

Local funds' US schemes may gain popularity as Wall Street hits new highs

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Investors looking to bet on the next likely major growth opportunity could look at US equities, which have risen to record highs since the election of [Donald Trump](#) as the next President. As the dollar strengthens on expectations that Trump will spend in a big way to revive the world's largest economy, money is flowing out of emerging markets like India to the US. Domestic investors wanting to cash in on this opportunity could invest in units of local [mutual funds](#) that invest directly in US [stocks](#) or in offshore US schemes.



Some of these schemes are ICICI Prudential US Bluechip Equity Fund, DSP BlackRock US Flexible Equity Fund, Franklin US Opportunities Fund, Reliance US Equity Opportunities Fund and Kotak US Equity Fund.

"In the US, we are experiencing rebound in earnings growth. The direction of president-elect Trump's economic policies are reflationary and could also accelerate economic growth modestly," said Hartmut Issel, head of equities and credit for APAC, UBS Wealth Management. The [Dow Jones Industrial Average \(DJIA\)](#) has gained close to 4% since November 8 -when election concluded. The Russell 2000 index of small-cap shares has surged close to 12%. In contrast, India's benchmark indices have dropped amid strong foreign fund outflows, partly on worries about the impact of demonetisation on economic growth.

Global market watchers believe the prospect of a US revival is a bigger opportunity for investors at this juncture.

"The American economy is a \$25-trillion stock market. India is a \$1.5-trillion market, so you can imagine that in that \$25 trillion stock market there are many things to choose. There is a lot more depth to the market than India," said Mark Matthews, head of research for Asia at Swiss private bank Julius Baer. Added to that, the US market offers unique sectors and stocks not available in India.

"US is leading the change in several segments like technology, pharma research, biotech and genetics. By buying into US markets, you can participate in new age stocks and sectors which are not present in India. For example, you can buy an Amazon, Apple, Google, Tesla, Facebook, Twitter, which is not possible in India," said Rajeev Thakkar, chief investment officer, Parag Parikh [Mutual Fund](#), which can invest up to 35% of its portfolio into overseas stocks, most of which is allocated to US equities.

Financial advisors, however, recommend staggered investments into these US schemes given the sharp run-up in the US dollar and its stock markets, and the heightened expectations of a rate hike by the Fed in December, financial planners believe it would be prudent for investors to stagger.

"Investors whose future goals are driven by US dollar could allocate 10-15% of their equity portfolio to US-based equity mutual funds," said Vishal Dhawan, chief financial