International funds deliver stellar returns in 1 year, but subscriptions remain shut. Experts suggest alternatives

By Surbhi Khanna, Published on: July 30, 2026

International mutual funds have emerged as the best-performing mutual fund category over the past year and outperformed domestic mutual fund categories in the same period, an analysis by ETMutualFunds showed.

However, Indian investors looking to increase overseas exposure are facing challenges as the fund houses have restricted fresh inflows into international schemes after hitting regulatory overseas investment limits which has raised questions about what are the possible avenues available for investors who want to take global exposure.

Vishal Dhawan, Founder & CEO, Plan Ahead Wealth Advisors told ETMutualFunds that investors seeking overseas market allocation can consider these three structural alternatives which includes firstly, Liberalized Remittance Scheme (LRS) based platforms which allows resident individuals to remit funds abroad under the Reserve Bank of India's LRS framework to invest directly in international stocks, exchange-traded funds (ETFs), or global investment accounts.

Secondly, the domestic ETFs tracking global indices as certain international ETFs listed on domestic stock exchanges (BSE/NSE) trade directly between market participants, subject to liquidity and price-to-NAV tracking error. And lastly, investing in GIFT City outbound funds, either passive or active or both, which are available across developed and emerging markets.

Manish Kothari, Co-founder & CEO, ZFunds shared with ETMutualFunds that GIFT City-based outbound funds are currently among the most suitable options available for resident Indian investors and for those starting their international investing journey, he recommends beginning with diversified global ETFs tracking broad indices such as the MSCI World Index or MSCI Emerging Markets Index, rather than choosing thematic or country-specific products.

Kothari further said that diversified products help reduce concentration risk, particularly when recent global gains have been driven by only a few themes

The analysis by ETMutualFunds further showed that in the last one year, these funds have delivered an average return of 28.28% and lead the return chart in the same period. In the last nine months also, these funds delivered the highest average return of 15.34% outperforming the domestic equity mutual funds.

What's behind the outperformance? Hold or book profits?

With these funds delivering stellar returns across these two horizons, investors are wondering the reason for this performance and whether they should hold on to their investments or book profits from these investments.

Market experts said that the sharp rally has been driven by strong gains in global equities, particularly technology and artificial intelligence (AI)-linked companies

Kothari said the rally has largely been an AI-driven story, led by sectors such as semiconductors, memory chips, data centres, renewable energy and related industries. Markets like Taiwan, South Korea and Japan, which have benefited from the global AI boom, have delivered gains of more than 50%. In comparison, India has underperformed global markets due to the absence of large listed AI-focused companies.

He further said that investors should continue maintaining an international allocation of around 10-15% of their portfolio for diversification and better risk-adjusted returns. However, investors with concentrated exposure to specific markets such as Taiwan or South Korea may consider trimming some holdings because a handful of stocks dominate those indices, increasing concentration risk.

To this, Dhawan said that the strong gains in international mutual funds have been driven by two key factors: rising global equity markets and the continued depreciation of the Indian rupee against major foreign currencies. Apart from the appreciation in overseas assets, Indian investors also benefited from currency gains when converting foreign returns back into rupees.

He believes investors should base their decision on their long-term asset allocation rather than recent market movements. If the rally has pushed international equities above the target allocation in a portfolio, investors may consider trimming their holdings to rebalance. Otherwise, continuing with existing investments helps preserve geographic diversification and allows long-term compounding to work.

How important is international diversification today?

As the fund houses have restricted fresh subscription in their international funds and market experts always recommend holding certain portions in global funds or other possible investment avenues. So how important it is to have international diversification today.

Dhawan said international diversification reduces dependence on a single country's economy and provides exposure to sectors and companies, especially in technology, that are not adequately represented in Indian markets.

He further said that even if mutual fund subscriptions remain closed, investors can continue holding their existing international investments or explore alternative routes to maintain global exposure. Kothari echoed a similar view, stating that combining domestic and international equities has historically improved a portfolio's risk-return profile because different markets do not move in tandem. Since no single market consistently outperforms over long periods, maintaining international exposure helps reduce home-country bias.

These restrictions are a result of SEBI's overseas investment limits for mutual funds. Indian mutual funds operate under an industry-wide overseas investment cap, and once fund houses approach these limits, they temporarily stop accepting fresh inflows into international schemes until investment headroom becomes available.

In February 2022, the regulator asked fund houses to stop accepting fresh investments in international schemes after the industry-wide overseas investment limit was exhausted. Since then, most fund houses have either suspended lumpsum investments, SIPs, or both in their international mutual fund schemes.

Time to wait or invest when subscriptions reopen?

Many investors who missed the opportunity to invest before international mutual fund subscriptions were suspended are now wondering whether they should wait for funds to reopen or look for alternatives.

Kothari said that one should treat international allocation the same way as domestic equity investment based on relative attractiveness rather than trying to time a correction and a mix of lumpsum plus SIP/STP is the sensible default, with the split depending on individual risk appetite.

Until subscriptions reopen, use GIFT City funds or global ETFs to start building exposure rather than waiting on the sidelines, since timing the reopening or a global correction isn't a reliable strategy, he further said.

Dhawan believes investors should avoid trying to time the market. According to him, the reopening of mutual funds only reflects regulatory approval to accept fresh inflows and should not be interpreted as a signal that markets are attractive. Instead of waiting for a correction, he recommends investing through Systematic Investment Plans (SIPs) or Systematic Transfer Plans (STPs) to average purchase costs over time.

For investors who cannot currently access international mutual funds, he suggests temporarily parking money in domestic liquid instruments while evaluating overseas investing through LRS-based platforms or GIFT City products. Fresh SIPs into international mutual funds can resume once regulatory limits are revised and fund houses reopen subscriptions.

International funds in one year

Out of international funds, Nippon India Taiwan Equity Fund delivered the highest return of 118%. PGIM India Global Equity Opp FoF delivered the lowest positive return of around 7.06% and Mirae Asset Hang Seng TECH ETF FoF, a global ETF, lost the most of around 4.01% in the last one year.

Outlook on global equities

Dhawan said that the outlook for global equities will continue to depend on factors such as corporate earnings, central bank policy decisions, macroeconomic stability and currency movements.

While some overseas markets currently appear expensive relative to historical valuations, others continue to offer reasonable opportunities. Therefore, investors should avoid taking a uniform view of global markets and instead maintain strategic allocations across different regions, he further said.

Kothari maintained that no one can reliably predict market movements. Rather than attempting to forecast short-term performance, investors should focus on building diversified portfolios that can participate in long-term global growth while managing risk through disciplined asset allocation.

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