by Global Central Banks (metric tonnes)



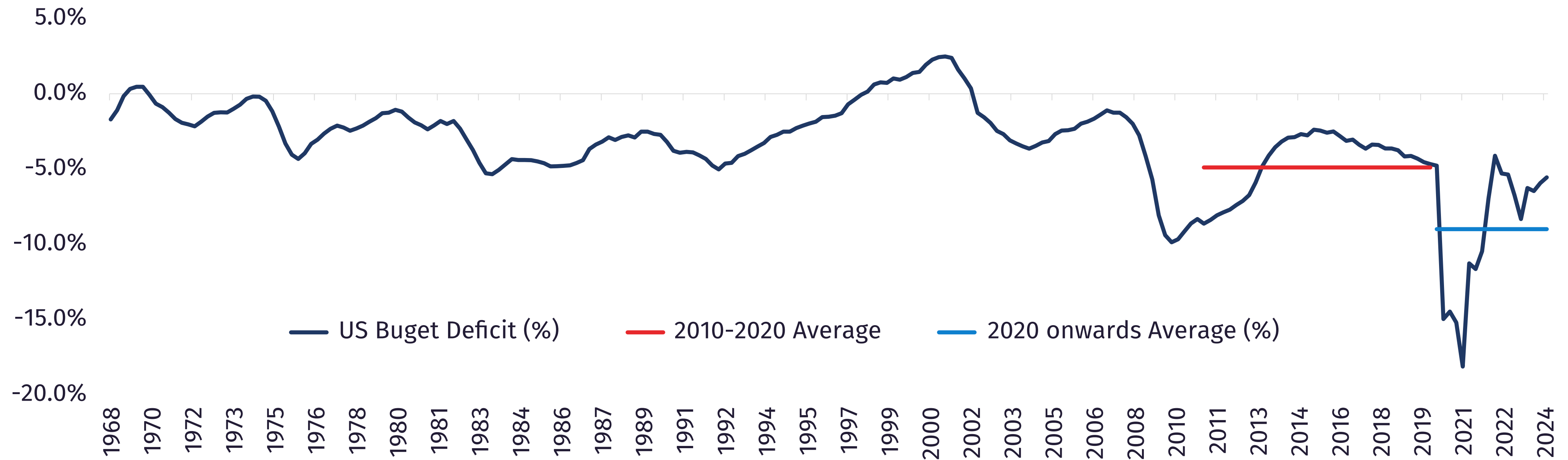
Source: Bloomberg

Net purchases of gold by global central banks increased sharply in 2022 and 2023, as they sought to diversify their Forex Reserves

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US fiscal position has been weakening

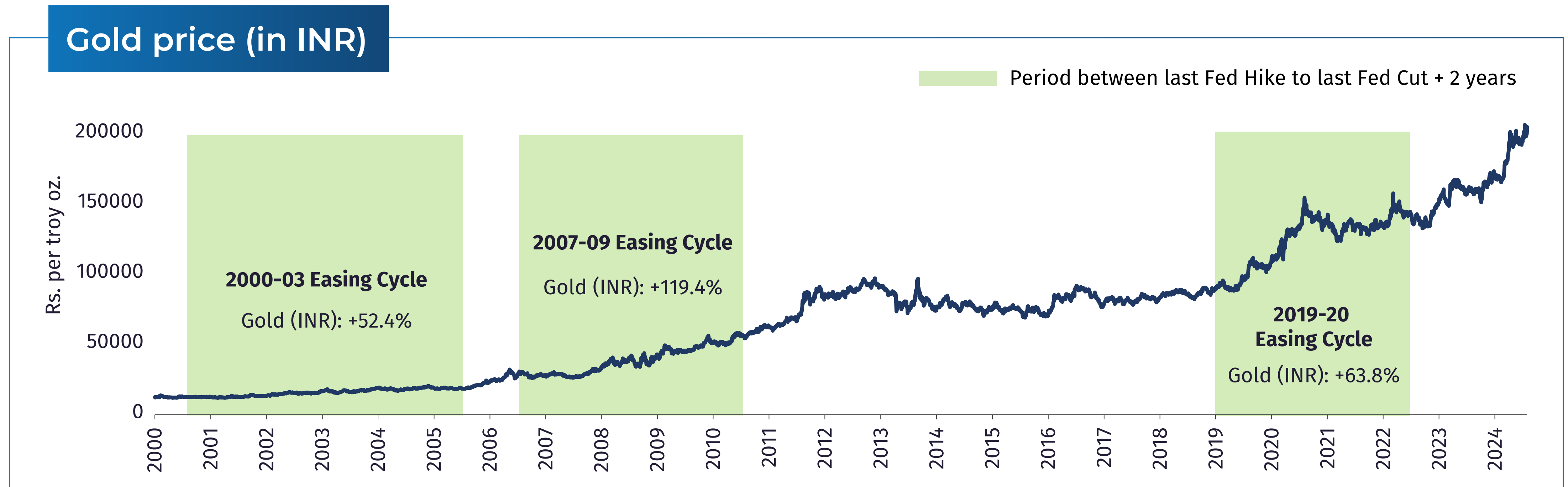
US Fiscal Deficit (% GDP)



