



YOUR MONEY

INVESTING IN GLOBAL MUTUAL FUNDS

Go global to limit India-specific shocks, hedge currency risk

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Vested Finance has enabled Indian retail investors to invest in global mutual funds. A few other platforms, such as iFAST and Crystal, also facilitate investment in off-shore mutual funds. These transactions are routed through the Reserve Bank of India's Liberalised Remittance Scheme (LRS), which permits remittances of up to \$250,000 per financial year.

Access 96% of global market cap

Investors gain access to a wider pool of opportunities. "India is only about 4 per cent of the global equity market cap, which means over 95 per cent of opportunities lie outside India," says Viram Shah, founder & chief executive officer (CEO), Vested Finance. Investing abroad provides exposure to sectors not as developed in India, including global tech, luxury brands, big pharma, and green energy.

Investors get access to a range of countries and funds. Vested, for instance, provides

access to more than 50 funds across the US, Europe, Japan and emerging markets.

Diversification protects investors during shocks that hit the Indian market. "A globally diversified portfolio reduces the portfolio impact caused by India-specific shocks, like the US tariffs," says Vishal Dhawan, founder & CEO, Plan Ahead Wealth Advisors.

The rupee depreciates against

the US dollar at a historical average rate of 3-4 per cent annually.

"Returns from global assets increase in value in rupee terms due to such depreciation," says Shah. Investors with foreign currency goals are able to hedge currency risk. This route also enables investors to circumvent the overseas investment limits that constrain global fund-of-funds offered by Indian mutual fund houses.

Building the global portfolio

Start by allocating 10-15 per cent of the equity portfolio to global assets. "Investors with international liabilities or those wanting deeper global exposure may raise allocation to 20-25 per cent," says Shah.

Set target allocations for countries and rebalance periodically. "This is a safer approach rather than attempting frequent tactical shifts based on market outlook," says Abhishek Kumar, Sebi-registered investment adviser and founder, SahajMoney.com.

Some experts, however, favour the tactical approach.

"Japanese, Chinese and even the US market have witnessed long spells of underperformance vis-à-vis the Nifty. Well-informed investors should change their allocation based on each country's outlook," says Shweta Rajani, head - mutual funds, Anand Rathi Wealth.

Diversify the global portfolio across assets like equities, bonds, Reits, and commodities.

"Consider opportunities in themes like artificial intelligence, semiconductors and renewable energy," says Kumar. When investing in themes, however, assess their sustainability. "Global themes go through cycles, and timing the entry and exit may be difficult," says Rajani.

Points to heed

Tracking global markets is demanding. "Each country operates under different economic, political and regulatory conditions that may not be easy for retail investors to fully understand," says Rajani.

Currency conversion and transfer, and transaction-related charges raise costs. Kumar warns against relying solely on past performance, or concentrating on a single theme. Ensure accurate tax reporting. "Disclose overseas investments under Schedule FA (Foreign Assets) when filing your income-tax return. Report capital gains under Schedule CG. If tax has been deducted at source on capital gains, it may be eligible for credit in India under the double taxation avoidance agreement (DTAA)," says Suresh Surana, a Mumbai-based chartered accountant.

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How are global MFs taxed?

Investments before April 1, 2023	Holding period	LTCG	STCG
Redemption from April 1, 2024 to July 22, 2024	36 months	20% with indexation	Slab rate
Redemption on or after July 23, 2024	24 months	12.5% without indexation	Slab rate
Investments on or after April 1, 2023			
Redemption from April 1, 2024 till March 31, 2025	NA	Slab rate	
Redemption on or after April 1, 2025	24 months	12.5% without indexation	Slab rate

LTCG: Long-term capital gains, STCG: Short-term capital gains Source: RSM India