

International mutual funds post triple-digit gains since Budget 2025. What should investors expect in 2026?

By Surbhi Khanna, Published on Jan 29, 2026.



International mutual funds have delivered triple-digit returns since the last Budget announcement on February 1, 2025, and were among the best-performing categories of 2025. According to market experts, much of this surge reflects a rebound from a low base, and Budget 2026 is likely to prioritise continuity and stable policies on overseas investing and taxation.

Shivam Pathak, CFP and Founder of Asset Elixir, told ETMutualFunds that the strong performance is largely a rebound from a weak base, led by US markets and favourable currency movement, and it should be seen as a cyclical recovery rather than a structural trend.

For Budget 2026, continuity and policy stability on overseas investing and taxation will matter more than fresh incentives, Pathak said.

Another expert, Vishal Dhawan, Founder & CEO, Plan Ahead Wealth Advisors, shared with ETMutualFunds that the stellar performance was primarily a "tech-heavy" phenomenon. While 59 out of 62 funds delivered double-digit returns, this was largely driven by the strong performance in markets like the US, China, and Japan and for Indian investors, this served as a crucial hedge against a domestic market that faced mid-cycle volatility in 2025.

Dhawan further said that this has led to investors desiring to invest in global markets for diversification; however, due to Sebi's mandated offshore investment limit, which is currently capped at \$7 billion for the MF industry, has acted as a deterrent for investors and in the upcoming budget AMC's hope for an increase in the limit in the upcoming budget, which should allow investors to invest in global markets.

Data shows that since the last Budget, 62 international funds have delivered positive returns, of which 59 posted double-digit gains, while only three remained in single digits. DSP World Mining Overseas Equity Omni FoF, the topper in the list, gave 102.24% return since the last Budget.

ICICI Prudential Strategic Metal and Energy Equity FoF and Nippon India Taiwan Equity Fund gave 79.54% and 66.28% returns, respectively, since February 1, 2025. Two funds from HSBC Mutual Fund - HSBC Brazil Fund and HSBC Global Emerging Markets Fund - gave 61.88% and 57.46% respectively since the last Budget.

Aditya Birla SL US Treasury 1-3 Year Bonds ETFs, Passive FOF and Bandhan US Treasury Bond 0-1 year specific Debt Passive FOF were the last ones in the list to deliver double-digit returns. These funds gave 10.66% and 10.02% respectively since the last Budget.

Franklin U.S. Opportunities Equity Active FOF, PGIM India Global Equity Opp FoF, and Nippon India US Equity Opp Fund gave 9.44%, 7.78%, and 7.77% returns, respectively, since the last Budget.

Post this stellar performance by the international funds since the last budget, are they still attractive or a caution is warranted now?

Dhawan said that with many global indices trading at high P/E multiples, the easy money has been made and there are potential risk of unwinding of AI overhype driven by heavy capex-led investments, which could lead to volatility in US tech-heavy funds and other markets that are dependent on this hype.

"However, International funds remain attractive not only for "chasing returns," but as a currency hedge. A staggered entry (SIP) rather than lump sums to manage the risk of a potential global correction is suggested," Dhawan further said.

Pathak said that short-term caution is warranted as global valuations, especially in US equities, are stretched. However, International funds remain relevant for long-term portfolio diversification, and allocations should be calibrated and staggered, not driven by recent returns.

What happened in previous budgets?

In the budget 2025, Finance Minister Nirmala Sitharaman announced an increase in the threshold for tax collected at source (TCS) on remittances under RBI's Liberalized Remittance Scheme (LRS) from Rs 7 lakh to Rs 10 lakh, which market experts then believed would reduce the upfront tax burden for investors remitting funds abroad.

In the budget announcement made in July 2024, the Finance Minister shocked investors with a change in the capital gains structure but provided relief to those investing in international funds. The holding period for equity FoFs, overseas FoFs (international funds), and gold mutual funds was reduced from more than 36 months to more than 24 months, along with a change in the LTCG tax rate to 12.5% (down from being taxed as per the tax slab rate), while the STCG tax rate remained unchanged.

So does the higher LRS TCS threshold make tactical overseas investing easier during global market volatility?

Pathak firmly said that yes, the higher TCS threshold under LRS reduces upfront cash-flow pressure and makes execution easier during volatile phases, while TCS is adjustable later, the flexibility helps investors time overseas allocations better.

Dhawan said previously, investing more than Rs 7 lakh triggered a 20% TCS (Tax Collected at Source), which blocked investor capital until tax filing season.

"With the budget 2025, the limit has been increased from Rs 7 lakh to 10 lakh. Investors can now deploy up to Rs 10 lakh per financial year into overseas stocks or ETFs without the 20% upfront tax hit. This makes it easier to "buy the dip" during global market volatility without worrying about immediate cash-flow friction. However, the complexities of reporting and taxes needs to be factored in."

An analysis by ETMutualFunds showed that equity mutual funds have generated returns of up to 76% in 2025, and international funds dominated 2025's top 10. There were 654 international funds in 2025, of which the top 43 funds were international funds. DSP World Mining Overseas Equity Omni FoF delivered the highest return in 2025 of around 76.02%.

This was followed by ICICI Pru Strategic Metal and Energy Equity FoF which gave 67.20% return in 2025. HSBC Brazil Fund and Nippon India Taiwan Equity Fund offered 57.07% and 49.63% returns, respectively, in 2025

Way ahead for international funds

Commenting on the outlook for international funds, Dhawan said international markets are expected to see volatility in 2026 due to the highly uncertain environment in the geopolitical space, policies are getting fragmented, and valuation concerns are predominant in various markets, and these concerns should keep investors cautious.

"There are certain opportunities, especially in geographies like Japan and emerging markets, where policies support, reforms in corporate governance, and relative valuation make them attractive. Continued capex in AI and related industries could also support markets that have high exposure to these industries. However, risks are also high in this investment," Dhawan further said.

Pathak said that the outlook is selective; the US continues to lead on innovation, Japan offers structural improvement-driven opportunities, and parts of Europe provide valuation comfort, and investors should focus on balanced geographic exposure aligned to long-term goals rather than chasing short-term performance.

International mutual funds are one category which caters to different broad international markets, commodities, foreign indices, among others. To sum it up, the performance of the scheme will depend on the geography in which your money is invested.

That means you should pay extra attention to your investments in international funds. Pay extra attention to which geography or indices you are investing in.

One should always consider their risk appetite, investment horizon, and goals before making any investment decisions.