

International gains revive appetite for global MFs

By Abhishek Kumar, July 08, 2026



International mutual fund schemes are experiencing a significant comeback, attracting substantial inflows as global markets deliver strong gains and investors seek diversification beyond domestic opportunities, particularly in AI-linked sectors.

Key Points

- International mutual fund schemes have attracted net inflows of approximately Rs 7,600 crore over the past year, reversing previous outflows.
- This resurgence is attributed to the sharp outperformance of overseas markets, with international funds delivering average one-year returns of around 40 per cent.
- The limited availability of AI-linked investment opportunities in India has also prompted investors to look towards global offerings.
- Advisers recommend geographical diversification, advocating for international funds as a core portfolio holding, but caution against basing decisions solely on recent returns.
- Despite the \$7 billion overseas investment limit for MFs remaining exhausted, sustained inflows indicate growing investor recognition of global diversification's importance.

After years of sustained outflows, international mutual fund (MF) schemes have returned to investor favour, driven by their sharp outperformance against domestic markets.

Overseas offerings by domestic fund houses attracted net inflows of Rs 7,600 crore over the past year until May, marking a sharp reversal from net outflows of Rs 1,676 crore in the preceding 12-month period.

Factors Driving the Resurgence

"This is largely a case of investors chasing recent returns. International funds have seen a surge in demand as several overseas markets delivered strong gains while the domestic market remained relatively subdued.

"The limited availability of AI-linked investment opportunities in India may have also prompted investors to turn to global offerings," said B Gopkumar, managing director and chief executive officer, Axis AMC.

International funds have delivered average one-year returns of around 40 per cent, with Nippon India Taiwan Equity Fund generating returns of as much as 185 per cent.

In comparison, the BSE 500 has remained largely flat over the same period.

Challenges and Diversification Strategy

The funds have attracted strong inflows despite the majority of international schemes remaining closed to fresh subscriptions due to the unavailability of overseas investment limits.

Currently, only around 10 of the 52 schemes are open for subscriptions.

Even these schemes, however, accept inflows only through the systematic investment plan (SIP) route.

Some schemes have also imposed caps on maximum monthly SIP investments.

According to advisers and distributors, the sharp divergence in returns has strengthened the case for geographical diversification, and they continue to recommend allocating a portion of portfolios to international funds.

“International funds continue to form a part of the core holding for portfolios, so that the asset allocation components are not restricted to a single geography,” said Vishal Dhawan, founder and chief executive officer, Plan Ahead Wealth Advisors.

“However, the international allocation decision should be based on valuations and not on the basis of recent past returns.”

The strong inflows have coincided with a wide divergence in the performance of international and domestic funds.

Niharika Tripathi, head of products and research at Wealthy.in, said geographical diversification is crucial for investors as “it provides exposure to global businesses and sectors that are underrepresented in India and helps reduce concentration risk associated with investing in a single market”.

The sustained inflows over the past year indicate that investors increasingly recognise the importance of global diversification rather than viewing international funds purely as a tactical return opportunity, she added.

The MF route to global investing, however, continues to shrink, with the \$7 billion international investment limit available to MFs remaining stagnant despite being exhausted in 2022.

Some fund houses have opened the GIFT City route for retail investors, but these products carry high minimum ticket sizes.

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