Case Study: INR 100,000 Invested in Gold vs. Indian Real Estate vs. Indian Midcap Stocks (2004-2024)

Introduction :

In this case study, we evaluate the performance of INR 100,000 invested in 2004 in three different asset classes: Gold, Indian Real Estate, and Indian Midcap Stocks. This 20-year time frame allows us to explore how each asset class responded to major global and domestic economic events.

1. Gold Investment :

Gold is traditionally viewed as a store of value and a hedge against inflation. It is popular during periods of economic uncertainty.

- **Historical Performance (2004-2024):**
    - In 2004, the price of gold was approximately INR 6,000 per 10 grams.

- By 2024, the price has risen to INR 58,000 per 10 grams.

If INR 100,000 was invested in 2004, it would have purchased about 1,666 grams of gold. By 2024, this would be worth approximately INR966,280, resulting in an 866% return over 20 years (approximately 11.4% CAGR).

- **Pros:**
  - Safe-haven asset during economic downturns.
  - Consistent, long-term appreciation.
- **Cons:**
  - Does not generate income(such as rent or dividends).
  - Potential founder performance during periods of economic growth.

2. **<u>Indian Real Estate Investment :</u>**

Real estate has traditionally been one of the most prefer red investment classes in India, often delivering robust returns in the long term.

- **Historical Performance (2004-2024):**

  - In 2004, the average price per square foot of residential real estate in Indian metro cities was approximately INR 2,500.
  - By 2024, the price has risen to around INR 8,500 per square foot, resulting in a more than 240%increase.

If INR 100,000 was invested in 2004, the property value would now be around INR 340,000. This equates to a 240% return over 20 years(approximately 6.3% CAGR).

- **Pros:**
  - Tangible asset with rental in come potential.
  - Appreciation over the long term.
- **Cons:**
  - Highly illiquid, with high transaction costs and maintenance expenses.
  - Market performance can be uneven, depending on location and timing.

3. **Indian Midcap Stocks**

Midcap stocks represent companies with significant growth potential, though they can be volatile compared to large-cap stocks.

- **Historical Performance (2004-2024):**
  - The Nifty Midcap 100 index stood at approximately 2,000 points in 2004.
  - By 2024, it reached around33,000 points, marking a substantial increase.

If INR 100,000 was invested in midcap stocks in 2004, the portfolio would have grown to around INR 1,650,000. This represents a 1,550%return over 20 years, equating to an impressive 14.7% CAGR.

- **Pros:**
  - High potential for capital appreciation.
  - Liquid asset with low transaction costs.
- **Cons:**
  - Higher volatility and risk compared to large-cap stocks.
  - Susceptible to market corrections and downturns.

Comparative Analysis

Asset Class	Value in 2024 (INR)	Return	CAGR	Liquidity	Risk
Gold	INR 9,66,280	866%	11.40%	High	Low
Real Estate	INR 3,40,000	240%	6.30%	Low	Moderate
Midcap Stocks	INR 16,50,000	1550%	14.70%	High	High

Insights

1. Gold: Despite its reputation as a low-risk investment, gold provided solid returns during this 20-year period, especially during global financial crises and inflationary periods.

2. Real Estate: Real estate, while a traditional favorite, saw more moderate returns, largely due to liquidity issues and cyclical market performance. However, it can be a great option for those seeking tangible assets and rental income.

3. Midcap Stocks: Indian midcap stocks were the highest performers by far. Investors who could tolerate the volatility and market risks saw significant wealth creation.

Conclusion

- Midcap Stocks: Outperformed both gold and real estate, offering the highest returns over the 20-year period.

- Gold: Performed well as a safe, inflation-hedging asset.

- Real Estate: Provided stability and moderate returns, but is less liquid and requires significant capital commitment.

Note:

Ø For effective wealth creation, it is advisable to construct a diversified portfolio across various asset classes tailored to your risk profile. Diversification helps spread risk, reducing exposure to market volatility, and enables balanced returns over time.

Ø Investing with a long-term perspective is key to minimizing risk. While short-term investments may offer potential gains, they are typically more volatile and carry higher risk. A long-term approach allows for better compounding of returns and helps smooth out market fluctuations.

Ø It is essential to clearly define your financial goals at the outset. Predefined objectives—such as retirement, education, or wealth accumulation—will guide your investment strategy, ensuring that your portfolio is aligned with your financial needs.

Ø Regular rebalancing of your portfolio is critical to maintain the intended asset allocation. As market conditions and personal circumstances evolve, periodic adjustments ensure that your portfolio remains aligned with both market dynamics and your long-term financial goals.

Ø In conclusion, a disciplined, diversified, and goal-oriented investment approach, combined with regular portfolio reviews, will enhance wealth creation while managing risks effectively

The information provided is for general reference purposes only. We are not responsible for any investment decisions made based on the information provided. It is strongly recommended that you consult with a MFD / RIA before making any investment decisions, as all investments carry risks that may not be fully addressed in this summary.

Information Source: ChatGPT. Complied and Presented by Thirumurugan J C, MFDThiru.

Disclaimer:

We are a fintech company specializing in the aggregation of fundraising solutions tailored to meet the needs of successful and promising business models. your platform serves as a conduit for investors and business owners to identify suitable matches for their funding requirements.

Please be advised of the following:

1. No Influence or Guarantee: We do not influence, endorse, or guarantee any investment decisions or returns. The information provided through our platform is for informational purposes only and does not constitute financial, investment, or professional advice.

2. Forward-Looking Statements: Any forward-looking statements or projections provided are based on current information and are intended to be indicative only. These statements are subject to change and may be revised without prior notice. We do not warrant the accuracy or completeness of such statements.

3. Responsibility of Recipients: Recipients of our information are solely responsible for their investment decisions and should seek independent professional advice tailored to their individual circumstances before making any investment.

4. Limitation of Liability: We disclaim all liability for any loss or damage, whether direct or indirect, arising from reliance on the information provided through our platform or from any decisions made based on such information.