Source: Bloomberg

Investors are diversifying away from the USD as US fiscal health worsens

Gold & Interest Rates - Performance of gold during US easing cycles

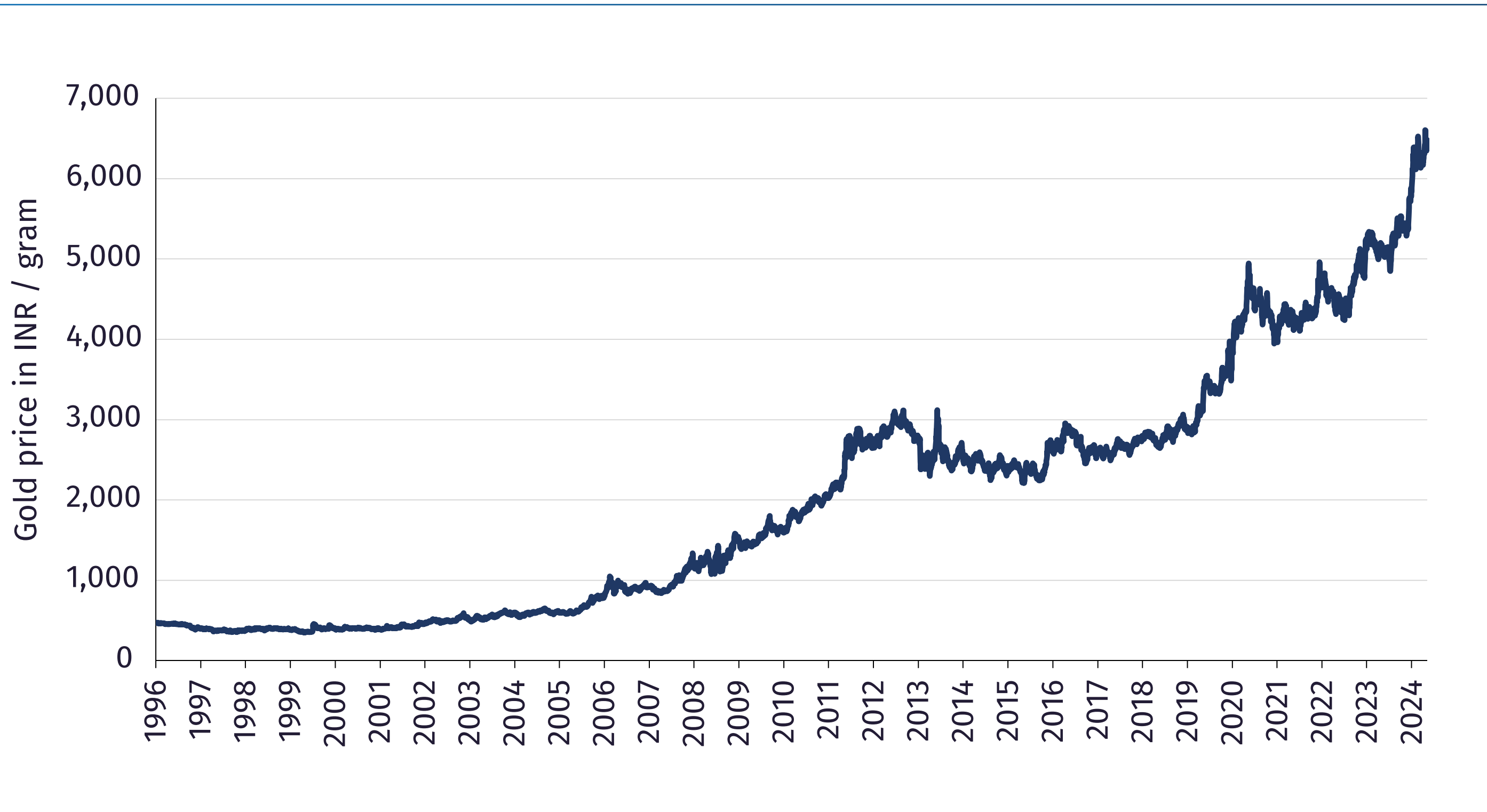


Source: Bloomberg, internal calculations. Gold prices in INR do not include any customs duties, local taxes etc. Returns are simple ie. not annualized. **Past performance may or may not be sustained in the future and is not a guarantee of any future returns. HDFC AMC/Mutual Fund is not guaranteeing or promising or forecasting any returns.** * For example, the shaded period for the 2019-20 easing cycle refers to the period between Dec 2018 to Mar 2022. The breakup is as follows - for 2019-20 cycle, the last Fed hike was in Dec 2018, the last Fed cut of the following easing cycle was March 2020 and 2-year period after the last Fed cut ended in Mar 2022.

Historically, Gold has generally performed well in such monetary easing environments

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Gold Price Movement over the last 25+ years



CAGR* returns		
Period	Gold (INR/gm)	Gold (USD/gm)
20 Years	13.1%	9.7%
15 Years	10.7%	6.7%
10 Years	11.5%	8.2%
5 Years	16.1%	12.2%
3 Years	20.0%	15.3%
1 Year	42.8%	41.6%

Source: Bloomberg, Data as on Sep 30, 2024. Gold prices in INR do not include any customs duties, local taxes etc.

