OMNISCIENCE INSIGHTS LABS

OMNISCIENCE CAPITAL
SCIENCE OF ALPHA FROM SAFETY

Gold's Glitter vs. Stock's Sparkle

GOLD VS EQUITIES:
A SCIENTIFIC INVESTIGATION

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Gold's Glitter vs. Stock's Sparkle

GOLD VS EQUITIES

Gold's recent glitter has triggered FOMO and attracted large investments sparking a debate about whether gold is more rewarding than equities.

This report investigates this question using our Scientific Investing perspective involving a deep dive into domestic and global gold, equities and inflation data.

Gold vs. Equities: A Scientific Investigation

We did a comparative analysis of gold vs. equities from a Scientific Investor's perspective. We evaluate risk of the investment with the question – **what are the chances of losing capital?** This is followed by – **what is the expected long-term return?** And, **Does it beat inflation?** And **Does it beat the opportunity cost,** performance of the market index – normally, a default allocation?

This report presents a comprehensive quantitative analysis comparing the investment performance of Gold (INR) vs. Nifty 50 for the Indian markets and Gold (USD) vs. S&P 500 for the US markets.

Gold is often viewed as an inflation protector. This aspect is also addressed for both the markets. Equities as an inflation beater is also investigated.

Foundation of Scientific Investing

**"Rule no. 1: Don't lose capital.
Rule no. 2: Don't forget Rule no. 1."**

- Warren Buffett

Gold Glitters worldwide in 2025

Gold broke above the major $4,000/oz (Rs 114,761 per 10 gram) milestone for the first time in early October, climbing over 50% since January. Recently, there have been huge inflows into gold ETFs with last month September, INR 8,363 crores or nearly a $1 billion worth of inflows into Indian gold ETFs (Mint).

Similarly, North American ETFs attracted nearly $10.6 billion, while European ETFs attracted nearly $4.4 billion in September 2025 (World Gold Council). Thus, gold is glittering worldwide.

A Scientific Investigation into Gold as an Investment

Given this backdrop and excitement about gold, we at OmniScience Insights Labs decided to look at gold as an investment asset[1] with the perspective of a Scientific Investor.

We took GoldBees ETF as a representative for gold price changes over the last 18 years for which daily data is available (19-Mar-2007 to 29-Sep-2025). Simple point-to-point analysis gave:

Till Sep-2025 End	GoldBees
1-yr	51.1%
3-yr	30.8%
5-yr	16.8%
10-yr	14.9%
15-yr	11.5%
Inception (18-Yrs)	13.3%

Exhibit 1: Point-to-point trailing CAGR for Gold
Source: MS Excel/Refinitiv, OmniScience Insights Labs

Now is this a good investment?

The returns shown in the above table look quite attractive and similar to or better than what investors typically expect from equities. However, a trailing returns analysis can be misleading, especially if there is huge performance in the recent periods which lifts up the performance of the longer periods. For a more representative performance analysis we can look at different rolling period holding horizons.

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[1] *Though some investors might argue that an asset is something that generates positive cash flows and since gold doesn't generate anything it is not an asset. What is an asset? https://www.youtube.com/watch?v=3ncS59taPkg https://www.youtube.com/watch?v=buBd5MQxfk0*

Rolling period returns are calculated by creating every possible portfolio for a specific time horizon, like 3 years, within the entire historical data. Think of it as a 3-year "window" that slides forward one day at a time; a return is calculated for each window, giving you a much more complete picture of performance consistency than a single point-to-point return.

With around 6,400 1-year rolling periods during the 18 years, and more than 3,100 10-year rolling periods, the data is rich.

As Scientific Investors our first question is: Based on this historical data, what are the chances of preserving capital over different holding periods? Exhibit 2 answers that:

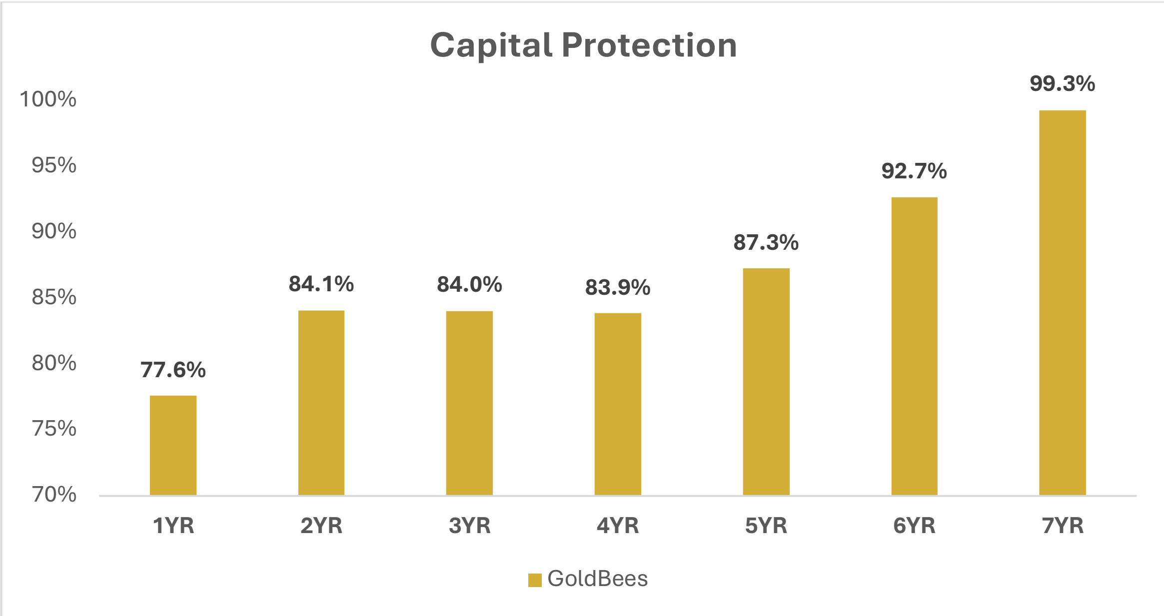


Exhibit 2: Capital Protection: The probability of not losing money (All rolling portfolios that yielded a non-negative return/Total Portfolios for that investment horizon)

You can conclude that one needs a 7-year holding period to have a high (99%) probability of preserving capital in Gold.

Second question is: What is the average return for different holding periods?

The table below presents average and median returns for different holding periods:

Holding Period	1YR	2YR	3YR	4YR	5YR	6YR	7YR	10YR
Average Returns	13.3%	11.8%	10.9%	10.2%	9.6%	9.0%	8.4%	8.0%
Median Returns	12.6%	11.1%	11.8%	11.0%	10.5%	9.0%	8.5%	7.9%

Exhibit 3: Avg and Median Rolling returns for multiple horizons from Mar-2007 till Sep-2025

The data suggests that long-term returns (3yrs or more) from gold, typically falls in the range of 8%-10%.

What is max drawdown? A drawdown is the peak-to-trough decline of an investment from its highest point. It measures the biggest loss your investment has experienced from a previous high.

*During this 18-year period the max drawdown for Gold is **-27.1%.***

Would it be better than investing in equities?

There are people suggesting that gold is a better investment than equities with higher performance and lower risk. To address this scientifically let us compare Gold with Nifty 50 over the same period. We took NiftyBees ETF as a representative for Nifty price changes over the last 18 years to overlap data consistency with GoldBees (Mar-2007 to Sep-2025).

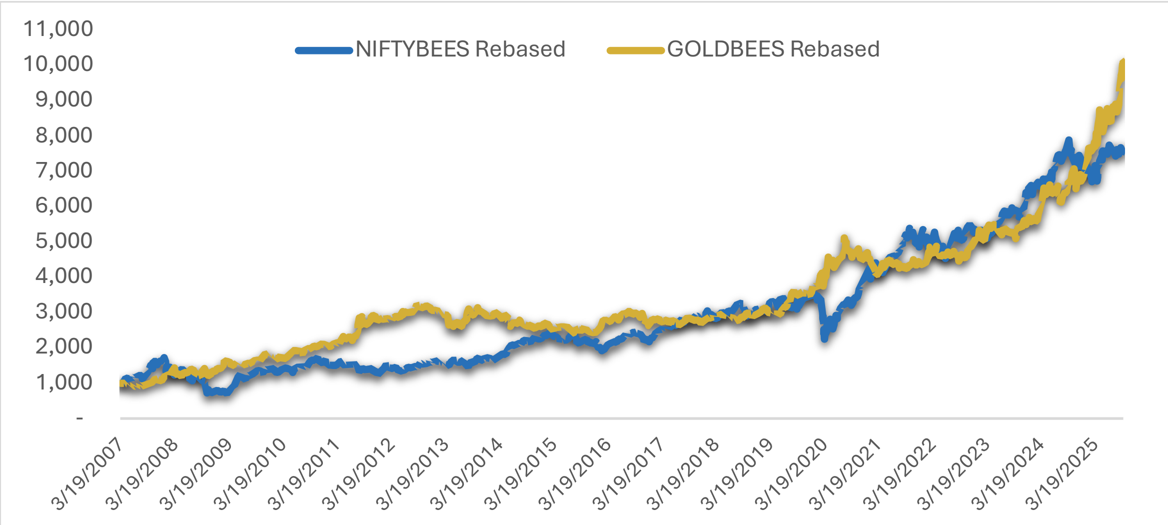


Exhibit 4: NiftyBees vs. GoldBees: A Rebased Performance Comparison (2007-2025)

The above chart shows that for the full period gold is indeed beating Nifty. Let us also look at the returns from the two in different time periods. Simple point-to-point trailing return analysis is shown below:

Till Sep-2025 End	GoldBees	NiftyBees
1-yr	51.1%	-4.6%
3-yr	30.8%	14.8%
5-yr	16.8%	18.4%
10-yr	14.9%	13.4%
15-yr	11.5%	10.7%
18-Yrs	13.3%	11.5%

Exhibit 5: Point-to-point trailing CAGR for Gold & Nifty

It might look like gold is beating Nifty, more so in the recent observations. Let's deep dive and do the rolling period analysis for both as explained above and compare them.

