

Investors may do Well to Bail Out of European Equity Funds

With Greek crisis likely to weigh on recovery, these schemes will find it tough to earn returns

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Mumbai: Investors could redeem their investments in European equity funds as uncertainty over the Greek crisis has deepened, said wealth managers. With the economic recovery in Europe expected to be delayed in the wake of the credit crisis, investors in these schemes may find it tough to make returns.

"Uncertainty continues over Greece, and it seems there will be a prolonged crisis. Given this scenario, Indian investors will be better off booking profits and allocating their money to alternative avenues," says Ashish Shankar, head (investment advisory), Motilal Os-

wal Private Wealth Management. He feels if Greece were to exit the Eurozone, it could have a contagion impact and worsen matters.

Indian investors had put money in these schemes on hopes that the Eurozone crisis would be resolved. Asset management companies launched feeder funds that would invest in European mutual fund schemes. Many Indian investors as a part of their overall geographical diversification invested in funds from JPMorgan Dynamic Offshore Equity Fund, Religare Invesco Pan European Equity Fund, DWS Euroland Fund and Franklin European Feeder Fund.

However, returns over the last one year have been poor. The four funds on an average have given return of 1.65%. As per analysts, the

low return is due to a sharp appreciation of the rupee against the euro. "Over the last one year, the euro has lost 15% against the Indian rupee. This has eroded returns from these funds," explains Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors.

Even though these equity funds have exposure primarily to countries like the UK, Germany, Switzerland and France, with negligible direct exposure to Greece, what worries investors is the indirect exposure of European banks.

"Many European banks have an exposure to the Greece economy, which could affect the portfolio," says Vidya Bala, head of research, Fundsindia.com. The exposure of these banking stocks could affect these funds, in the near-term.

Dwindling Profits Funds focussed on Europe

Fund Name	1-year return (%)
DWS Top Euroland	3.83
Franklin European Growth -Feeder	-6.02
JP Morgan Europe Dynamic Equity	4.8
Religare Invesco Pan European Equity	4.04

Source: Value Research as on June 29, 2015