*CAGR: Compounded Annualized Growth Rate.

Past performance may or may not be sustained in the future and is not a guarantee of any future returns.

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- ◆ As a precious metal used in jewellery, silverware
- ◆ As an industrial commodity, it has large industrial use – from electrical switches to solar to chemical producing catalysts.
- ◆ Considered as an auspicious metal in most parts of the country – bought especially around events like Dhanteras, Akshaya Tritiya, etc.
- ◆ Also serves as an investment tool to hedge against risks - investment demand forms 25% of global demand over 2012-2021 (Source: Silver Institute)

Did you know?

- Silver's atomic symbol, **Ag**, is from Latin argentum, taken from the Greek ἄργυρος meaning 'shiny'
- Silver was also used as a currency till about 1930s



Why consider investing in Silver?

As a Industrial Commodity

- Play on industrial recovery – with heavy usage in portable devices, industrial equipment
- Improving demand outlook on account of higher adoption in new age and green technologies – solar panels, electronic devices, electric vehicles, new age pharmaceutical products, water purification



As a Precious Metal

- Hedge against currency depreciation
- Diversification

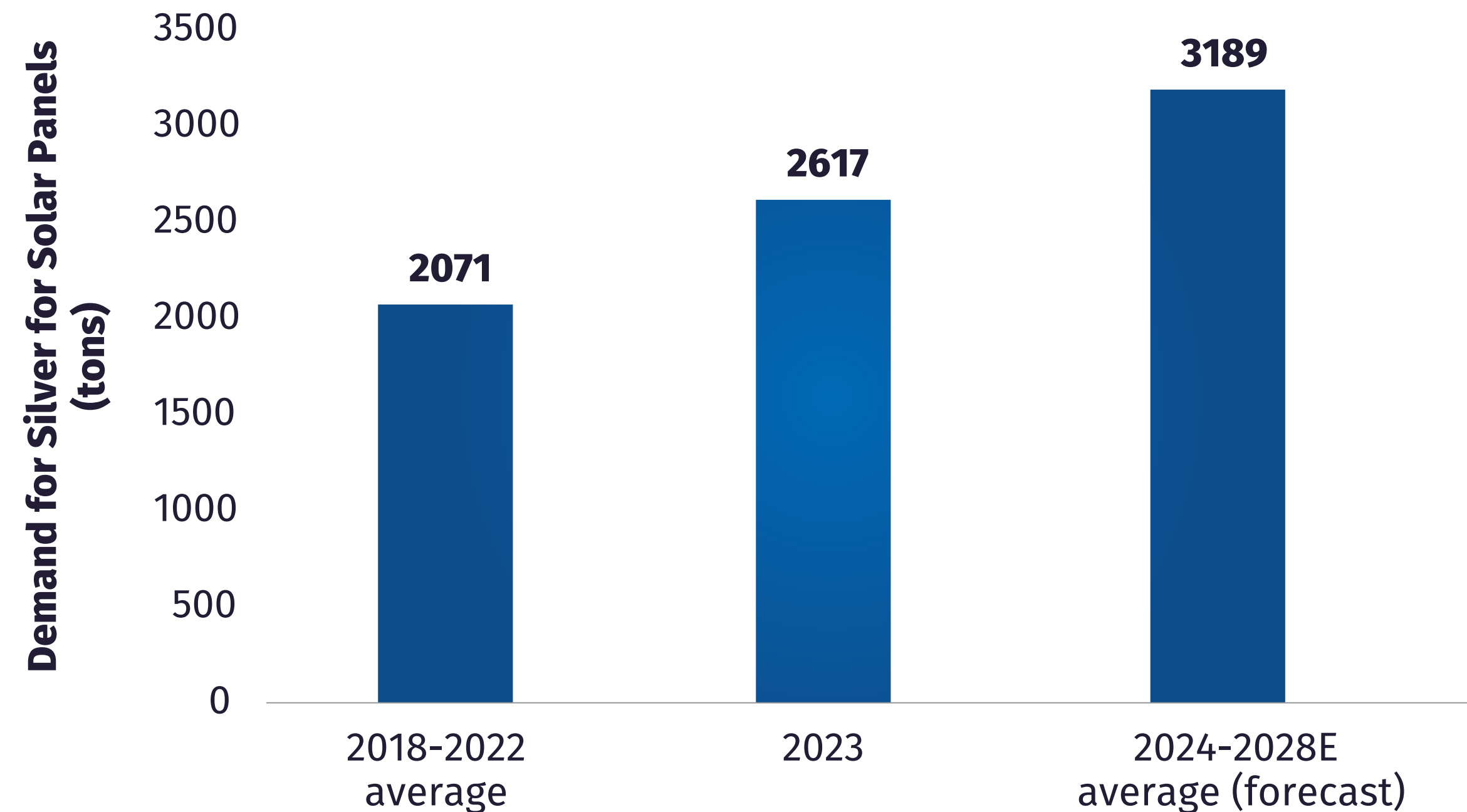
Silver – A Key Component in Solar Energy Generation