Our first question is: Based on this historical data, what are the chances of preserving capital over different holding periods? Exhibit 6 answers that:

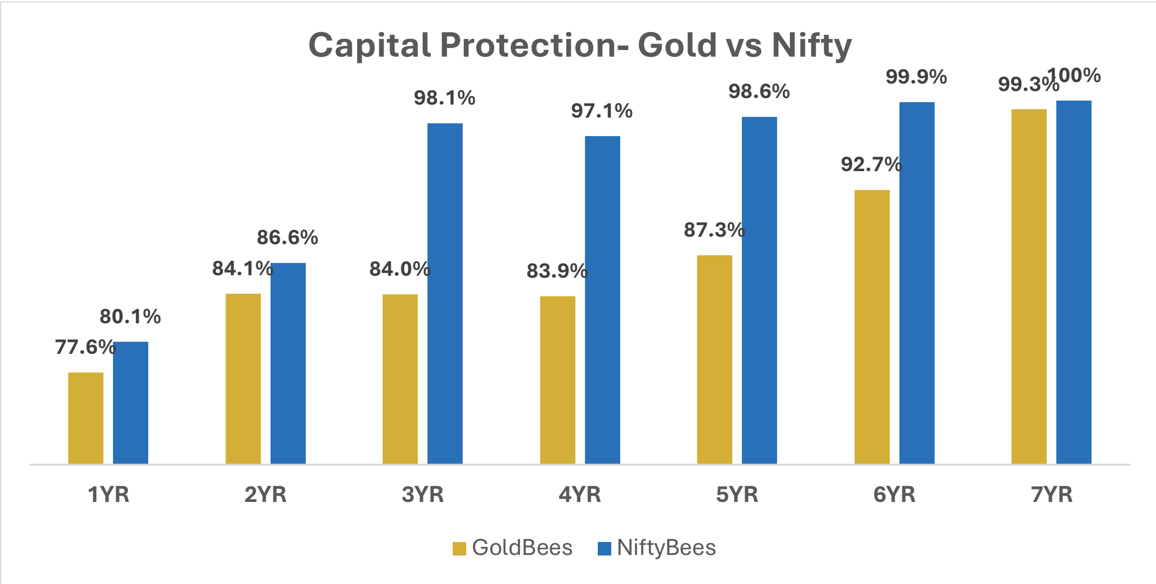


Exhibit 6: Capital Protection: Gold vs Nifty

As Exhibit 6 demonstrates, there is a high (98.1%) probability of protecting one's capital in Nifty for holding periods of 3 or more years.

This means that historically, an equity investor with a holding period of 3 years or more had an exceptionally high chance of not losing their principal investment.

In stark contrast, Gold provided only an 84.0% chance of capital protection over the same 3-year window.

To achieve a comparable level of safety (over 99%), a Gold investor needed to remain invested for a much longer period of 7 years to reach a 99.3% probability.

Second question is: What is the average return for different holding periods?

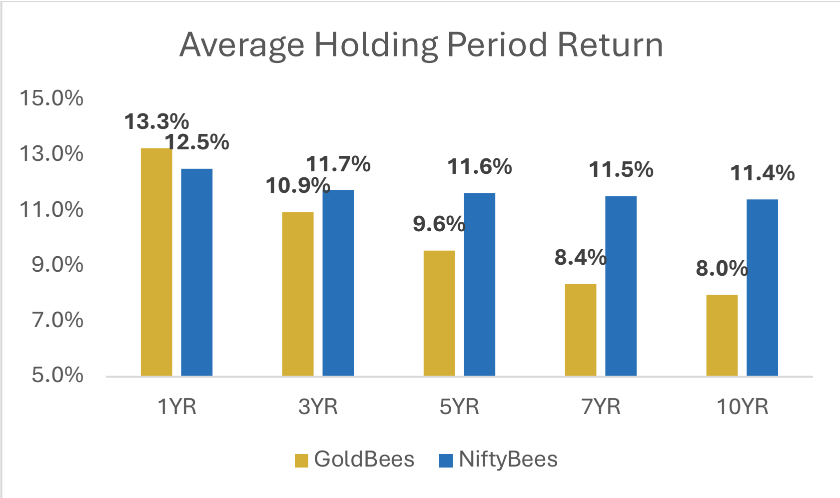


Exhibit 7: Average Holding Period Return for rolling portfolios over different horizons

For holding periods of three years and beyond, Nifty consistently delivered superior average returns. Nifty consistently delivered on average around 11.5% against 8%-10% range for Gold.

The average analysis is also reaffirmed by the Median holding period returns over these investment horizons as shown in exhibit 8.

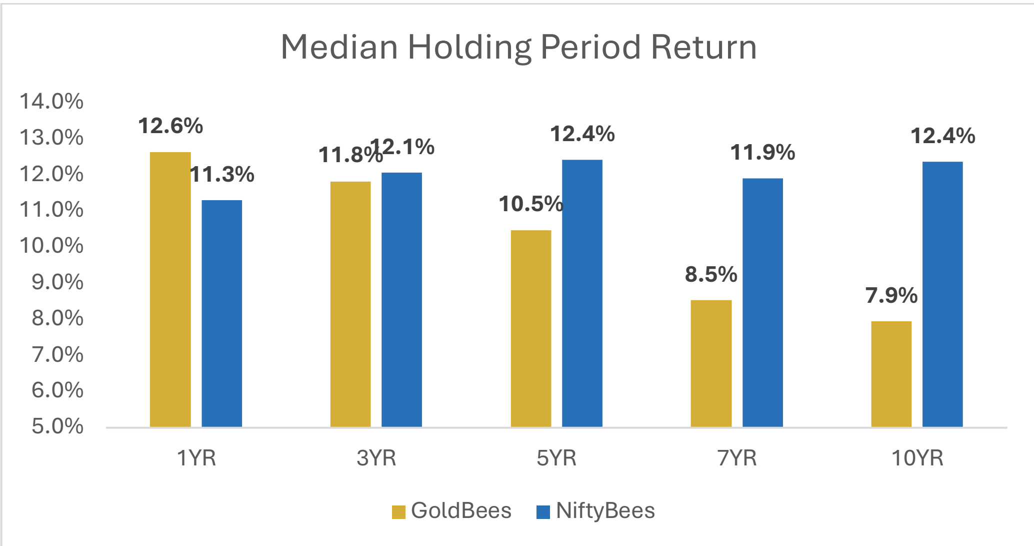


Exhibit 8: Median Holding Period Return for rolling portfolios over different horizons

On Median, Nifty delivered around 12% against 8%-11% range for Gold.

What is the max drawdown?

Gold: -27.1% , Nifty: -59.7%

Over the long-term (3 years or more) Nifty has superior capital protection and higher performance compared to gold on average. However, Nifty max drawdown can be brutal and here gold's role as a safe haven during crisis gets emphasised.

Note: Some readers might be wondering why we are not discussing 1-year and 2-year data. The reason is the high variability around the average for short holding periods. For example, for gold, the 1-year holding period while the average is 13.3% the worst portfolio delivered -17.9% return and the best portfolio delivered 55.5% returns. These are only two extreme portfolios out of 6,405 1-year portfolios. For the 5-year holding period for gold, while the average is 9.6%, the worst performer is -3.0% and the best is 27.3% across 4,944 5-year portfolios.

How Time Tilts the Odds Towards Nifty

What are the chances of gold beating nifty?

Beyond average returns and capital safety, a crucial question for any investor is simple: "Which asset wins more often?" By analysing the frequency of outperformance, we can see how the odds of success shift dramatically with the investment horizon. While short-term outcomes are nearly a coin toss, holding for the long term has historically stacked the deck firmly in favour of Nifty.

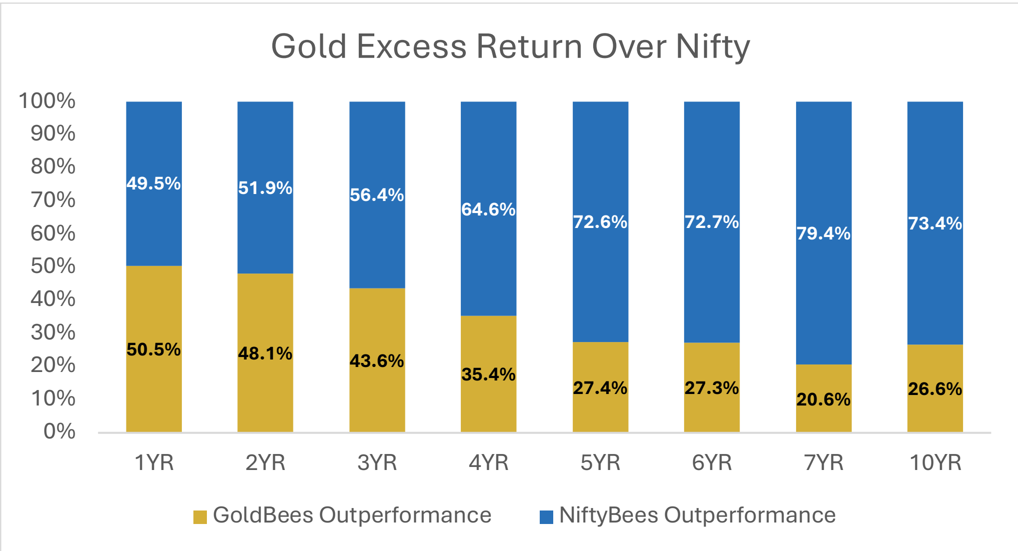


Exhibit 9: The Probability of Outperformance by Holding Period

As Exhibit 9 vividly illustrates, the contest is neck-and-neck in the short run.

However, a powerful and decisive trend emerges at the 3-year mark. From this point forward, *Nifty portfolios begins to dominate. For a 5-year holding period, Nifty delivered a higher return than*

Gold in an overwhelming 72.6% of all instances. This probability of Nifty winning continues to climb, reaching a staggering 79.4% for 7-year holding periods.

Next question: What is the excess return of gold over Nifty?

