HSBC

Mutual Fund

Diversify beyond domestic markets

Investment in international equities presents an opportunity for investors to participate and grow with the globally diversified portfolio. In other words, it is an avenue which can complement investor's domestic equity portfolio.

Why invest in international stocks?

Opportunities lie everywhere

Investing in different geographies can help in better diversification.
For eg: The Indian index grew by 19% whereas the Korean index grew by 45% and the USA Index by 24% in 2020

Source: MSCI, RBI. Returns mentioned are absolute for the respective year

Exposure to niche segment

Investment in international stocks provides exposure to various sectors and companies which are otherwise not available in the domestic market.
For eg: Indian investors not having access to themes like electric vehicles, social media companies and a few others.

Hedge against currency depreciation

In 2011, the Indian rupee traded at Rs.44.5 to 1 USD. This rate has slipped to Rs.74 to 1 USD in 2020. Investment in international stocks, in this case US stocks, can help in hedging against the local currency depreciation.

Source: Morningstar

Weather out volatility in domestic market

Indices or assets of different countries do not perform in tandem and each of them carries distinctive risks and opportunities. Spreading investment across international stocks can help you manage volatility in the long run.

Above all, different economies and stock markets perform differently every year.

2020	China 33%	Asia 32%	US 24%	World 19%	India 19%	Europe 9%
2019	US 35%	World 30%	Europe 28%	China 27%	Asia 22%	India 10%
2018	US 4%	India 1%	World -1%	Asia -5%	Europe -6%	China -11%
2017	China 45%	India 30%	Asia 26%	Europe 19%	World 17%	US 15%
2016	US 15%	World 11%	Asia 7%	Europe 4%	China 4%	India 1%
2015	US 6%	Asia 5%	World 3%	Europe 2%	India -1%	China -3%
2014	India 26%	US 16%	China 10%	World 7%	Asia 3%	Europe -5%
2013	US 50%	Europe 41%	World 39%	Asia 28%	China 17%	India 9%
2012	India 30%	China 27%	Europe 24%	World 20%	US 19%	Asia 19%
2011	US 21%	World 11%	Europe 6%	Asia 0%	China -3%	India -25%
2010	India 16%	Asia 13%	US 11%	World 9%	Europe 1%	China 1%

Source: MSCI, RBI. Returns mentioned are absolute for the respective year. Returns are Gross returns in INR for MSCI standard (Large cap + Midcap) indices.
Indices - US: MSCI USA Standard, Asia: MSCI AC ASIA Standard, World: MSCI ACWI Standard, Europe: MSCI AC Europe Standard, China: MSCI CHINA Standard, India: MSCI INDIA Standard

There's no permanent winner. It keeps changing every year.

But handpicking individual international stocks can be a challenging task:

- It requires a lot of study and research of the foreign markets
- Access to global stock specific data could not be easy
- Investing in direct global equities can be relatively expensive
- It requires constant vigilance on socio-political and economic activities in other countries.

One way to overcome these challenges is by investing in international mutual funds via SIP. With the global team of experts to research and manage exposure to foreign companies and securities, international mutual funds could be a wise option to choose for an investor.

So, if you wish to build a globally diversified portfolio in a cost-effective manner start investing in international mutual funds now.

An investor awareness initiative by HSBC Mutual Fund.