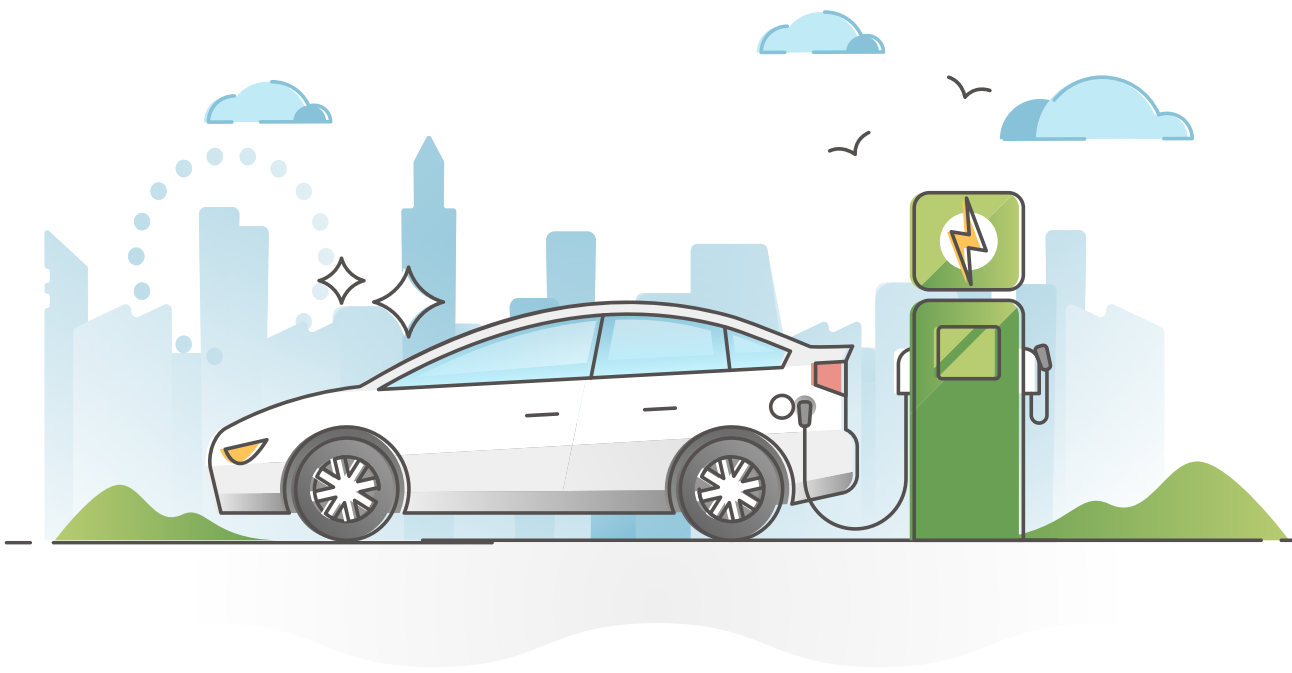
■ Did you know?

- Each solar cell uses approximately 100mg of silver
- **Aggressive goals set by other countries, including India, regarding renewable energy – Solar holding a significant share in the same**