Holding Period	1YR	2YR	3YR	4YR	5YR	6YR	7YR	10YR
Average Excess Returns	0.7%	-0.2%	-0.8%	-1.4%	-2.1%	-2.5%	-3.2%	-3.5%
Median Excess Returns	0.3%	-0.6%	-2.9%	-2.7%	-2.5%	-2.1%	-3.9%	-3.6%

Exhibit 10: Avg & Median excess return of Gold over Nifty

So typically, gold underperforms Nifty for most longer holding periods by around 2% to 4%.

Digging a Deeper Goldmine: A Long-Term Historical View

The story of the last 18 years is clear, but to understand the fundamental character of these assets, we must look further back. Let's now expand our investigation by diving into a much longer historical dataset. Gold prices are available from RBI from 1990 onwards on a monthly interval. We have taken Sensex data over the same period for comparison. The gold data was converted from monthly to daily using interpolation.

Let us look at Sensex and gold from 1990 to Sep 2025:

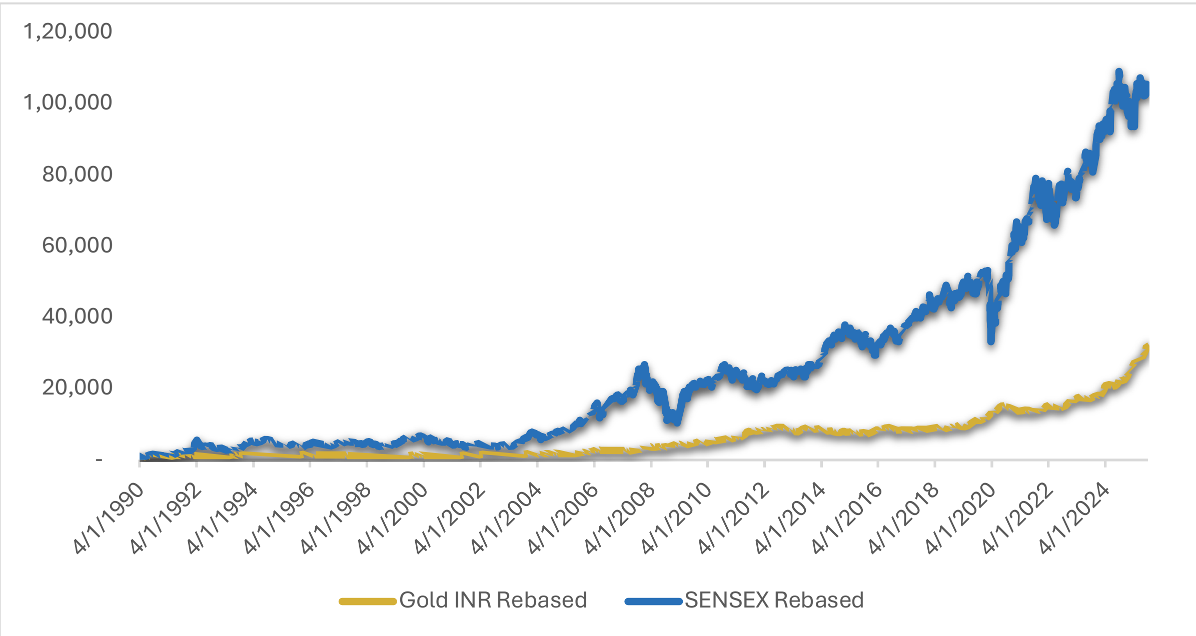


Exhibit 11: Sensex vs. Gold: A Rebased Performance Comparison (1990-2025)

Simple point-to-point trailing returns analysis is shown below:

Till Sep-2025 End	Gold	Sensex
1-yr	51.1%	-4.8%
5-yr	17.1%	16.1%
10-yr	15.4%	11.9%
20-yr	15.0%	11.8%
30-yr	10.9%	11.0%
35-yr	10.5%	14.2%

Exhibit 12: Point-to-point trailing CAGR for Gold & Sensex

It might look like gold is beating Sensex, mostly due to current momentum. Let's deep dive and do the rolling period analysis for both as explained above and compare them.

Our first question is: Based on this historical data, what are the chances of preserving capital over different holding periods? Exhibit 13 answers that:

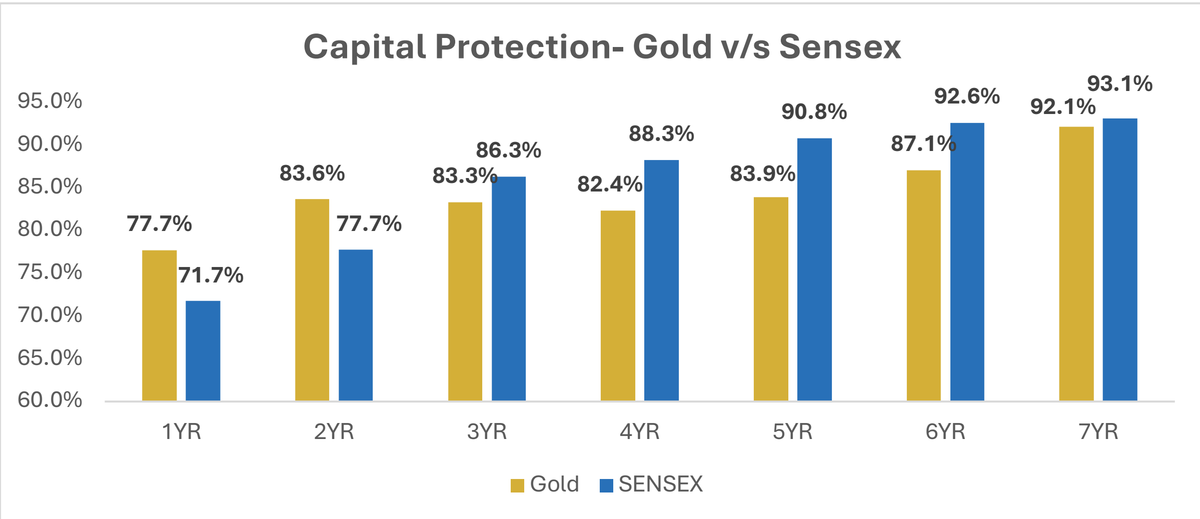


Exhibit 13: Capital Protection: Gold vs Sensex

As Exhibit 13 demonstrates, the probability of protecting one's initial capital in Sensex rises to an 90.8% after a 5-year holding period. This means that historically, an investor holding Sensex for five years had a greater chance of not losing their principal investment.

Gold provided only an 83.9% chance of capital protection over the same 5-year window. To achieve a comparable level of safety (~ 91%), a Gold investor needed to remain invested for a much longer period of 7 years to reach a 92.1% probability.

Second question is: What is the average return for different holding periods?

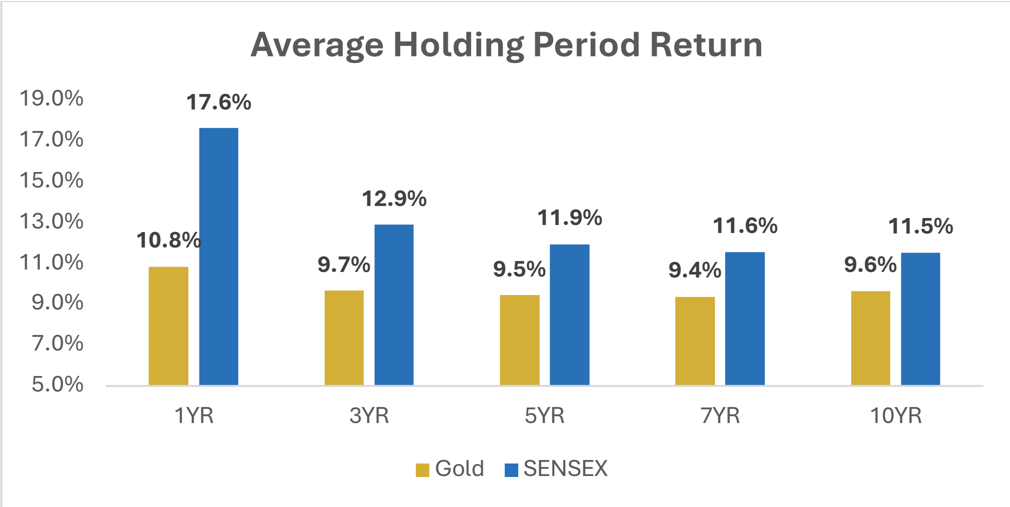


Exhibit 14: Average Holding Period Return for rolling portfolios over different horizons

Sensex consistently delivered on average around 11.5% against an average of 9.5% for Gold.

What is the max drawdown?

Gold: -26.7%

Sensex: -60.9%

What are the chances of gold beating Sensex?

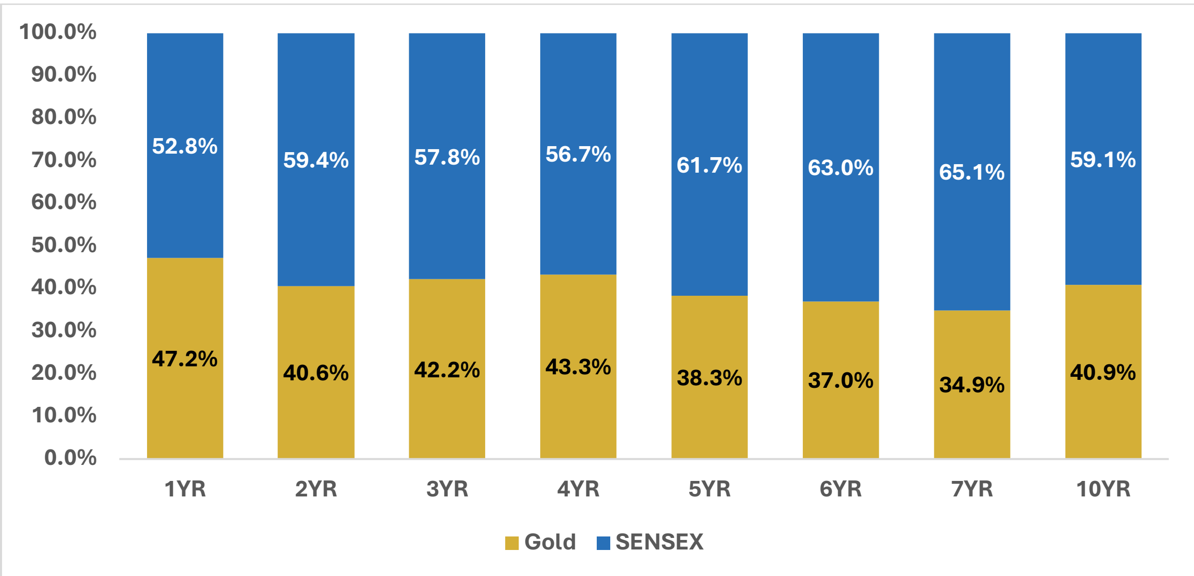


Exhibit 15: The Probability of Outperformance by Holding Period

As Exhibit 15 illustrates, that Sensex portfolios has consistently outperformed Gold portfolios. This outperformance increases further over longer time periods with Sensex outperforming Gold over 60% of times for a duration of longer than 5yrs.

