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Educate yourself is a great way to boost your knowledge in general investing lingo and helps you to trade strategically.

Title of the topic: " Global Investing "

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INTRODUCTION

During a weekend discussion, Arun and Neha were reviewing their investment portfolios.

Arun: My portfolio has performed well, but almost all my investments are in Indian companies.

Neha: India offers strong growth opportunities, but have you considered investing in companies and markets outside India?

Arun: Why should I invest abroad when I already have access to so many good Indian companies?

Neha: Because different countries lead in different industries. The United States has several global technology and innovation companies, Europe is home to leading luxury and industrial businesses, while other regions provide exposure to semiconductors, commodities, healthcare and emerging consumer markets.

Arun: So global investing is not only about earning higher returns?

Neha: Exactly! It is also about diversification, access to businesses unavailable in India and reducing dependence on the performance of a single economy.

Global investing enables investors to participate in companies, sectors and economic opportunities outside their domestic market. However, it also introduces additional considerations such as currency movements, country-specific risks, taxation, regulatory requirements and higher transaction costs. Understanding these factors can help investors use global exposure more effectively within a diversified portfolio

WHAT IS GLOBAL INVESTING?

Global investing means allocating money to companies, funds or financial markets outside India. An Indian investor may invest in the shares of an overseas company, an international mutual fund, an exchange-traded fund or an Indian fund that invests in foreign securities.

For example, investors may obtain exposure to global companies such as Apple, Nvidia, Amazon and Alphabet, the parent company of Google. Instead of investing in individual companies, they may also invest in a fund that tracks a broad international index or a specific overseas market.

Global investing should not be confused with investing in Indian companies that earn revenue from international markets. An Indian IT company may generate a large portion of its revenue overseas, but its shares remain domestic investments. A direct investment in a foreign-listed company or an international fund is considered a global investment.

Global investing can be understood through three important concepts:

- **International investing:** Investing in markets located outside the investor's home country.
- **Geographical diversification:** Spreading investments across different countries and regions.
- **Currency exposure:** The effect of movements in foreign currencies on the value of an international investment.

WHY SHOULD INVESTORS INVEST GLOBALLY?

Portfolio Diversification

Different countries and stock markets do not always move in the same direction because their economies, interest-rate cycles and government policies differ. Adding international investments can reduce dependence on the Indian market, although diversification cannot completely remove risk during a global crisis.

Access to Global Companies

International investing provides access to leading companies in industries that have limited representation in India, such as:

- Artificial Intelligence
- Cloud Computing
- Semiconductors
- Aerospace
- Biotechnology
- Global E-Commerce and Luxury Goods

It allows investors to participate in the growth of these global businesses.

Participation in Different Economies

Countries experience different stages of economic growth. While one economy may benefit from strong consumption, another may be supported by technological development or manufacturing expansion. Global investing allows investors to participate in growth opportunities across different regions.

Currency Diversification

International investments are valued in foreign currencies, so their rupee returns are affected by exchange-rate movements. A stronger foreign currency may increase returns for an Indian investor, while appreciation of the rupee may reduce the value of the investment after conversion.

WAYS TO INVEST GLOBALLY

Now, there are multiple ways one can explore the world of global investing. Some of which are:

International Mutual Funds: These funds directly invest in companies listed outside India such as US, European, or Asian equities. Since the fund is managed by professional fund manager, investors do not have to select individual foreign stocks themselves. This route provides the advantage of both professional management and geographical diversification for an investors' portfolio. However, it involves higher expense ratios due to cross border management costs.

International ETFs: An international ETF is an ETF that invests in global assets. It offers global exposure by investing in assets that belong to a specific region, country, or sector. International ETFs may invest in global equities, bonds, or other assets. They are suitable for investors looking for global exposure and building a diverse portfolio, best for investors who want to invest in a specific country or global sectors. ETFs generally offer diversification at relatively low cost and can be bought and sold during market hours like shares. However, investors are exposed to market and currency fluctuations and need access to the relevant exchange or investment platform.

