

International funds outperform domestic peers as subscriptions resume. Should investors increase global allocation?

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International mutual funds have outperformed their domestic peers across various time horizons, including the current calendar year, the past one year and the past three years, an analysis by ETMutualFunds showed.

However, Indian investors looking to increase their overseas exposure face a key challenge. Several fund houses had restricted fresh inflows into international schemes after hitting regulatory limits on overseas investments, while some have since resumed subscriptions. This has raised questions about what has changed and whether investors should increase SIPs in international funds or continue with domestic equity SIPs.

Pathak further said existing investors can continue their SIPs, but domestic equity SIPs should not be reduced simply because international funds have recently performed better.

Vishal Dhawan, Founder & CEO of Plan Ahead Wealth Advisors, told ETMutualFunds that the recent resumption of subscriptions by select asset management companies comes as fund houses manage headroom within the industry-wide overseas investment limits set by the Reserve Bank of India and the Securities and Exchange Board of India — \$7 billion for foreign securities and \$1 billion for ETFs. “Temporary openings or daily/monthly subscription caps allow fund houses to absorb inflows created by unit redemptions. Investors should view these reopenings as an operational opportunity to re-establish portfolio balance rather than a market-timing signal. Existing investors should keep their primary domestic equity SIPs intact, as Indian equities may remain the core vehicle for long-term domestic wealth accumulation,” Dhawan said.

“If international SIPs were paused previously due to fund closures, investors may consider restarting them on a staggered basis to restore their target international weight, while leaving main domestic equity contributions undisturbed,” he added.

According to Value Research data, international funds delivered an average return of 19.48% year-to-date (YTD). Over the last one year and three years, these funds delivered average returns of 31.53% and 26.24%, respectively.

In April 2026, Nippon India Mutual Fund suspended subscriptions in the Nippon India Japan Equity Fund and Nippon India Taiwan Equity Fund. Several other fund houses also suspended subscriptions in their international funds.

Some fund houses, including Baroda BNP Paribas Mutual Fund and Invesco Mutual Fund, have since resumed subscriptions in their international funds.

Time to increase global exposure?

Dhawan said the outperformance in recent years has been driven by global technology momentum and rupee depreciation. However, investors should avoid increasing their international allocations solely in response to trailing returns, as asset-allocation decisions should be guided by personal financial goals and risk tolerance rather than short-term market rallies.

He further said that most Indian investors could consider maintaining an international equity allocation of 10%-30% of their portfolio for diversification. This can help hedge against single-country concentration risk while providing access to global corporate leaders. If an investor's foreign exposure is currently below their strategic target, gradual rebalancing may be appropriate.

However, chasing recent gains without a disciplined framework could expose portfolios to potential cyclical pullbacks.

Pathak said international funds should be considered for diversification rather than for chasing recent returns. Investors can maintain a strategic allocation of around 10%-20%, depending on their overall portfolio and risk profile, but recent outperformance alone should not be a reason to increase allocation. According to a report by Motilal Oswal Private Wealth, the sharp correction in Korea has exposed excesses around valuations, concentration and leverage, narrowing some of the relative advantages previously enjoyed by AI-heavy markets.

The report further said that Korea and Taiwan sit at the opposite end of the spectrum, as their listed earnings are a leveraged bet on global chip and capital expenditure demand.

After the global rally, should investors invest now or wait for a correction? Can international funds still offer diversification for Indian equity-heavy portfolios?

Pathak said he would not recommend waiting for a correction or trying to time the global market. For fresh investments, staggered investing through SIPs or STPs can be a better approach, particularly after a strong rally. International exposure can still add value for investors who are heavily concentrated in Indian equities.

Dhawan said attempting to time fresh international investments after a global market rally carries risks. Instead of waiting for a market correction or making lump-sum commitments, investors looking to enter international funds can use systematic investment plans (SIPs) or systematic transfer plans (STPs) to average out purchase costs over time.

“Even at current valuation levels, international funds offer diversification for portfolios heavily weighted in Indian equities. Global funds provide exposure to business models, technology platforms and healthcare innovations that have limited representation on domestic exchanges. Furthermore, holding foreign currency assets provides a buffer against long-term currency depreciation, helping smooth out overall portfolio volatility across differing market cycles,” he further said.

Performance of international funds

In 2026 so far, Nippon India Taiwan Equity Fund has delivered the highest return among the 65 funds in the category, at around 99.94%, followed by ICICI Prudential Strategic Metal and Energy Equity FoF, which delivered a 42.36% return. Mirae Asset Hang Seng TECH ETF and FoF were the worst performers, declining around 13.03% and 11.62%, respectively.

Over the last three years, Nippon India Taiwan Equity Fund delivered the highest return of 61.43%, followed by DSP World Gold Mining Overseas Equity Omni FoF, which returned 56.28%. Nippon India Taiwan Equity Fund also topped the one-year performance chart, delivering a return of 138.81%. It was followed by DSP World Mining Overseas Equity Omni FoF, which returned 73.67% over the same period.

So, based on historical performance, which geographies should investors prefer going forward if other international funds also resume subscriptions?

Dhawan said that when selecting international markets for fund allocation, fund managers prioritise parameters that complement a domestic portfolio. A key factor is often low to medium correlation, which can help insulate investments from home-country market downturns.

Investors also seek sector complementarity to gain access to industries that are underrepresented on local exchanges, along with adequate market depth and liquidity to ensure seamless capital deployment. Additionally, currency strength and the local regulatory framework influence market selection. Exposure to resilient foreign currencies can act as a hedge against domestic currency depreciation over the long

term. Robust corporate governance standards and clear disclosure requirements can also help ensure that foreign exposure provides diversification without adding uncompensated legal or operational risks, Dhawan further said.

Pathak said he would prefer broad-based global exposure rather than taking a concentrated bet on a particular country or sector. The US remains an important market, but international allocation should primarily be used to diversify the portfolio and reduce dependence on a single economy. Overall, asset allocation and discipline should matter more than chasing the best-performing market.

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