Next question: What is the excess return of gold over Sensex?

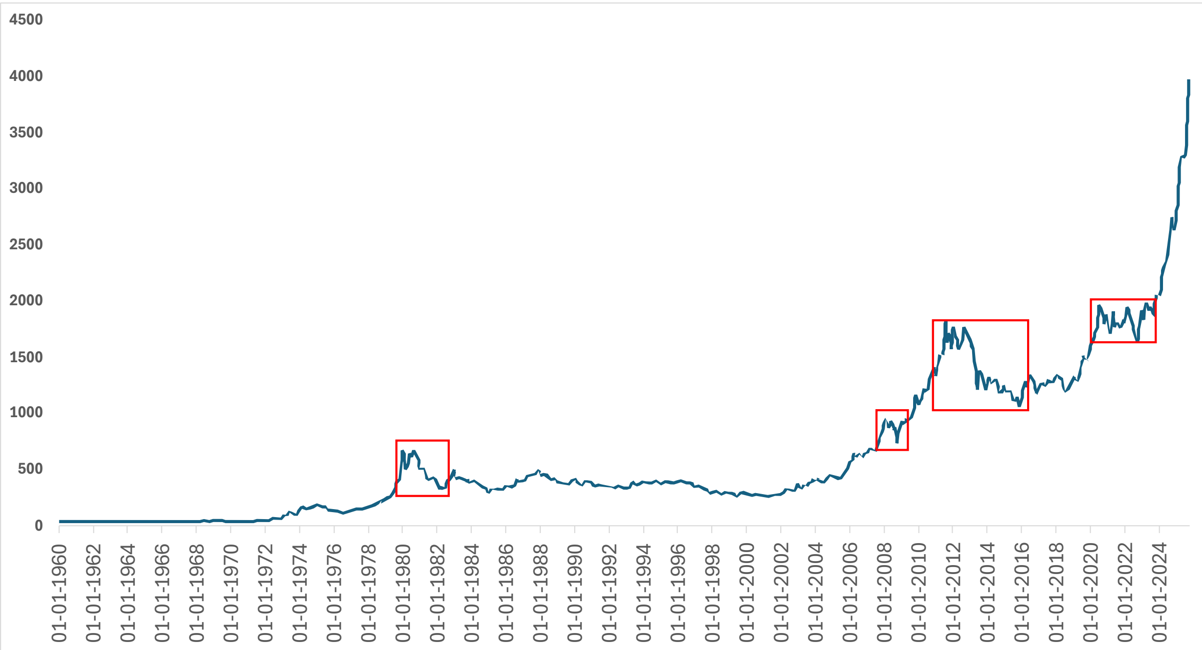
Holding Period	1YR	2YR	3YR	4YR	5YR	6YR	7YR	10YR
Average Excess Returns	-6.8%	-4.4%	-3.2%	-3%	-2.5%	-2.2%	-2.2%	-1.9%
Median Excess Returns	-2.6%	-5.6%	-2.4%	-1.6%	-2%	-1.9%	-2.4%	-1%

Exhibit 16: Avg & Median excess return of Gold over Sensex

So typically, gold underperforms Sensex for most holding periods by around 2%-3%.

Gold as an investment Globally

The future can be different from the past and thus to prepare our mind for different futures we can look at different markets in the past. The data for Gold ($ per Ounce) in the US markets is available from 1915. (Macrotrends). The chart is shown below:



The chart above shows that gold prices can significantly spike specially during macroeconomic crisis and then crash significantly once the crisis is over. The percentage fall post the crisis is shown in the table below. *The range of drawdowns is -17% to -44%.*

Dates	**Gold Price ($ per Ounce)**	**Price Fall %**
01 January 1980	668	**44.33%**
01 January 1984	372	
02 February 2008	968	**24.73%**
01 October 2008	729	
01 February 2012	1,788	**40.70%**
01 December 2015	1,060	
01 July 2020	1,972	**17.21%**
01 October 2022	1,632	

Exhibit 17: Gold price history, $ per Ounce (1915 to 2025) along with major drawdowns

Simple point-to-point trailing returns analysis is shown below:

Till Oct-2025 End	Global Gold
1-Yr	44.7%
2-Yr CAGR	41.6%
5-Yr CAGR	16.2%
10-Yr CAGR	13.3%
20-Yr CAGR	11.2%
50-Yr CAGR	6.9%
100-Yr CAGR	5.4%
Inception (111-Yr)	4.9%

Exhibit 18: Point-to-point trailing CAGR for global Gold prices
Source: Macrotrends, OmniScience Insights Labs

Now is this a good investment? With around 40,000 1-year rolling periods during the 110 years history, and more than 36,000+ 10-year rolling periods, this is what our analysis tells:

As Scientific Investors our first question is: Based on this historical data, what are the chances of preserving capital over different holding periods? Exhibit 19 answers that:

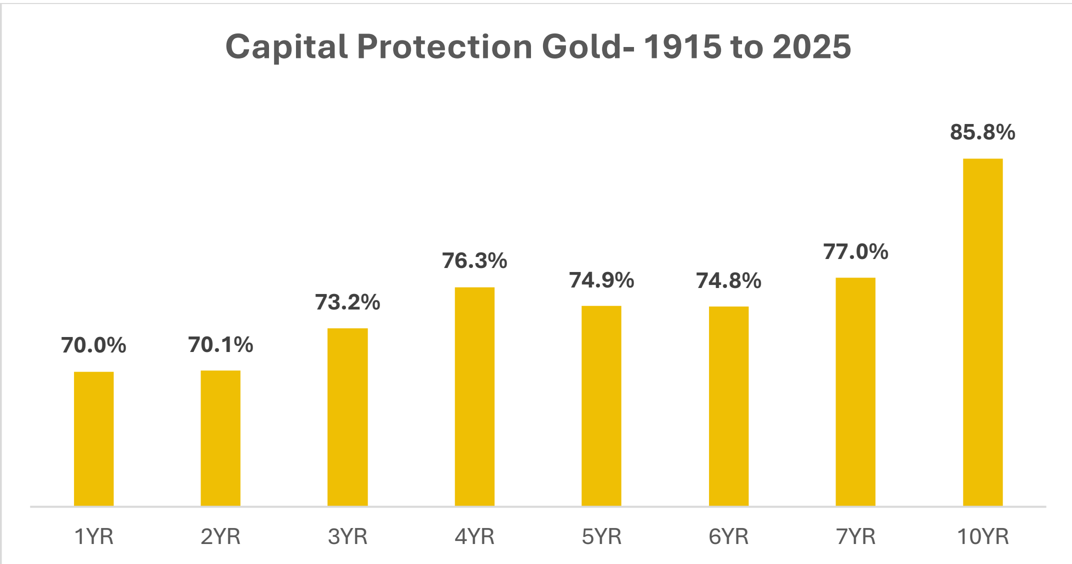


Exhibit 19: Capital Protection: Global Gold Prices data- 1915 to 2025

We can conclude that, one cannot depend on gold to preserve capital as you are not fully principal protected even after a decade of investing in Gold.

Second question is: What is the average return for different holding periods?

The table below presents average returns for different holding periods:

Holding Period	1YR	2YR	3YR	4YR	5YR	6YR	7YR	10YR
Average Returns	6.2%	5.6%	5.2%	5.0%	4.9%	4.8%	4.8%	4.7%
Median Returns	0.0%	0.1%	0.3%	0.7%	0.7%	0.7%	0.7%	1.4%

Exhibit 20: Avg and Median Rolling returns for multiple horizons from 1915 to 2025

Average return for rolling portfolios over 1-Yr to 10-Yr horizon hovers only around 4.5%-6% for Gold globally. Median returns are negligible as 50% portfolios are negative in time horizons till 7-Yr, converting to slightly positive after a decade.

What is the max drawdown?

*Gold 1915-2025: -**62.0%***

What about Gold vs S&P 500?

Let us look at Gold vs S&P 500 over the Jan-1982 to Sep-2025 period.

