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## **Why gold still remains a must-have in your portfolio**

In the long run, gold is an excellent hedge against inflation and, hence, it's very effective in preserving one's purchasing power. Gold serves as a useful tool for diversification, mainly due to its low or negative correlation with other asset classes. While we all know the importance of gold as an investment option, the only question which puzzles an investor is when to enter or exit and the proportion of gold to have in one's portfolio at any given point in time.

It's hard to predict how various asset classes, such as equity, debt or gold, will do in the short run. Investors are quite commonly obsessed with searching for mega star stocks or bonds. In this process, what gets overlooked is the need for a balancing act, which eventually ensures wealth creation in the long run.

There are certain basic rules with regard to creating a portfolio of assets, which go a long way in creating wealth if followed diligently. One should decide on the asset allocation after carefully looking at one's risk profile and financial objectives. Time horizon and changes in the market fundamentals may call for balancing the asset allocation periodically. One should remember that diversification is different than asset allocation. By asset allocation, you also ensure the right quality of assets in the portfolio.

In India, we generally get emotionally attached to one asset class, that being gold. It is more an emotional decision than a financial one. Of late, individuals have started realising the importance of gold. For a long time, it has been considered a hedge against inflation. While it may not have always beaten inflation in the past few years, but inflation-adjusted returns from gold have been spectacular. What makes gold a must-have in the portfolio is its status as a safe haven during uncertainties.

It is a safer bet when there is lack of faith in the global monetary system. The last 5-6 years have really been rewarding for those who have invested in gold through the physical markets or have taken the ETF route. Gold has been rising for almost a decade now. Even then, gold remains the favourite investment option due to rising inflation and systemic economic issues.

In the last couple of months, we have witnessed stagnation in the price of gold. The investor fraternity has again started getting impatient about its investments. However, the largely hyped redemption numbers against the current ETFs holdings are minuscule — around R200 crore out of over R10,000 crore. This is not surprising though. If you are getting handsome returns on your investments, you would definitely like to book profits. But if we go by the books, gold has a lower share in an individual's investment portfolio.

It is advisable that in one's portfolio, gold should at least have a 10-15% share. It is a good time to go back to the working table and restructure the portfolio with some adjustments, which would fetch you higher returns over a longer period. It is extremely important for an individual to chalk out clear-cut financial objectives. Equity, as an asset class, has time and again proved to be the superior asset class in the long run. It is always advisable to have a proper financial strategy in place and review it at regular intervals.