This ETF offers investors exposure to some of the largest gold mining companies in the world, thereby delivering what can be thought of as "indirect" exposure to gold prices. Because the profitability of gold miners depends on the prevailing market price for the goods that they sell, these stocks will generally exhibit a strong correlations to movements in spot gold prices. When gold prices go up, gold miners make more money (and vice versa). It should be noted, however, that this relationship is not perfect; in certain environments, gold miner stocks and physical gold prices can move in opposite directions, and correlation between the two can be less than perfect.

There are a number of potential benefits to investing in gold through stocks. Some investors have a hard time with the fact that physical gold will never make a distribution or generate a cash flow; gold miner stocks make dividends and report earnings, which can make valuation more straightforward. Also, gold miner stocks tend to trade as leveraged plays on spot gold prices; investors seeking to ramp up exposure may prefer to use stocks instead of the physical metal.

There are a few interesting alternatives in the space to the ultra-popular GDX. Perhaps the most intriguing of those is GGGG, a product from Global X that focuses more narrowly on firms that derive the vast majority of their revenues from gold mining. As such, mining firms with significant operations revolving around silver or other industrial or precious metals are excluded from that fund, which generally includes a much more meaningful tilt towards smaller companies. For investors looking to isolate gold exposure and maximize the correlation to the precious metal–without including silver, copper, or other metals--GGGG might be preferable to GDX.