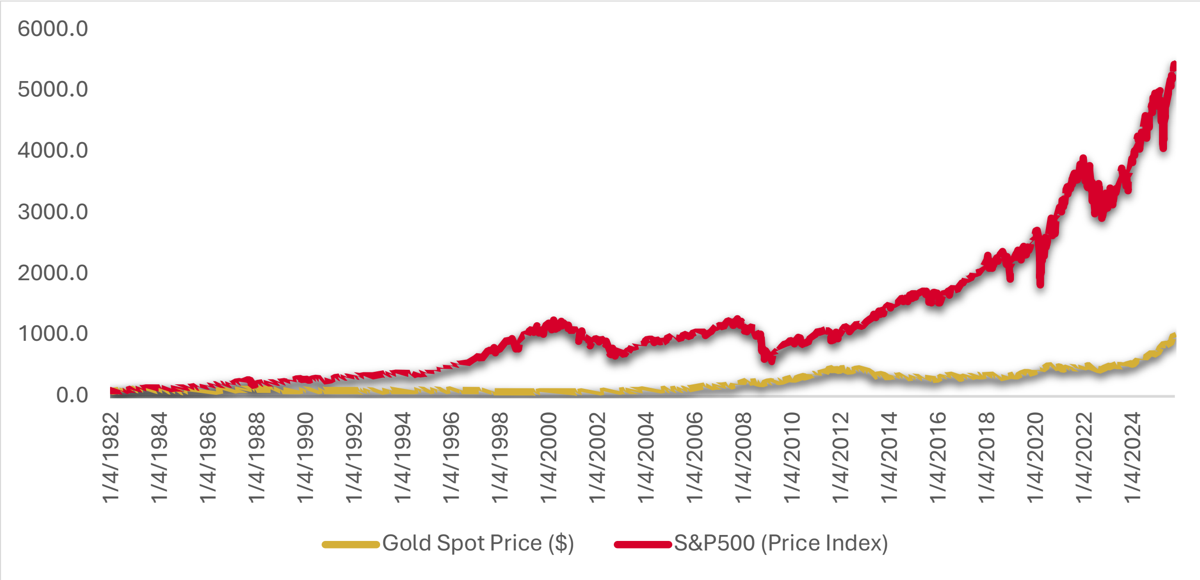


Exhibit 21: Gold Spot vs. S&P 500: A Rebased Performance Comparison (1982-2025)

Simple point-to-point trailing returns analysis is shown below:

Till Sep-2025 End	Gold Spot	S&P 500
1 Yr	37.47%	26.74%
2 Yr	20.90%	24.19%
5 Yr	12.08%	12.93%
10 Yr	8.35%	11.19%
20 Yr	9.89%	8.38%
30 Yr	6.93%	8.90%
40 Yr	5.72%	9.40%
Since 1982	4.72%	9.44%

Exhibit 22: Point-to-point trailing CAGR for Gold and S&P 500

Let's deep dive and do the rolling period analysis also for both as explained above and compare them.

Our first question is: Based on this historical data, what are the chances of preserving capital over different holding periods? Exhibit 23 answers that:

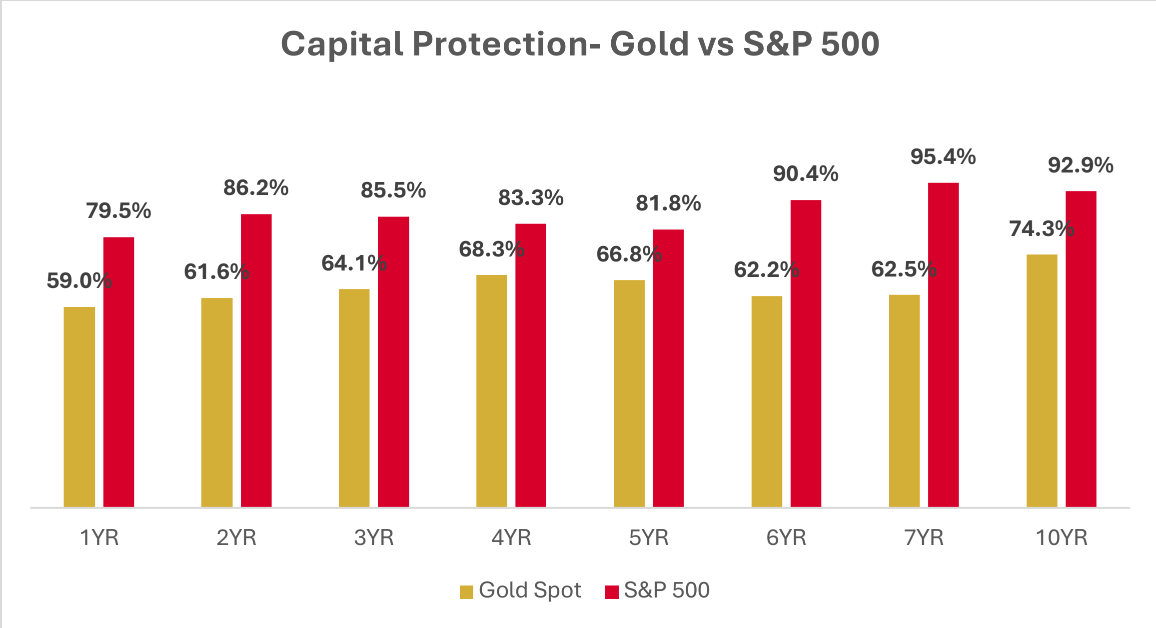


Exhibit 23: Capital Protection: Gold vs S&P 500

As Exhibit 23 demonstrates, the probability of protecting one's initial capital in S&P 500 is much higher as compared to Gold across the investment spectrum.

Gold investment, even after a decade of investing couldn't reach a capital protection probability of what S&P gives in 1 year horizon.

Second question is: What is the average return for different holding periods?

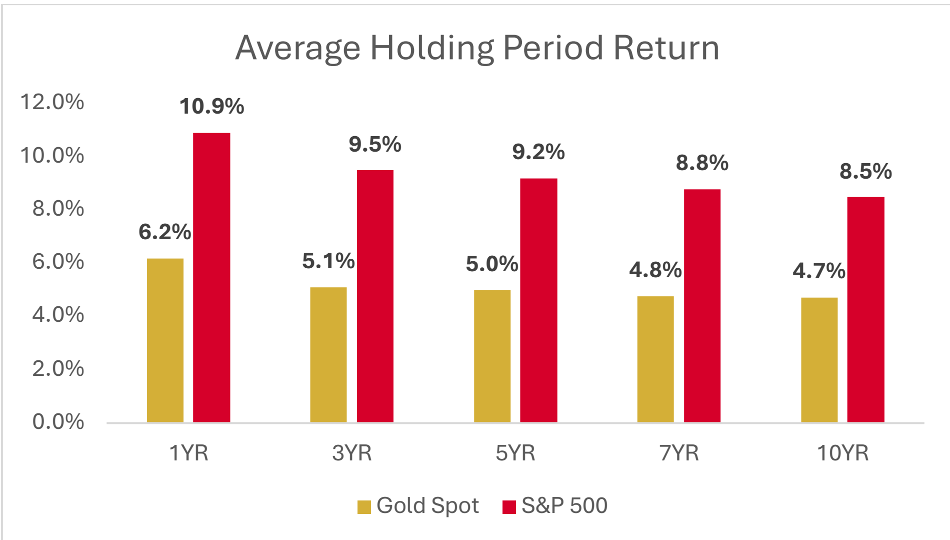


Exhibit 24: Average Holding Period Return for rolling portfolios over different horizons

The long-term data unequivocally shows that the S&P 500 has delivered substantially higher (8.5% to 9.5%) average returns than gold (4.7% to 5.1%) across every single rolling investment horizon.

What is the max drawdown?

Gold: -49.4%

S&P 500: -64.1%

What are the chances of Gold beating S&P 500?

Let's analyse the frequency of outperformance, we can see how the odds of success shift dramatically with the investment horizon. While short-term outcomes are nearly a coin toss, holding for the long term has historically stacked the deck firmly in favour of S&P 500.

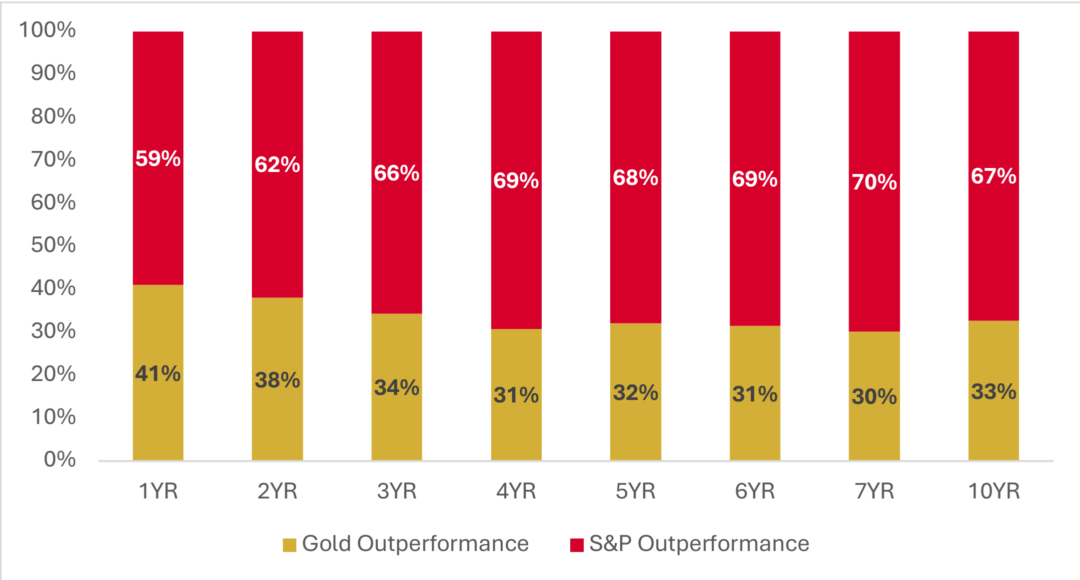


Exhibit 25: The Probability of Outperformance by Holding Period

The data on performance consistency delivers a decisive verdict: across all long-term holding periods, gold portfolios have managed to beat the S&P 500 in only a minority of cases, typically around 30-35% of the time, establishing the S&P 500 as the clear and consistent winner.

Next question: What is the excess return of gold over S&P 500?

Holding Period	1YR	2YR	3YR	4YR	5YR	6YR	7YR	10YR
Average Excess Returns	-4.7%	-4.5%	-4.4%	-4.3%	-4.2%	-4.0%	-4.0%	-3.8%
Median Excess Returns	-5.7%	-5.3%	-5.6%	-7.2%	-8.1%	-8.1%	-7.2%	-7.2%

Exhibit 26: Avg & Median excess return of Gold over S&P 500

So typically, gold underperforms S&P 500 for all holding periods by around 4%-5%.

Assessing Gold's Inflation Hedging Capabilities

While gold is often hailed as a natural hedge against rising prices, its relationship with inflation isn't always straightforward. Examining how gold responds to different inflationary environments reveals if it truly shines as a store of value.

The chart below shows that for the full period gold is significantly ahead of inflation. However, to understand whether protects the purchasing power during high inflation periods requires a deeper analysis.