Indian Feeder Funds: An Indian feeder fund is a mutual fund that invests most or all of its money in another underlying overseas fund, rather than directly selecting foreign securities. Thus, the Indian investor invests in the Indian mutual fund, while the Indian fund invests in the overseas fund. This provides a relatively convenient way to obtain international exposure through an Indian mutual-fund structure. It also gives the advantage of professional global fund management and regulatory clarity as feeder funds are SEBI registered Indian mutual Funds. Apart from Currency risk yet another con is that investors bear double expense ratio at both the feeder and underlying-fund levels.

Online local wealth platforms like Groww, ETMoney etc, provide access to Indian Feeder Funds and International Mutual funds while International ETFs can be directly accessed through the NSE exchange platform.

INTERNATIONAL MUTUAL FUNDS	INTERNATIONAL ETFs	INDIAN FEEDER FUNDS
1. Nippon India Taiwan Equity Fund 2. ICICI Prudential Strategic Metal and Energy Equity FoF 3. Invesco India - Invesco Global Equity Income FoF 4. Aditya Birla Sun Life Global Excellence Equity FoF 5. Franklin Asian Equity Fund 6. Franklin Asian Equity Fund	1. Motilal Oswal Nasdaq Q 50 ETF 2. Mirae Asset S&P 500 Top 50 ETF 3. Motilal Oswal NASDAQ-100 ETF 4. Mirae Asset NYSE FANG+ ETF 5. Mirae Asset Hang Seng TECH ETF 6. Nippon India ETF Hang Seng BeES	1. Franklin India Feeder – Franklin US Opportunities Fund 2. Motilal Oswal S&P 500 Index Fund 3. Motilal Oswal Nasdaq 100 Fund of Fund

Cross Border Investment Platforms:

This another way and investor can engage in foreign investing i.e. by directly purchasing shares of foreign companies such as Apple, Nvidia, Amazon, Microsoft or Alphabet through eligible investing platforms. **INDmoney, Vested, Paasa, Dhan, Borderless** are such routes that assist investing in foreign stocks from India. This route requires more research and consideration of brokerage charges, currency-conversion costs, taxation and overseas-investment regulations.

NVIDIA, Apple, Microsoft, Amazon listed on NASDAQ US stock exchange, ASML on Euronext Amsterdam Nestle and Novartis listed on SIX Swiss Exchange. Additionally, TSMC listed on Taiwan stock Exchange, Samsung Electronics on Korea Exchange and Toyota Motor Corporation on Tokyo stock Exchange are few of the many global stocks that are accessible for direct buying by Indian investors through the above mentioned investment platforms.

Forex Trading: Forex trading, also known as foreign exchange or currency trading, is a market in which all of the currencies of various economies are sold and bought. Forex trading using unregulated offshore forex trading platforms is banned in India. While one cannot directly trade in the spot foreign exchange market, it is legal to trade in Currency Derivatives (Futures and Options) through NSE and BSE.

Currently, Indian traders are permissible to trade using the following pairs:

INR Pairs: USD-INR, EUR-INR, GBP-INR, JPY-INR.

Cross Currency Pairs: EUR-USD, GBP-USD, USD-JPY.

NOTE:

Liberalised Remittance Scheme (LRS): If one is investing directly in international stocks, it is important to comply with the RBI's Liberalised Remittance Scheme (LRS). Under LRS, a resident Indian can remit up to **USD 250,000 in a financial year** for permissible investments abroad. This limit covers all eligible foreign remittances made during the year and is subject to applicable documentation, taxation and regulatory requirements.

WHAT ARE THE FACTORS THAT INFLUENCE GLOBAL INVESTING?

There are varied elements that need to be considered while globally investing such as currency fluctuations, market volatility, geopolitical events and differences in taxation and regulations. Investors may also need to understand valuation and information factors when analysing unfamiliar foreign companies.

