

**09 June, 2023**

**ARTICLE No. 20**

**WHY IS THERE A NEED TO ADD INTER- NATIONAL FUNDS?**

Indian equity market is 3-4% of the global market capitalisation. Given this low share, there is a need to diversity equity portfolios geographically to manage risk and participate in industries, technology and companies that are not available in India. Many large businesses in areas like ecommerce. electric vehicle, technology and biotechnology are based in markets like the US and Europe. By investing in international funds you get an opportunity to own world class companies.

**WHAT TYPES OF INTER- NATIONAL FUNDS ARE AVAILABLE TO INDIAN INVESTORS?**

Most of the mutual fund collect money by launching themes of international fund and then invest in other funds in those markets. The latter way is called a feeder route and is typically in the form of a fund of funds (FoF). A resident Indian investor can invest in Indian Rupees as one does for any mutual fund, you can select the scheme, write a cheque in rupees or invest online.

**ARE THERE ANY LIMITS ON INTERNATIONAL INVESTMENTS?**

The RBI regulates fund inflows and outflows and currently, there is an overall industry-level limit of $7 billion for mutual funds Since the industry reached this limit in February 2022, mutual funds were asked to stop accepting fresh flows. However, later in the year, global markets witnessed a sharp correction that led to a reduction in the valuation of international stocks. This rubbed off on the cumulative investments made by international MF schemes, creating scope for fresh investments in this category.

Based on this drop, the regulator again allowed inflows into these schemes subject to certain restrictions which led to some fund houses accepting fresh investments

**HOW ARE INTERNATIONAL FUNDS TAXED?**

From a taxation perspective, international funds are treated on par with debt mutual funds. The advantage of long-term capital gains tax with indexation benefits is no longer available for these funds since the start of this financial year. Investors will have to pay tax on gains line with their income slabs.

**Disclaimer: - Mutual funds investments are subject to market risk. Please read the offer documents carefully before investing.**