U.S. Inflation vs U.S. Gold Price

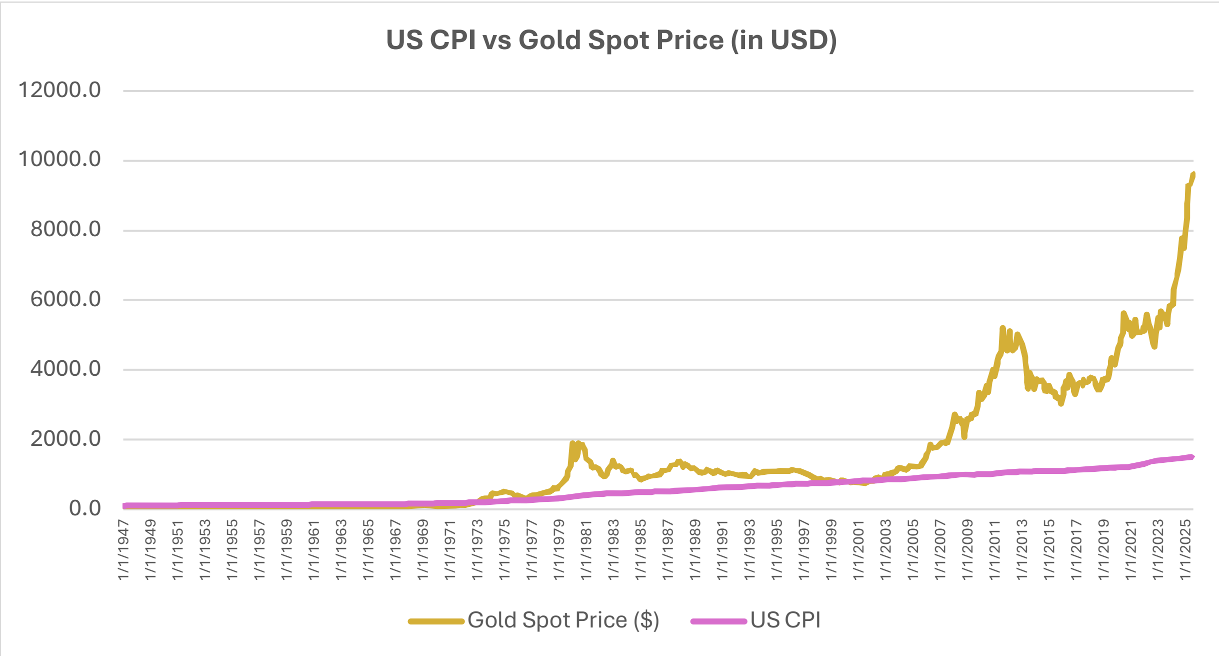


Exhibit 27: US CPI vs. Gold Spot ($) : A Rebased Performance Comparison (1947-2025)

A correlation analysis of gold vs. inflation will confirm or disconfirm the hypothesis that gold protects purchasing power during high inflation periods. Our analysis shows that the computed correlation between U.S. CPI inflation and the U.S. spot gold price in USD terms is –11.5%. *This weak and slightly negative relationship indicates that gold's short-term price movements are not closely aligned with changes in inflation*. Instead, factors such as interest rate expectations, currency dynamics, and broader market sentiment appear to exert a stronger influence on gold's performance than inflation alone.

We took US CPI data over the last 78 years vis-à-vis gold's spot price in USD terms (Jan-1947 to July-2025). Simple point-to-point trailing analysis is shown below:

Period	US Inflation	Gold Return ($)
1 Yr	3.0%	37.2%
2 Yr	3.1%	20.5%
5 Yr	4.3%	12.1%
10 Yr	3.1%	8.3%
20 Yr	2.6%	9.9%
30 Yr	2.5%	6.9%
40 Yr	2.8%	5.7%
50 Yr	3.7%	5.7%
60 Yr	3.9%	7.6%
70 Yr	3.6%	6.4%
78 Yr (Total)	3.5%	5.8%

Exhibit 28: Point-to-point inflation & $ CAGR of Gold

The historical data shows that, across all measured periods, gold returns have consistently outpaced U.S. inflation. This indicates that, despite short-term volatility and weak month-to-month correlation with CPI, gold has historically preserved and grown purchasing power over the long term.

India Inflation vs INR Gold Price

For Indian markets gold beats inflation for the full period as shown in the chart below. However, there are several long periods where gold seems to be lagging inflation. For example, observe the period between 1997 to 2007.

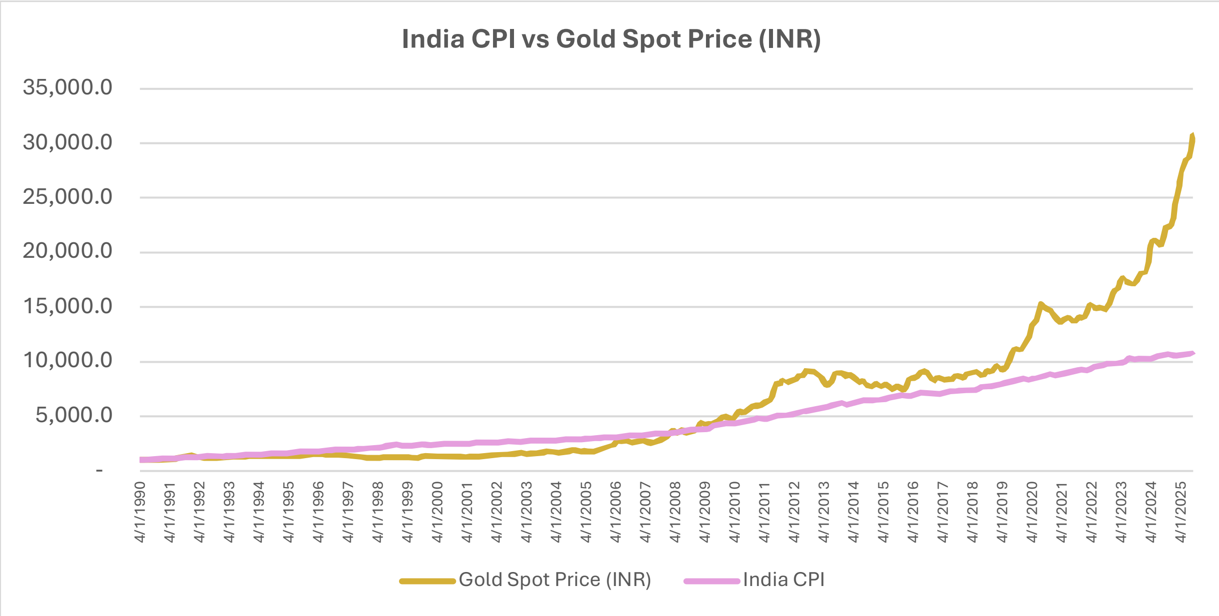


Exhibit 29: India CPI vs. Gold Spot (INR) : A Rebased Performance Comparison (1990-2025)

Similarly, in INR terms, the computed correlation between India's CPI inflation and the domestic gold price is only −1.54%, indicating an even weaker relationship than in the U.S. *This suggests that, in the Indian context as well, gold prices are largely insensitive to short-term inflation movements, and rather rupee fluctuations, global gold trends, and local demand-supply dynamics- play a more decisive role in determining gold's price.*

We took India CPI data over the last 35 years vis-à-vis gold's spot price in INR terms (Apr-1990 to July-2025). Simple point-to-point trailing analysis is shown below:

Period	India Inflation	Gold Return (INR)
1 Yr	3.2%	30.5%
2 Yr	3.5%	24.4%
5 Yr	4.7%	15.4%
10 Yr	4.9%	13.3%
20 Yr	6.6%	14.6%
30 Yr	6.4%	10.4%
35 Yr (Total)	7.0%	9.9%

Exhibit 30: Point-to-point inflation & INR CAGR of Gold

As already observed in the U.S. context, a similar pattern emerges in India: *gold returns in INR have consistently outpaced Indian inflation across all measured periods.* This reinforces the view that, despite short-term volatility and weak month-to-month correlation with CPI, gold remains an effective long-term hedge against inflation in India as well.

Odds of Outperformance Across Time Horizons

What are the chances of gold beating inflation? Beyond average returns and capital preservation, a key question for any investor is simple: "Which asset outperforms more often?" By examining the frequency of outperformance, we can observe how the odds shift with the investment horizon. While short-term results can be unpredictable, holding gold over the long term has historically tilted the odds strongly in its favor, consistently outperforming inflation and preserving purchasing power.

The below graphs illustrate the probability with which gold outperforms or underperforms inflation across rolling investment periods of varying lengths across US and India.

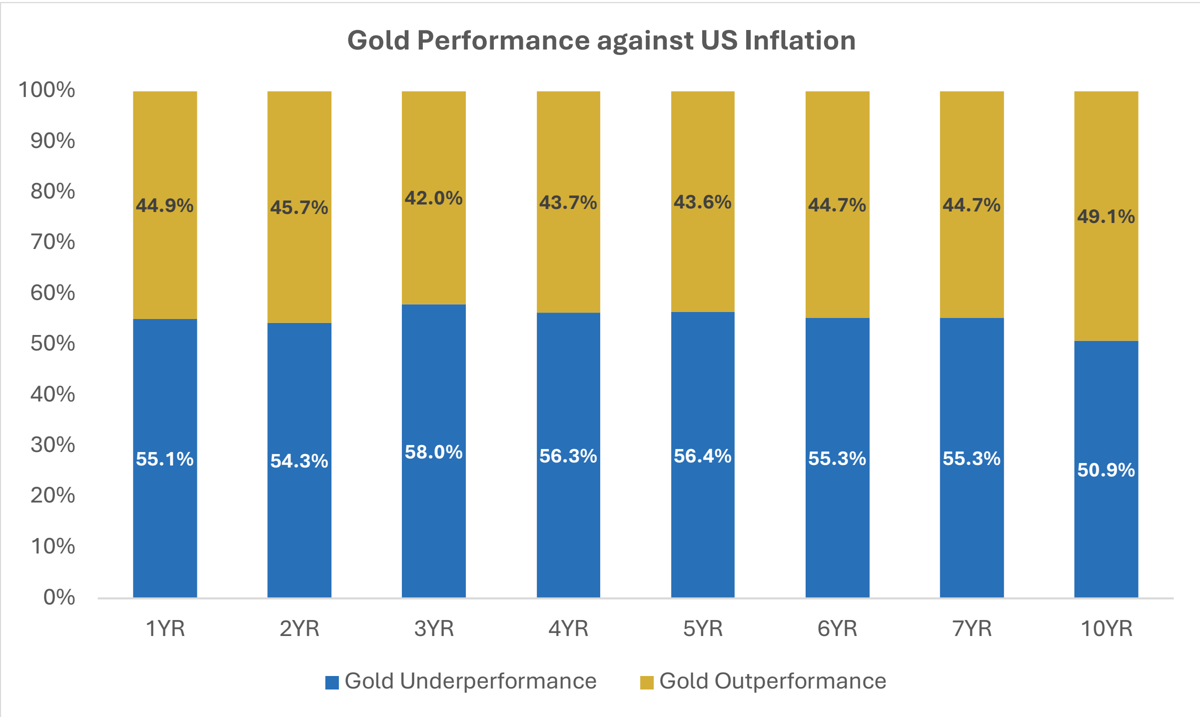


Exhibit 31: The Probability of Gold Outperforming US CPI Inflation by Holding Period

