Add Global Funds to your Portfolio

As the rupee is weakening and several international markets are doing well, it makes sense to add a diversified global fund to your portfolio. The exposure to such funds should be limited to 10% of the total portfolio.

Such geographical diversification protects the returns from the downside in case Indian markets are not doing well. In this way, the portfolio is not depended upon a single market. Also not all global markets and assets move in tandem, losses in one country can be offset by gains in some other countries.

In Taxation, global funds are treated at par with debt funds. The long-term capital gains from these funds are taxed at 10% without indexation and 20% with indexation. The short-term capital gains are added to the investor's income and taxed at the applicable slab rate.

Overall, it's worth having a global fund in your portfolio due to the following reasons:

Firstly, you diversify risks by investing across markets. The international basket is much wider than the domestic.

Secondly, global markets are cheaper. For instance, the DJIA, S&P 500, FTSE and CAC trade at 13-14 times historic earnings (Bloomberg), while domestic benchmarks are at around 16 times.

Thirdly, despite the rally in the developed markets, the valuation multiples are also at par or lower than their historic averages.

Lastly, the icing on the cake — gain from a falling rupee.

Bet on the US market: You can also take exposure to a US based fund. Within the developed markets, US is home to some of the world's biggest companies and provides access to them. The US is the world's largest economy and accounts for 21.67% of the global GDP.

Finally, based on performance and mandate, you can invest in any one of the following schemes: Birla Sun Life International Equity, L&T Global Real Assets and Franklin Templeton India Feeder Franklin US Opportunities.

For more information on Global Funds, contact us on mail@netbrokers.co.in