Increasing Solar Power Demand = Increasing Silver Demand

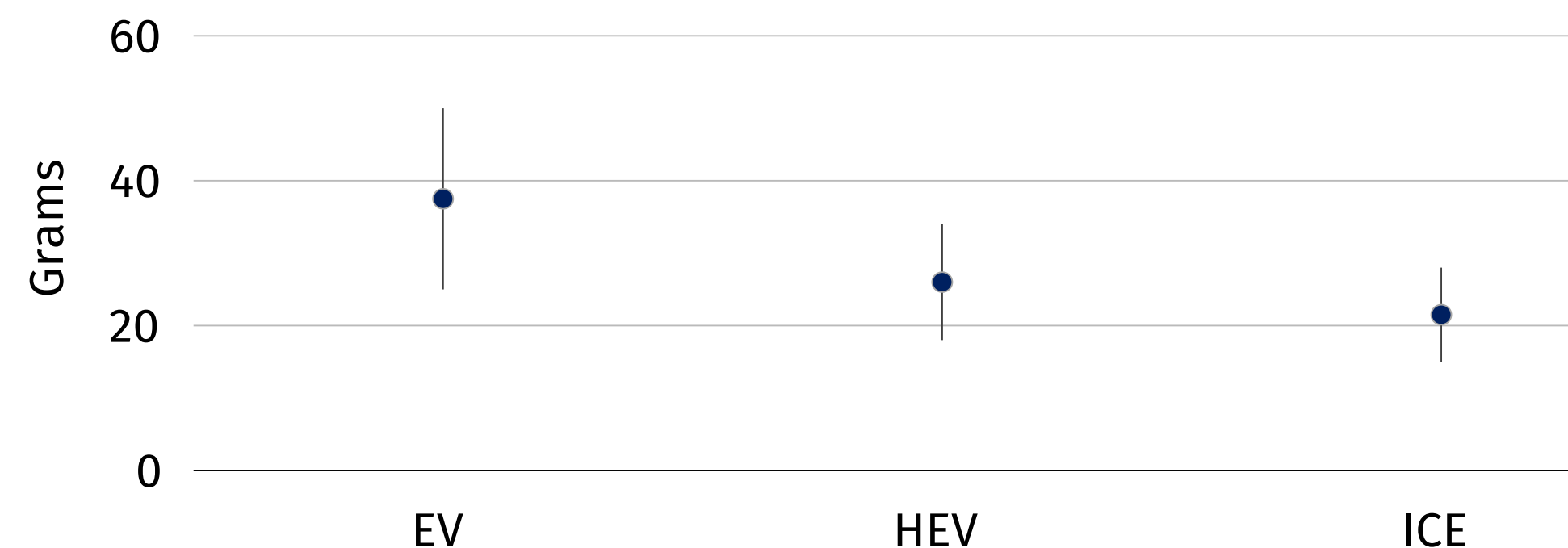


Silver being actively adopted in EVs

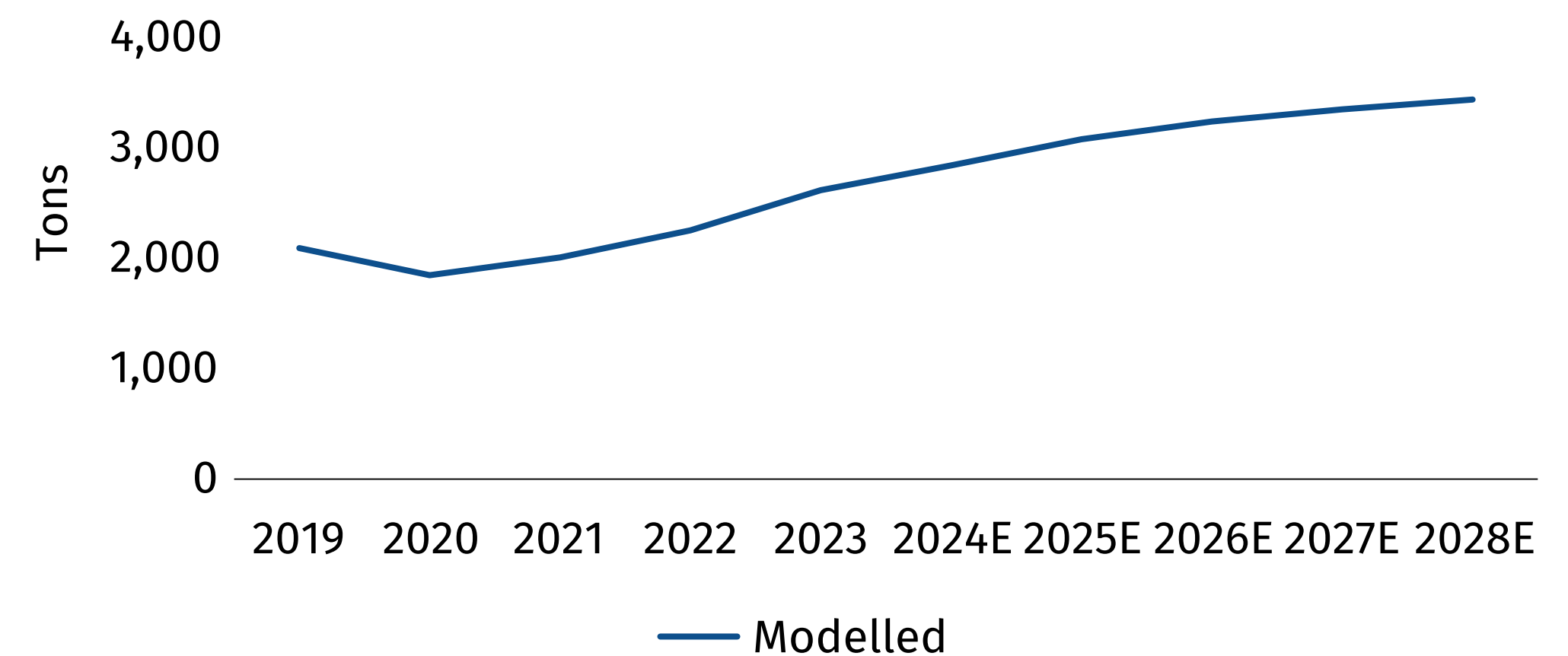


- Increasing share of EVs in the automobile market is expected to increase demand of Silver as EVs use almost twice the silver used in the traditional Internal Combustion Engine (ICE) car.
- Charging stations also expected to increase the demand for silver

Demand of Silver for Different Types of Vehicles



Overall Demand of Silver for EVs



Note: EV – Electric Vehicle; HEV – Hybrid Electric Vehicle; ICE - Internal Combustion Engine
Source: Silver Institute, BofA Global Research
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Silver Price Movement over the last 25+ years



CAGR* returns		
Period	Silver (INR/gm)	Silver (USD/gm)
20 Years	11.3%	8.0%
15 Years	8.3%	4.3%
10 Years	9.5%	6.1%
5 Years	16.4%	12.5%
3 Years	17.7%	13.0%
1 Year	35.9%	34.7%

Source: Bloomberg, Data as on Sep 30, 2024. Silver prices in INR do not include any customs duties, local taxes etc.