In the U.S., rolling portfolio analysis shows that over short-term periods, gold underperforms inflation slightly more often than it outperforms. *Even over 10-year horizons, gold only outperforms inflation about 49% of the time.*

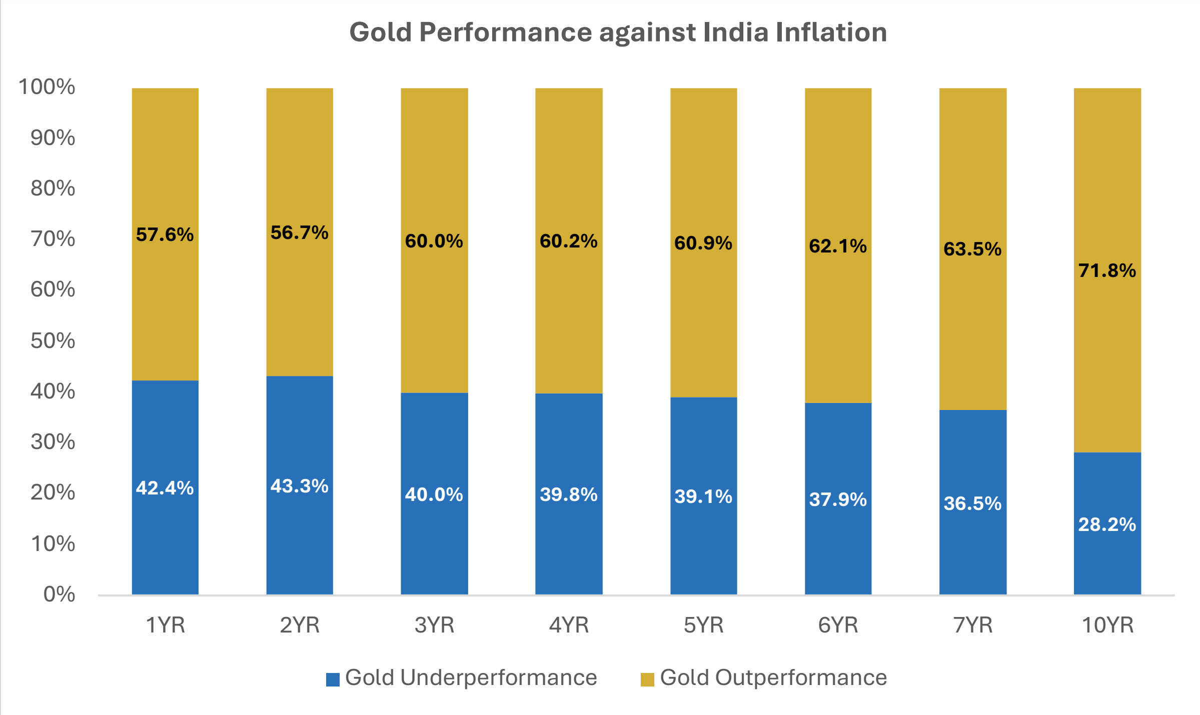


Exhibit 32: The Probability of Gold Outperforming Indian CPI Inflation by Holding Period

By contrast, in India, gold outperforms inflation more consistently across all horizons. *Even for 1-Yr, 2-year periods, gold outperforms inflation approximately 56–57% of the time, and over 10-year rolling periods, the frequency of outperformance rises to over 71%. This indicates that, in INR terms, gold has historically been a reasonable inflation hedge.*

Average and Excess Returns of Gold Across Different Holding Periods

Beyond the frequency of outperformance, it is equally important to understand how gold performs across different investment horizons- both in absolute terms and relative to inflation. The tables below present the average returns for various holding periods, alongside the excess returns achieved when gold outperforms inflation, offering a comprehensive view of gold's performance dynamics in the U.S. and India.

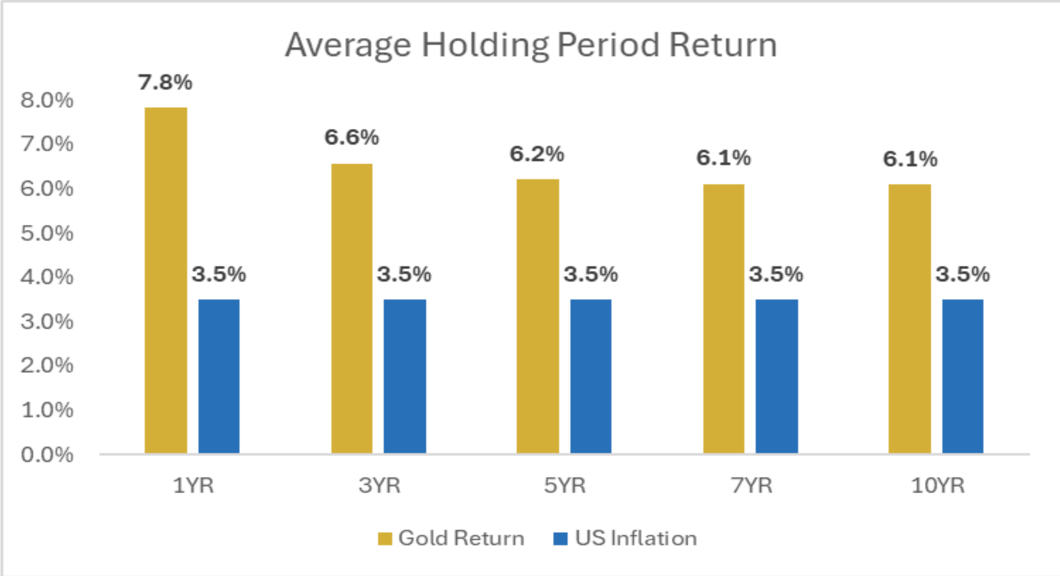


Exhibit 33: Average Holding Period Return (in $) for rolling portfolios over different horizons

The above graph shows that across all holding periods, gold has delivered average annual returns well above the U.S. inflation rate of 3.5%. Even over extended horizons of 7–10 years, gold has maintained returns of around 6% per annum

Holding Period	1YR	2YR	3YR	4YR	5YR	6YR	7YR	10YR
Average Excess Returns	4.3%	3.5%	3.1%	2.8%	2.7%	2.7%	2.6%	2.6%
Median Excess Returns	-1.0%	-1.1%	-1.1%	-0.6%	-0.9%	-1.1%	-1.0%	-0.2%

Exhibit 34 : Avg & Median excess return of Gold over US Inflation

The data shows that when gold outperforms inflation in the U.S., the average excess return ranges between 2.5% and 4% across different holding periods, though median returns are slightly negative, reflecting variability and occasional sharp gains that lift the average. *This suggests that while gold can deliver meaningful real returns during favorable periods, its inflation-beating performance is uneven and skewed by a few strong episodes rather than consistent outperformance.*

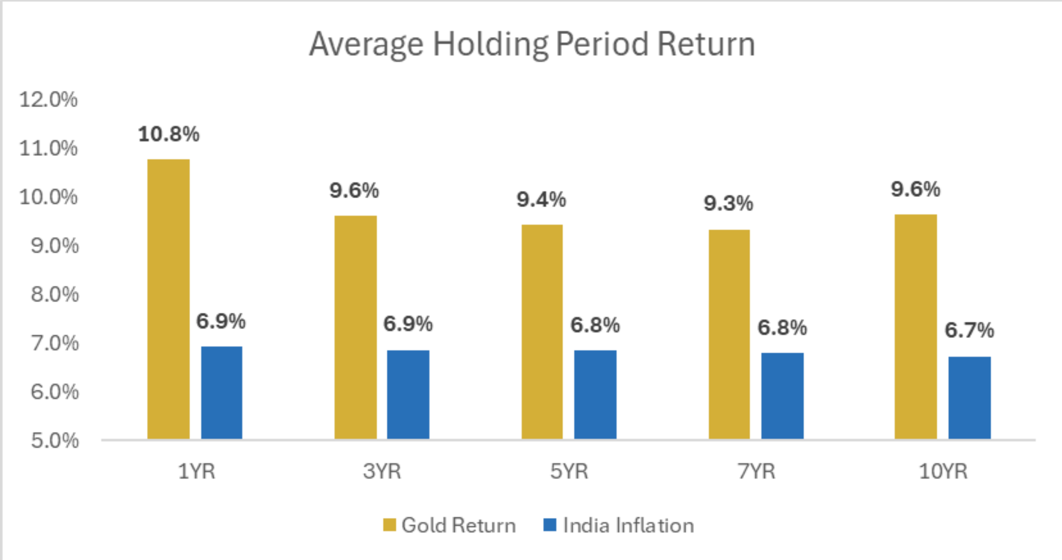


Exhibit 35: Average Holding Period Return (in INR) for rolling portfolios over different horizons

The above graph indicates that across all holding periods, gold has consistently outperformed India's average inflation rate of around 6.8–6.9%. Even over longer horizons, gold returns have remained strong at around 9–10% per annum.