WHAT SHOULD GLOBAL INVESTORS TRACK?

The following table elaborates on some of the key factors that any investor willing to try global investing should keenly monitor:

Indicator	What Does it Signal?
US Equity Markets	Shows confidence and risk appetite of global investors.
Federal Reserve Policy	This influences interest rates, global liquidity, bond yields and investment flows.
Dollar Movement	Affects the rupee value and returns of overseas investments.
Crude-Oil Prices	Influences inflation, business costs, global supply chain, interest rates and India's economy.
Major Global Indices	Helps in comparing market trends across the US, Europe, Japan and China.
Economic Indicators	Inflation, employment, growth and corporate earnings indicate the health of major economies.
Geopolitical Events	Wars, elections and trade disputes can affect currencies, commodities and stock markets.

The following are some of the stock markets indexes in developed and emerging markets that can be monitored by an investor wishing to begin global investing:

Developed Markets	Emerging Markets
US- S&P500	FTSE Emerging Index
US- Dow Jones Industrial Average	MSCI Emerging Markets Index
US- NASDAQ	MSCI Emerging Markets IMI Index
UK- FTSE 100	
South Korea- KOSPI	
Japan- Nikkei 225	
China- Hang Seng	

WHAT TAX IMPLICATIONS SHOULD INVESTORS BE AWARE OF?

1. **Tax Collection at Source (TCS):** A 20% tax is collected at source on specified foreign remittances under the Liberalised Remittance Scheme (LRS) that exceed ₹10 lakhs. However, TCS is a tax collected in advance and is not a final tax; the amount collected can generally be claimed as tax credit while filing the income-tax return. Thus, it should not be considered as a permanent deduction from the amount invested.
2. **Dividend Tax:** Dividends received from foreign companies are taxable in India at the investor's **applicable income-tax slab rate**. Tax may also be withheld by the foreign country. Where eligible, an Indian resident can generally claim **Foreign Tax Credit (FTC)** for foreign taxes paid, subject to the applicable DTAA and Indian tax rules. Where no DTAA exists, relief may be available under the relevant provisions of Indian tax law.
3. **Capital Gains Tax (Foreign Stocks):** Shares of companies not listed on an Indian stock exchange, such as foreign stocks, are classified as long-term capital assets if held for more than 24 months.
 - a. Long-term capital gains on such stocks are taxed at 20% with indexation.
 - b. Short-term capital gains (if held for 24 months or less) are taxed at the investor's applicable income tax slab rate.
4. **Capital Gains Tax (Foreign Mutual Funds and ETFs):** For units of specified mutual funds, gains, irrespective of the holding period, are considered short-term and taxed at the applicable income-tax rate without indexation. From Assessment Year 2026–27, specified mutual funds broadly include mutual funds investing more than 65% of their total proceeds in debt and money-market instruments, or funds investing 65% or more of their total income in units of one or more specified mutual funds.

If the units are not classified as specified mutual funds:

 - a. **Held for more than 24 months:** Treated as long-term and generally taxed at 12.5% under Section 112, without indexation.
 - b. **Held for 24 months or less:** Treated as short-term and generally taxed at the applicable income-tax rate.

CONCLUSION

Global investing allows investors to diversify beyond India and participate in companies, industries and growth opportunities available worldwide. It can reduce dependence on the domestic market and help create a more balanced portfolio.

However, this comes along with many risks as global investments are affected by currency movements, market volatility, geopolitical events, valuations, taxation and foreign regulations. Therefore, international exposure should not be considered a guaranteed source of higher returns.

Investors should select global investments according to their financial goals, investment horizon and risk tolerance. Beginners may begin gradually through diversified international mutual funds or ETFs. Global investments should complement domestic investments rather than replace them.

Sources: SSL Research Centre, SEBI, NSE.com, RBI, Income Tax(GOI)

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