

Which international funds are still open for investments?

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Feeder funds or the fund of funds investing in the exchange-traded funds abroad are still open for investments



After witnessing a major stock market rally in the last few years, the US benchmark indices such as Nasdaq 100 have corrected sharply, of late, providing good investment opportunities for investors.

The year-to-date (YTD) returns of Nasdaq 100 and S&P 500 —the two most popular US indices—have been -25% and -16%, respectively.

Yet, you can invest in specific stocks directly only if you are a well-informed investor. Otherwise, one will be better off sticking to the fund route. However, as mutual funds investing abroad breached the overall industry limit of \$7 billion, fresh flows into these funds have been put on hold from February 2022.

Having said that, feeder funds or the fund of funds (FoFs) investing in the exchange-traded funds (ETFs) abroad are still open for investments. In the case of investments in overseas ETFs, there is a separate investment limit of \$1 billion, which hasn't been breached yet.

Note that, one can also buy units of ETFs investing internationally in the secondary market. However, you should be cautious of the mispricing of the ETFs.

"One needs to keep in mind that ETF prices on the exchange may be at a premium to the prevailing NAV due to scarcity premium as additional units are not being created by AMCs. Also, liquidity is likely to be limited and is dependent on another investor wanting to sell his/her units," said Sameer Kaul, MD & CEO of TrustPlutus Wealth (India) Pvt Ltd.

Here, we focus on the feeder funds that are open for investments (see table).

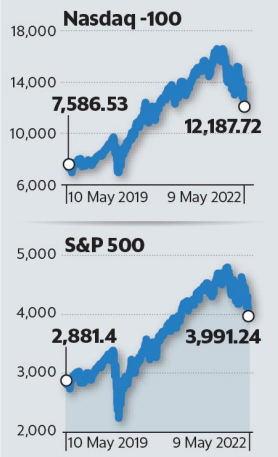
Open to invest

Experts suggest that those already invested in the Nasdaq index can make use of this correction for averaging down gradually.

International feeder funds open for investment

Fund name/Invested in	AUM (₹ in crore)*
Aditya Birla SL NASDAQ 100 FOF (iShares Nasdaq 100 UCITS ETF USD)	49
DSP Global Innovation FoF (iShares Nasdaq 100 UCITS ETF USD & iShares Semiconductor ETF#)	149
Invesco EQQQ NASDAQ 100 ETF FOF (Invesco EQQQ NASDAQ-100 UCITS ETF**)	24
Kotak NASDAQ 100 FoF (iShares Nasdaq 100 UCITS ETF USD)	892
Navi NASDAQ 100 FoF (Invesco NASDAQ 100 ETF (QQQM))	27
Navi US Total Stock Market FoF (Vanguard Total Stock Market ETF)	130

*AUM of Navi funds are as of March 2022. For others, it is as of April 2022; **This is a sister fund of US-based Invesco QQQ ETF #both the ETFs get almost equal share



Where to invest?

Experts suggest that the correction in the US market, especially Nasdaq 100 index, provides a good buying opportunity for those who have already invested in the index, to average down the cost. Averaging down is a strategy of purchasing the shares/units at a reduced price, resulting in lowering the average cost at which a share/unit is purchased.

"For those investors who have exposure to NASDAQ in their portfolio already, the sharp correction is an opportunity to average down their purchases gradually, provided they are investing for a minimum 10-year investment

horizon," said Vishal Dhawan, founder & CEO, Plan Ahead Wealth Advisors. As for those investors having exposure to the S&P 500 index, Dhawan said they can consider adding to the Navi US Total Stock Market Fund as the index it is tracking has significant overlap with the S&P 500 index. He also said that this is a good fund for even those who are starting to invest internationally as the index has exposure to broader US market.

Talking about DSP MF's global innovation fund, Prableen Bajpai, founder, FinFix Research and Analytics, said the original investment mandate of the fund includes investments in both ETFs and actively managed international funds.

She said, "One must be aware that this fund may go back to the original mandate as soon as the mutual fund investment limit is revised upwards. This may also increase the expense ratio of the fund (as the money will be invested in more funds compared to the current mix of just two ETFs)."