Holding Period	1YR	2YR	3YR	4YR	5YR	6YR	7YR	10YR
Average Excess Returns	3.8%	2.9%	2.7%	2.6%	2.6%	2.6%	2.5%	2.9%
Median Excess Returns	2.3%	2.0%	3.0%	4.1%	3.3%	3.3%	2.8%	2.8%

Exhibit 36: Avg & Median excess return of Gold over India Inflation

In the Indian context, when gold outperforms inflation, the average excess return ranges from about 2.5% to 3.8% across holding periods, while median excess returns remain consistently positive. *This indicates that gold's inflation-beating performance in India is both stronger and more stable than in the U.S.*

Sensex vs India CPI Inflation

The discussion around equities has moved beyond whether they beat inflation; the focus now is on quantifying the margin of that outperformance.

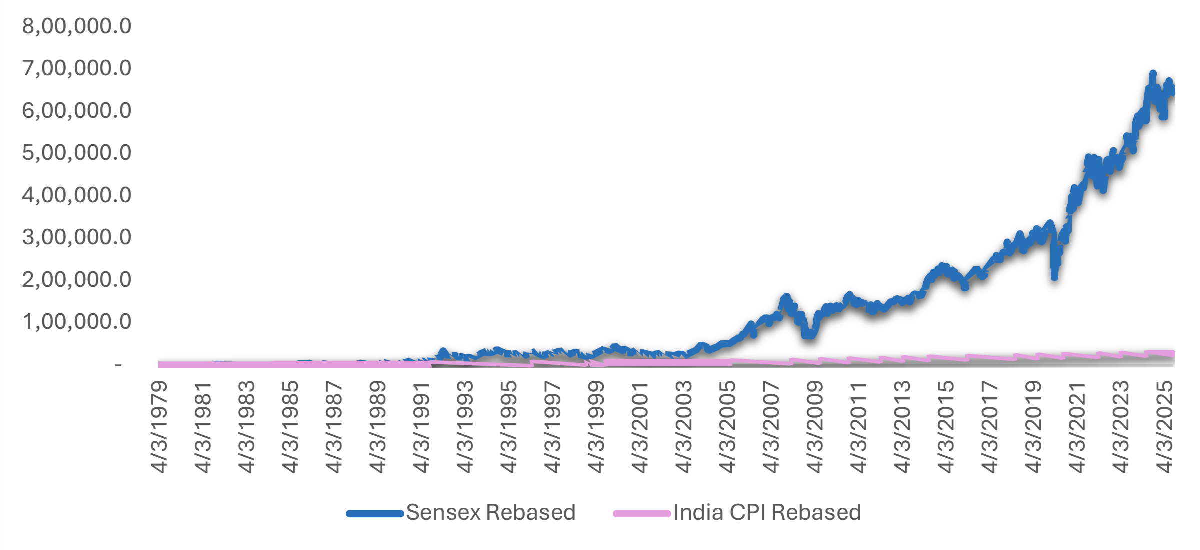


Exhibit 37: Sensex vs India CPI: A Rebased Performance Comparison (1979-2025)

Simple point-to-point trailing returns analysis is shown below:

Till Aug-2025 End	Sensex	India CPI
1-Yr	-3.1%	1.6%
2-Yr	11.0%	2.8%
5-Yr	15.6%	4.3%
10-Yr	11.7%	4.7%
20-Yr	12.3%	6.6%
30-Yr	11.2%	6.2%
40-Yr	13.7%	7.1%
Inception (46-Yr)	14.9%	7.5%

Exhibit 38: Point-to-point trailing CAGR for Sensex & India CPI

Next question: What is the excess return of Sensex over India CPI?

Holding Period	1YR	2YR	3YR	4YR	5YR	6YR	7YR	10YR
Average Excess Returns	12.0%	9.6%	8.7%	8.5%	8.3%	8.1%	7.9%	7.6%
Median Excess Returns	6.3%	8.2%	6.6%	6.6%	7.0%	7.7%	7.7%	7.6%

Exhibit 39: Avg & Median excess return of Sensex over India CPI Inflation

On average, Sensex gave 7.5%-8.5% over India CPI inflation in long-term.

S&P 500 vs US CPI Inflation

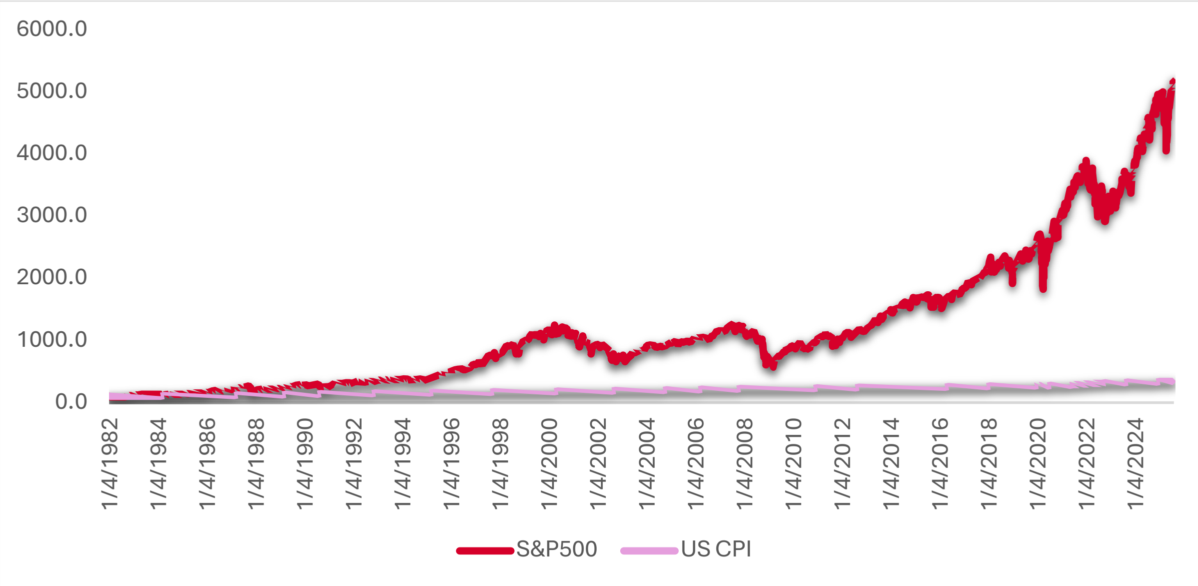


Exhibit 40: S&P 500 vs US CPI: A Rebased Performance Comparison (1982-2025)

Simple point-to-point trailing returns analysis is shown below:

Till Jul-2025 End	S&P 500	US CPI
1-Yr	14.8%	2.9%
2-Yr	17.5%	2.8%
5-Yr	14.1%	4.5%
10-Yr	11.7%	3.1%
20-Yr	8.5%	2.5%
30-Yr	8.4%	2.5%
40-Yr	9.2%	2.8%
Inception (44-Yr)	9.5%	2.9%

Exhibit 41: Point-to-point trailing CAGR for S&P 500 and US CPI

Next question: What is the excess return of S&P 500 over US CPI?

Holding Period	1YR	2YR	3YR	4YR	5YR	6YR	7YR	10YR
Average Excess Returns	8.0%	7.0%	6.6%	6.5%	6.4%	6.1%	6.1%	5.8%
Median Excess Returns	9.4%	6.9%	7.5%	7.8%	7.2%	7.2%	7.4%	6.9%

Exhibit 42: Avg & Median excess return of S&P 500 over US CPI Inflation

On average, S&P 500 gave 6%-6.5% over US CPI inflation in long-term.

Is Gold a superior investment compared to equities?

Short answer is from the GOAT (greatest of all time) himself…Warren Buffett…67-foot cube of Gold - *"I will say this about gold. If you took all the gold in the world, it would roughly make a cube 67 feet on a side…Now for that same cube of gold, it would be worth at today's market prices about $7 trillion dollars – that's probably about a third of the value of all the stocks in the United States…For $7 trillion dollars…you could have all the farmland in the United States, you could have about seven Exxon Mobils (XOM), and you could have a trillion dollars of walking-around money…And if you offered me the choice of looking at some 67 foot cube of gold and looking at it all day, and you know me touching it and fondling it occasionally…Call me crazy, but I'll take the farmland and the Exxon Mobils."*

Long answer from the Scientific Investing perspective.

Over long investment horizons, equities are superior at both preserving capital and generating significant returns above inflation. While gold does offer a hedge, it's a modest one, beating inflation by an average of only 2.5% and requiring a holding period of more than seven years to reliably protect an investor's principal.

Although gold can experience powerful, short-term rallies, these are often overshadowed by the risk of prolonged stagnation. A stark example is the 27-year period it took for gold to recover its January 1980 peak in the US, highlighting its limitations as a long-term growth asset.

It has gone through such cycles several times in history. Whenever crisis strikes, gold spikes and when it subsides, gold prices subside as well. People who invest at those peaks would need very long periods of time to recover their capital. While you would get the same number back after 27 years, inflation would actually have eroded capital significantly if one invested at the peak.

The significant drops in gold prices during late 1990s was due to central banks selling. Now we are in the opposite regime of central banks buying.

Why are central banks buying? Probably to hedge away from potential sanctions or other adversarial actions such as carried out against Russia where its dollar assets were frozen. So the rest of the world central banks are trying to reduce exposure to US and EUR treasuries and diversify into gold. So, the gold holdings of emerging market central banks are quite permanent (one could say "buy and hold forever", unless for some reason the late 1990s style selling happens). However, the remaining gold is likely to go through cycles like earlier.

To forecast the gold prices based on fundamental data using the Scientific Investing process would require accurate data of total supply and demand and with gold it is quite difficult to pinpoint that given the high value and relatively low storage volume required as compared to other commodities. There can always be hidden hoards which could come into supply, driving price crashes, and hidden buyers buying and hoarding, driving price rises. So, we would not attempt at predicting. Rather we would reinforce that don't get sucked in by Mr. Market. Follow your asset allocation plan and maybe if you really feel that we are in very uncertain times for a long period, increase your allocation to gold slightly. Typically, one should have not more than 5%-10% in gold. More aggressive ones could go up to 20%. But beyond that, in our opinion, would be a skewed asset allocation which might not be good for most investors.

"Gold is a way of going long on fear" ---Warren Buffett

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