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It's time to bet on US equities, say experts

BY PRASHANT MAHESH, ET BUREAU | UPDATED: DEC 24, 2018, 07:56 AM IST

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Recent declines of 15 per cent in the Dow Jones and 19 per cent in the Nasdaq from their respective peaks present a great opportunity to local investors to accumulate **US stocks**, top fund managers say.

Sankaran Naren, chief investment officer, ICICI Prudential Mutual Fund, believes it is a good time to invest in US equities using the **systematic investment plan** (SIP).

"Top quality companies with strong moats, global presence and with technological leadership are based out of the US. The sharp and swift correction in the US markets and the dollar make it an opportune time to start investing in US funds using the SIP route," Naren said.

Several fund houses, such as ICICI Prudential, Franklin Templeton, DSP, DHFL Pramerica, Kotak, Motilal, Edelweiss and Reliance MF, have schemes that invest in US equities. Investors can buy into them with as little as Rs 5,000.

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Performance of US-focused Funds

Fund	Return (%)		
	1-Year	3-Year	5-Year
DSP US Flexible Equity	-0.93	8.32	8.13
Edelweiss US Value Equity Off-shore	-3.96	5.78	5.58
Franklin India Feeder Franklin US	0.79	6.29	7.21
ICICI Prudential US Bluechip Equity	3.98	10.89	8.94
Kotak US Equity Standard	-4.75	6.61	7.11
Motilal Oswal NASDAQ 100 ETF	3.94	12.46	14.33
Reliance US Equity Opportunities	5.17	10.72	NA

Returns annualised

Source: Value Research

By investing in US funds, investors get access to companies that are global giants and leaders in their respective lines of business. The bulk of the business for these companies comes from across the globe. Funds dedicated to US assets hold stocks such as Amazon, Alphabet, Tesla, **Facebook**, Twitter, and Visa in their portfolios.

Since the start of the year, US stocks have yielded mixed returns. While Amazon, Twitter, and Tesla are up 18 per cent, 14 per cent and 3 per cent, respectively, Facebook has lost 29 per cent and Alphabet is down 6 per cent.

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The US economy expanded at 3.4 per cent in the third quarter, with unemployment rate down to 3.7 per cent, the lowest in the past five decades. However, analysts believe the economy will slow to 2 per cent and could lead to a recession, which has led to a sharp correction in the US markets over the past couple of months.

However, in the long term, financial planners believe buying into US equities gives Indian investors geographical diversification and entry into companies the size and scale of which is not available locally.

“An investment in US funds helps you geographically diversify your portfolio and participate in a market that is 40 per cent of the world market capitalization,” says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors. Dhawan believes investors can allocate 10-15 per cent of their portfolio to such funds with a long term view of seven years.

With the government levying a 10 per cent long-term capital gains tax on domestic equities, the tax differential compared to international funds has narrowed. International funds held for more than 3 years are eligible for indexation benefits and investors pay 20 per cent tax with indexation, or 10 per cent without indexation.

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