YOUR MONEY

After recent run-up, enter US funds via SIP for 7+ years

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United States (US)-focused funds and the US market have turned in a stellar performance over the past year. The Nasdaq 100 is up 32.7 per cent and the S&P 500 is up 31.4 per cent over the past year. This is on a par with the returns of the Indian market indices, such as the Nifty 100 and Nifty 500, which have returned 31.2 per cent and 32.5 per cent, respectively.

AI driving productivity gains

A massive artificial intelligence (AI)-based revolution has occurred in the US. "It has accelerated the growth of many US companies, especially the tech giants," says Pratik Oswal, head–passive funds business, Motilal Oswal Asset Management Company (AMC).

While last year's earnings were concentrated among the seven major tech stocks, non-tech stocks within the S&P 500 have witnessed improved performance this year.

Inflation concerns have eased, allowing the US Federal Reserve to undertake a 50-basis-point rate cut. "The expectation of further cuts is a positive trigger for the markets," says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors. Recession fears have eased and unemployment remains low.

Diversify via US funds

Investors may still enter US equity funds. "Any time is a good time to enter US equity funds from a diversification point of view," says Avinash Luthria, a Securities and Exchange Board of India (Sebi) registered investment advisor (RIA) and founder, Fiduciaries.

Oswal suggests the US should be the first destination for international diversification since it represents 60-70 per cent of global market capitalisation. The rupee on average depreciates 3-4 per cent annually against the dollar, making investments in the US essential to hedge against currency risk. The low correlation between Indian and US markets provides portfolio stability.

Geopolitical, valuation risks

Geopolitical tensions, such as Israel-Hamas and Russia-Ukraine conflicts have added to the risk in US equities. Current valuations are high. "If an investor goes into a tech-heavy index, he could be entering at very high valuations," says Dhawan.

The Reserve Bank of India (RBI) has imposed restrictions on foreign investments, creating complexities. "Each time the investor wants to invest, he needs to find out whether the fund he is keen on is accepting money or not, and whether it is through the SIP or the lump-sum route," says Luthria.

Who should invest?

Financial planners suggest building a well-diversified domestic portfolio before adding US equity funds. "Investors with foreign currency-denominated goals, such as foreign education or foreign travel, should go for US equity funds," says Dhawan. He cautions that those with a short horizon may avoid them due to high valuations.

Invest in tranches

New entrants should enter via the systematic investment plan route with a 7-10-year horizon. Take the passive fund route as these funds have historically outperformed active funds in the US. Oswal recommends that at least 15-20 per cent of an investor's equity portfolio should be allocated to US markets. Be mindful of tax differences. "Foreign equity funds attract long-term capital gains tax at 12.5 per cent only if held for more than 24 months," says Luthria.

Think twice before selling

Despite recent gains, investors should only sell US equity funds if their investment goal has been met or they need money.

Another reason to sell could be to rebalance the portfolio. Luthria, however, cautions against selling to rebalance, given the difficulty of repurchasing US funds. He suggests rebalancing by investing more in Indian equities.

STRONG PERFORMANCE OVER PAST YEAR

Fund	Corpus (₹cr)	Returns (%) 1-yr	3-yr	5-yr	10-yr
Motilal Oswal Nasdaq 100 ETF*	8,299.5	39.3	12.2	23.9	20.6
Franklin India Feeder**	3,565.0	44.7	5.1	17.5	15.3
Motilal Oswal S&P 500 Index	3,543.4	37.6	12.2	NA	NA
ICICI Prudential US Bluechip Equity	3,336.5	30.7	11.4	16.8	14.7
Kotak NASDAQ 100 FoF	3,200.4	44.7	13.8	NA	NA

*Motilal Oswal also has a Nasdaq 100 Fund-of-Fund with AUM of ₹5,035 crore. Above one-year returns are compound annualised. Returns of funds are of direct and growth plans; **Franklin India Feeder Franklin US Opportunities Fund Source: Navigation RA

Should you bundle health and life cover plans? Consider this

Bundled insurance plans can offer lower premiums than individual policies and simplify documentation and claims. Here are key considerations for bundling health and life insurance:

Individual coverage requirements

Health insurance needs

- Evaluate family medical history
- Consider age-specific healthcare requirements
- Account for existing medical conditions
- Assess medical expenses

Life insurance requirements

- Calculate financial needs of dependent(s)
- Factor in outstanding loans and liabilities
- Consider children's future expenses
- Account for inflation and future cost of living

Cost-benefit analysis

- Compare policy premiums with bundled plans
- Calculate total savings on premiums
- Consider long-term premium patterns
- Evaluate claim settlement ratios for both types of coverage

Insurance policy terms

- Check lock-in periods and renewal terms
- Waiting periods for specific conditions
- Sub-limits and co-payment clauses
- Room rent restrictions

Future considerations

- Options to transfer health coverage to another insurer
- Options for adding new coverage features

Read the full report here: mybs.in/2daPBJR

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