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A strong dollar makes US funds an attractive bet

BY PRASHANT MAHESH, ET BUREAU | UPDATED: SEP 06, 2018, 09:58 AM IST

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The decline in the **rupee** to record lows so far in 2018 has put the spotlight on funds that bet on US equities. Many of these schemes have outperformed products that invest in Indian equities as the strength in the **dollar** against the rupee has boosted the value of these investments.

Since January, US-based funds returned 22.8 per cent on an average. In comparison, **multicap funds** have returned 1.45 per cent so far in 2018. The benchmark **Nifty** has gained 9.91 per cent while the Nasdaq 100 gained 19.25 per cent so far this year.

The weakness in the rupee has boosted returns of these products. The rupee, which closed at a low of 71.75 against the dollar on Wednesday, and has lost 12.67 per cent versus the dollar this year.

"International investing gives **investors** an opportunity to own business not available in India and a chance to buy global business leaders," said Vishal Dhawan, chief financial planner, Plan Ahead Financial Advisors Retail investors could bet on US stocks through feeder funds of domestic **mutual funds**. Dhawan recommends Franklin India Feeder-Franklin US Opportunities Fund or DSP US Flexible Equities Fund and Edelweiss Greater China Equity Offshore Fund.

"Investors could invest in a couple of large economies over the globe through feeder funds and allocate 10-15 per cent of their equity portfolio to such funds," he said.

The more sophisticated could also invest directly in stocks overseas through the liberalised remittance scheme (LRS) of up to \$250,000 every financial year.



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"Investors should adhere to the discipline of having international allocation as part of their overall asset allocation. This is important as investors can lose out due to depreciation in currency and subsequent losing of purchasing power," said Rajesh Cheruvu, chief investment officer, WGC wealth.

Tax differential was one reason for investors to shun international equity funds. While domestic equities enjoyed zero tax if held for a year, international equity funds has been taxed at the marginal rate if you sold before three years. Post three years, investors would be eligible for indexation benefits and pay 20 per cent tax with indexation or 10 per cent without indexation. "With domestic equities now taxed at 10 per cent after holding for a year, the differential has been plugged," said Dhawan.

Some wealth management firms, such as Sanctum, are offering a Global Allocator strategy using the PMS platform to enable clients diversify geographically. The strategy chooses funds from amongst 39 funds, including ETFs, which invest overseas.

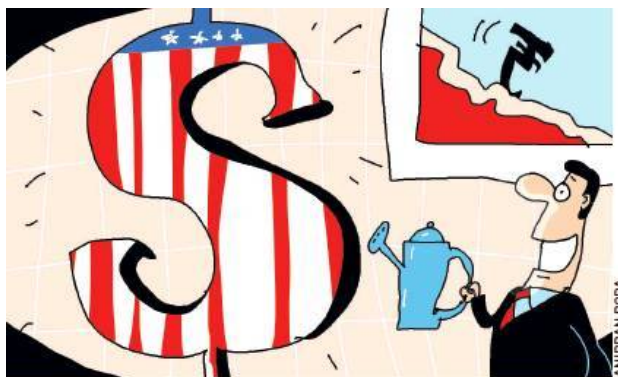


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SCHEME NAME	ABSOLUTE RETURN*	AUM (Cr.)
Mottlal Oswal Nasdaq 100 ETF	32.50	82.71
Franklin India Feeder - Franklin U.S. Opportunities	32.23	623.44
DSP US Flexible Equity Fund	19.02	200.59
Kotak US Equity	17.07	6.07
Edelweiss US Value Equity	13.31	44.94
ICICI Prudential US Bluechip Fund	18.80	185.00

*01/Jan/18 To 04/Sep/18

Source: Accord Fintech

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