*CAGR: Compounded Annualized Growth Rate.

Past performance may or may not be sustained in the future and is not a guarantee of any future returns.

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Gold / Silver Ratio



Source: Bloomberg, Data as on Sep 30, 2024

The Gold-Silver Price Ratio shows the relative price movement of gold versus silver

Rolling Return Period	Average Rolling Returns				Standard Deviation			
	Gold	Silver	NIFTY 50 TRI	Debt	Gold	Silver	NIFTY 50 TRI	Debt
1 year	12.8%	12.9%	16.4%	7.9%	15.0%	28.5%	25.9%	7.7%
3 year	12.3%	11.2%	15.3%	7.3%	8.9%	14.8%	12.8%	4.9%
5 year	12.4%	11.2%	15.4%	6.8%	7.4%	10.7%	8.9%	2.5%

Source: Bloomberg, Data as on Sep 30, 2024. Data from June 1999 has been considered for the above analysis. For Debt, we have used the NIFTY 10 yr Benchmark G-Sec Index. For Gold and Silver, we have used international prices converted to INR without considering taxes, duties and charges.

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Invest in Gold & Silver Digitally through:

HDFC Gold Exchange Traded Fund

BSE Scrip code: 533230
NSE Symbol: HDFCGOLD

HDFC Silver ETF

BSE Scrip Code: 543592
NSE Symbol: HDFCSILVER

HDFC Gold Fund

HDFC Silver ETF Fund of Fund

Silver is a Voluminous Metal

- Investing INR 15 lakh involves buying **~17kg of silver**
- Density of silver is **10g/cm³**; roughly half of gold
- Storing silver physically in a safe manner could be difficult for an individual



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Why invest in Gold and Silver digitally?



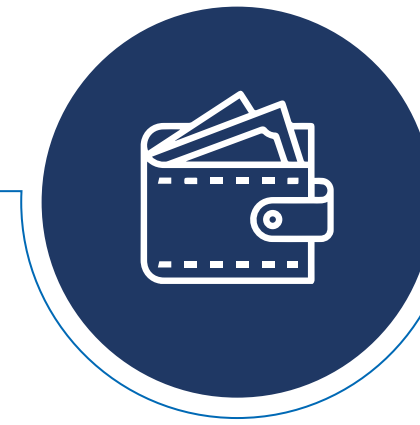
Convenience & Safety

Respective ETFs invest in physical Gold and Silver – investors saved from the hassle of physical storage



Purity

Physical Gold and Silver held with 99.5% fineness or above for Gold, and 99.9% fineness or above for Silver[^]



Liquidity

ETF - Market Makers provide liquidity on Stock Exchange
FoF - Investors can invest / redeem units on a daily basis



