THE ECONOMIC TIMES

Time for Some US Exposure: Analysts

BY PRASHANT MAHESH, | MAR 04, 2019, 09.26 AM IST

Financial planners are increasingly recommending diversification of equity mutual fund portfolios geographically by investing in the US-based equity mutual funds.

Investing in the US gives an opportunity to own several high-class businesses and global companies, they said. Many large companies in areas like auto, technology, healthcare and internet are based in the US and European markets. Such funds give you a chance to bet on companies like Apple, Amazon, Mastercard, Visa, Alphabet, Microsoft and Facebook.

In the last one year, US-based funds have outperformed the Nifty. Franklin India Feeder — Franklin US Opportunities Fund has given a return of 18.46%, while ICICI US Bluechip Equity Fund has returned 17.11% compared to Sensex's 5.48%.

Though there is some sign of a slowdown in the US, analysts believe there is no likelihood of a recession as of now.

“There is evidence of an earnings slowdown emerging in the US. However, for many large US firms, 40-50% of their revenues come from outside the US,” says Vishal Dhawan, founder, Plan Ahead Wealth Advisors. Given the run-up in US equities, he suggests investors build their exposure to US in a gradual manner over a period of time, through the SIP or STP route.

Many investors did not opt for international funds as the tax treatment was similar to debt funds. "With equity funds now subject to LTCG, the differential in tax has narrowed," says Rupesh Bhansali, head (distribution), GEPL Capital. For a holding period of less than 3 years, the investor is required to pay short-term capital gains tax on the profits at his/her tax slab. When the fund is held for more than 3 years, the investor will get the indexation benefit as the profit is treated as long-term capital gain. Post indexation, the gain is taxed at 20%.

Franklin India Feeder — Franklin US Opportunities
Assets under management: Rs 746 crore
Fund Manager: Grant Bowers, Sara Araghi
Top 5 stocks: Amazon, Mastercard, Microsoft, Alphabet Inc, Visa
1-3 year return: 18.46%
3-year return: 17.42%

A fund of fund, this scheme directs investor money into the Franklin US Opportunities Fund. The fund follows a high conviction strategy focused on investing in leading US companies across the market-cap spectrum that have potential to benefit from multiyear growth trends or emerging profit cycles. The fund manager follows a bottom-up stock selection process and does not hesitate to go overweight on sectors that have high-growth potential.

Currently the fund is overweight on technology and healthcare with these two sectors accounting for half of the portfolio.

ICICI Prudential US Bluechip Equity Fund
Assets under management: Rs 249 crore
Fund Manager: Priyanka Khandelwal
Top 5 stocks: Amazon, Mondelez, Service Now, Microchip Tech, Comcast
1-year return: 17.11%
3-year return: 15.45%

The scheme invests in large-cap securities with a market-cap greater than $4bn. The investment strategy is a combination of bottom-up and top-down approaches without any sector preference. The fund manager identifies high-quality businesses that have strong balance sheets and possess the desired combination of attractive valuations and potential for multiple expansion. The portfolio consists of 40-50 stocks and may at any particular time, shift stock selection toward in sectors that appear to offer attractive value and appreciation potential.

The fund manager is bullish on FMCG (21%), software (15%) and healthcare (17%).

Motilal Oswal Nasdaq 100 ETF
Assets under management: Rs 121 crore
Fund Manager: Abhiroop Mukherjee, Ashish Agarwal
Top 5 stocks: Amazon, Microsoft, Apple, Alphabet Inc Class C, Facebook
1-year return: 11.55%
3-year return: 19.61%

With the US being a developed market where active schemes struggle to beat the benchmark, some financial planners recommend investment in Nasdaq 100 available to Indian investors.

Motilal Oswal Nasdaq 100 ETF is a passive fund and invests in Nasdaq-100 index. The index has close to 45% exposure to technology stocks, which have exhibited strong revenue and earnings growth. Analysts believe the underlying story for the rise in the Nasdaq-100 is that the US economic growth is shifting from the traditional industries (basic materials and oil & gas) to the newer sectors (healthcare and technology). Since 2003, companies in Nasdaq-100 have recorded a revenue growth of 14% and earnings growth of 24%.