Sharp correction in US market offers opportunities Investors should use a combination of **buy-on-dips and SIPs** to allocate to international funds **over the next 6-8 months**: Analysts

'Hold on to Global MF Schemes, Avoid Lump Sum Investments'

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Mumbai: Investor holdings in international equity mutual fund schemes have eroded 30-40% on account of the sell-off in various global markets in the past six months. But investment advisors and analysts are suggesting investors must hold on to these investments despite the losses and even restart fresh Systematic Investment Plans (SIPs) in them as and when regulatory restrictions are lifted.

Investors could also start staggered investments in some of the index schemes tracking the US indices still available for investments.

"Correction in the US markets has been brutal. New investors must use a combination of buy-on-dips and systematic investment plans (SIPs) to allocate to international funds over the next 6-8 months," said Vidya Bala, co-founder, Prime Investor, an investment advisory platform. Conservative investors can start investing in S&P 500 Top 50 ETF while the more aggressive investors could consider the Nasdaq 100 fund, she said.

Currently, Indian investors cannot invest afresh in most international schemes of domestic mutual funds as the industry has reached the limit of $7 billion. The industry is awaiting RBI's approval to increase the limits. Investors can however only buy into a handful of international ETFs that have a separate limit of $1 billion. These are Nasdaq 100 schemes. A study by ET shows that all the top international schemes with assets more than ₹1,000 crore – barring the Kotak Nasdaq 100 FoF, which feeds into the Nasdaq 100 – do not accept fresh money now.

A sharp correction in the US markets on fears of aggressive rate hikes by the Fed and sharp economic slowdown has led to sharp erosion in net asset values (NAVs) of the international schemes. Valuations of US shares have eased thanks to the declines with the broad-based S&P 500 trading at a Price to Earning (PE) ratio of 19 times, lower than its 10-year average of 26.38 times. But financial planners believe it is not yet time to go all out to US equities with uncertainty looming large.

Long Call

Scheme	Fall from peak (%)
PGIM India Emerging Markets	-43.24
Invesco India Global Consumer Trends	-43.20
PGIM India Global Equity Opp	-42.69
Edelweiss US Technology	-41.65
Franklin India Feeder	-37.94
Mirae Asset NYSE FANG+ETF FoF	-35.88
Edelweiss Gr China Equity Off-Shore	-32.47
Motilal Oswal Nasdaq 100 FOF	-29.51
HSBC Global Equity Climate Change	-28.20
HSBC Brazil	-28.17

Source: Accord Fintech; As on June 13, 2022

FUNDS THAT ARE ACCEPTING MONEY

- ABSL Nasdaq 100 FoF
- DSP Global Innovation FoF
- Invesco EQQQ Nasdaq 100 Etf FOF
- Kotak Nasdaq 100 FoF
- Navi Nasdaq 100 FoF
- Navi US Total Stock Market FoF

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'Hold on to Global MF Schemes'

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"Inflation and interest rates are on an uptick in the US, making it difficult to predict when and where the stock market will bottom out. Most existing funds are not taking lump sums, so we feel existing investors should just hold on to their existing investments and review it when the limits reopen," said Viral Bhatt, founder, Money mantra, a Mumbai-based distributor.

Analysts believe the RBI is unlikely to increase the limits soon, given the sharp depreciation in the rupee.

"After the correction, valuations are reasonable though there are challenges aro flation and there is unlik a quick recovery in the near term," said Vishal Dhawan, chief financial planner, Plan Ahead Wealth Managers. He believes investors could build their exposure gradually using the SIP route and recommends Navi US Total Stock market FoF.