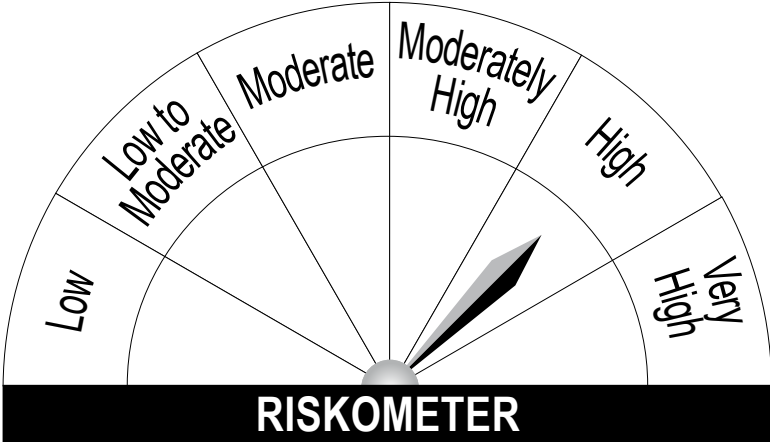
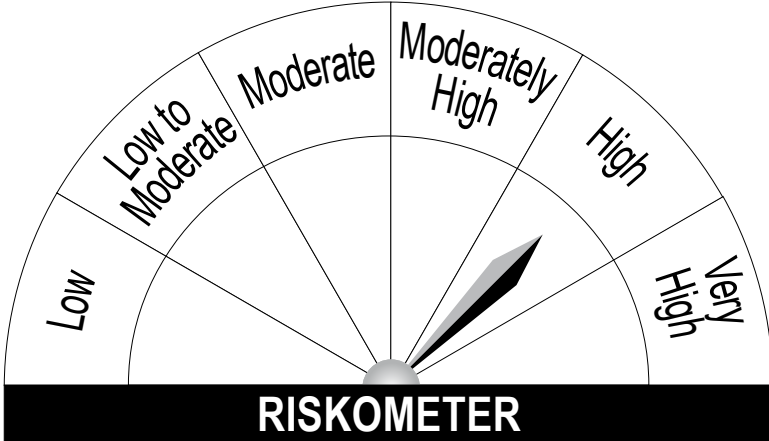
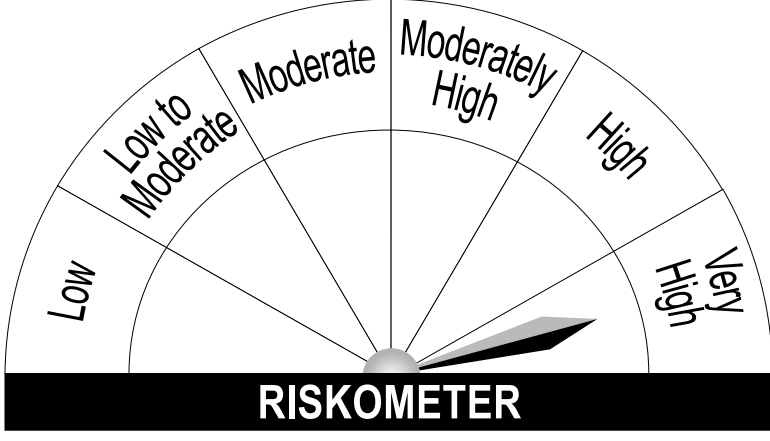
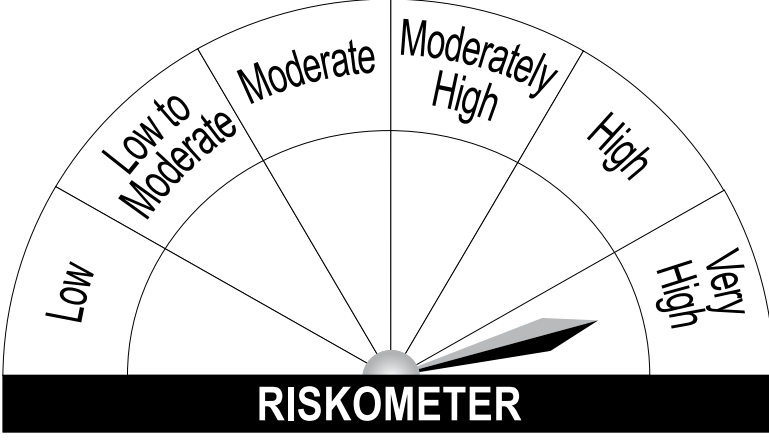
Lower Cost

Ideal vehicle for long-term investment due to lower expense ratios

FoF investors also enjoy these benefits as the FoF invests in the respective ETF units

[^] complies with Good Delivery norms as specified by SEBI Regulations

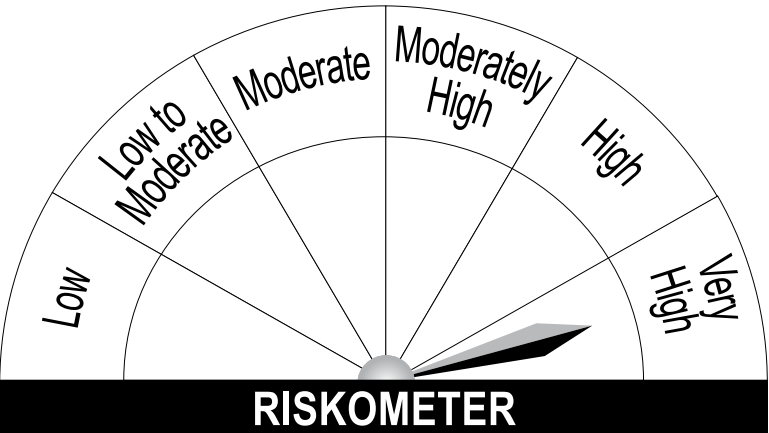
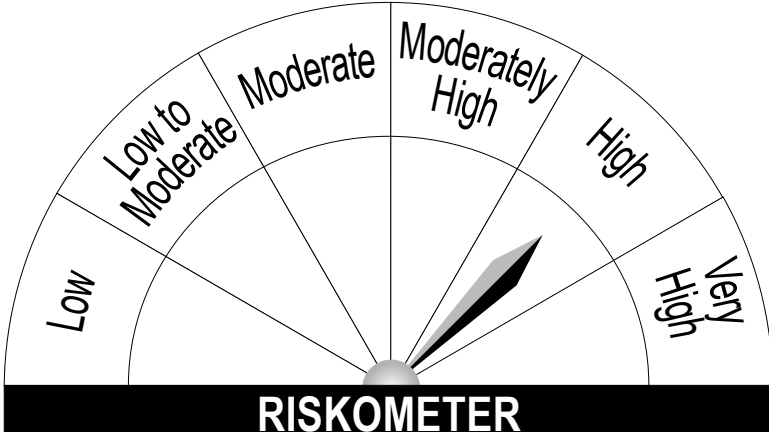
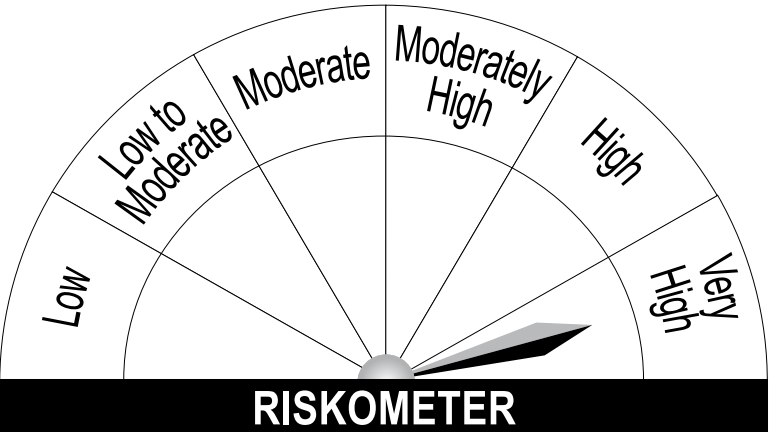
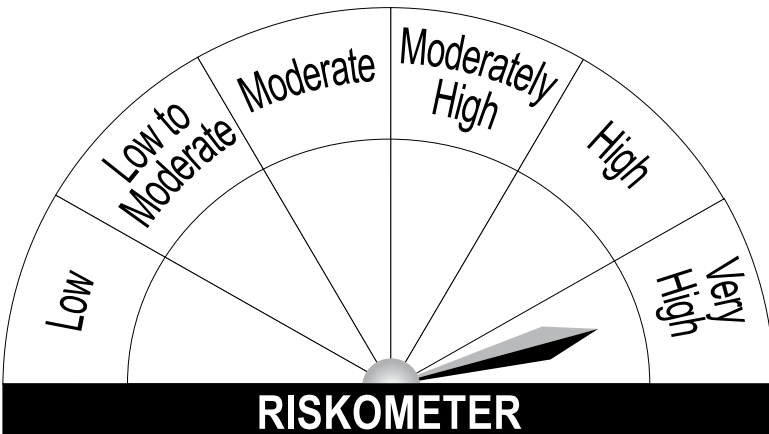
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Name of Scheme / Investment Plan	This product is suitable for investors who are seeking*:	Scheme Riskometer#	Benchmark Riskometer#
HDFC Gold Exchange Traded Fund An open ended scheme replicating/tracking performance of Gold.	<ul style="list-style-type: none">• Returns that are commensurate with the performance of gold, subject to tracking errors, over long term• Investment predominantly in Gold bullion of 0.995 fineness	 <p>RISKOMETER</p> <p>Investors understand that their principal will be at high risk</p>	<p>Domestic Price of Physical Gold</p>  <p>RISKOMETER</p>
HDFC SILVER ETF An open ended Exchange Traded Fund (ETF) replicating/tracking performance of Silver.	<ul style="list-style-type: none">• Returns that are commensurate with the performance of silver, subject to tracking errors, over long term.• Investment in Silver bullion of 0.999 fineness.	 <p>RISKOMETER</p> <p>Investors understand that their principal will be at very high risk</p>	<p>Domestic Prices of physical Silver (derived as per regulatory norms) (w.e.f. September 25, 2024)</p>  <p>RISKOMETER</p>

*Investors should consult their financial advisers, if in doubt whether the products is suitable for them

#For latest riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. www.hdfcfund.com
Benchmark and Scheme Riskometer as on Sep 30, 2024

Product Labeling and Riskometers

Name of Scheme / Investment Plan	This product is suitable for investors who are seeking*:	Scheme Riskometer#	Benchmark Riskometer#
HDFC Gold Fund An open ended Fund of Fund scheme investing in HDFC Gold Exchange Traded Fund.	<ul style="list-style-type: none"> Capital appreciation over long term Investment in Units of HDFC Gold Exchange Traded Fund (HGETF). HGETF invests in gold bullion of 0.995 fineness 	 <p>RISKOMETER</p> <p>Investors understand that their principal will be at very high risk</p>	Domestic Price of Physical Gold  <p>RISKOMETER</p>
HDFC Silver ETF Fund of Fund (An open ended Fund of Fund scheme investing in HDFC Silver ETF)	<ul style="list-style-type: none"> Capital appreciation over long term. Investment in Units of HDFC Silver ETF (HSETF). HSETF invests in Silver and Silver related instruments. 	 <p>RISKOMETER</p> <p>Investors understand that their principal will be at very high risk</p>	Domestic Price of Physical Silver (derived as per regulatory norms) (w.e.f. September 25, 2024)  <p>RISKOMETER</p>

*Investors should consult their financial advisers, if in doubt whether the products is suitable for them
#For latest riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. www.hdfcfund.com
Benchmark and Scheme Riskometer as on Sep 30, 2024

Note: Investors in HDFC Silver ETF Fund of Fund and HDFC Gold Fund shall bear the recurring expenses of the Scheme in addition to the recurring expenses of the respective underlying Schemes (subject to regulatory limits).

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Thank You