ET THE ECONOMIC TIMES

October 30, 2026

ET Wealth Expo: Investing globally? Why Indian investors should look beyond Nasdaq and diversify across asset classes, says Devina Mehra

First Global's Devina Mehra urges Indian investors to diversify across countries, sectors, currencies and asset classes. She highlights global opportunities, changing market leadership and the risks of chasing popular investments, advocating broader international exposure for long-term portfolio resilience.



Devina Mehra recommends broader global diversification, urging Indian investors to look beyond Nasdaq and US stocks and explore international markets, bonds, commodities and currencies.

Investing overseas has become increasingly popular among Indian investors, particularly through funds focused on US technology stocks and the Nasdaq. But global investing should not be limited to buying into the latest popular market or sector. It should involve diversifying across countries, sectors and asset classes, says Devina Mehra, Founder and CMD, First Global.

Speaking at ET Wealth Expo in Mumbai on Friday, Mehra said that investors need to look beyond the US and recognise that market leadership changes over time. A portfolio concentrated in one country, currency or asset class can leave investors exposed when that market falls out of favour. True global diversification, she says, means having the flexibility to invest across markets and asset classes rather than chasing whichever has delivered the strongest recent returns.

India accounts for less than 3% of global market capitalisation, making a case for investors to consider opportunities outside the domestic market. Mehra has suggested that investors could consider allocating at least 30–35% of their portfolios globally. Her own global allocation is much higher, at around 80–85%, though this is her personal approach and not a universal recommendation for investors.

Mehra has advocated global diversification for several years. She points out that Indian investors already have substantial exposure to the domestic economy through their jobs, businesses, property and other financial interests. Their investment portfolios need not be concentrated in India as well.

She also highlights the tendency towards home-country bias, where investors prefer familiar companies and markets. However, the size of the Indian market relative to the global opportunity set means investors may miss out on growth and returns generated elsewhere if they invest only at home.

A key reason to diversify globally is that no country consistently leads market performance. Mehra points to the changing rankings of equity markets across different years. Countries such as South Korea, Spain and India have occupied different positions in global performance rankings. In some periods, markets such as Sri Lanka, the UAE and Turkey have also delivered strong returns.

India itself has not always been among the top-performing markets. Mehra cited a period when India ranked 36th among 42 markets, illustrating how quickly market leadership can change.

Investors who concentrate their portfolios in markets that have recently performed well risk entering at elevated valuations. When leadership rotates, the same markets can underperform while investors in other regions benefit.

This is also why investors should avoid treating recent performance as a reliable guide to future returns. A market or asset class that has delivered exceptional gains may not continue to do so, while one that has lagged could eventually recover.

Global diversification is also about reducing dependence on one currency. Mehra says the depreciation of the rupee against the US dollar can affect the value of investments and the cost of long-term financial goals that involve overseas spending.

To illustrate the impact, she compared the outcome of investing Rs 1 lakh in Indian equities with investing the same amount in global markets from the time she began working. According to her calculation, the Indian equity investment would have grown to around Rs 1.5 crore, while the global investment would have grown to approximately Rs 6.8 crore.

The popularity of Nasdaq-focused funds is one example of how investors can mistake a successful market or theme for global diversification. Mehra cautions that the US, and Nasdaq in particular, cannot represent the entire global investment opportunity.

She recalled how Nasdaq funds became popular in 2021, after a period of strong performance. But Nasdaq was among the worst-performing markets in 2022, ranking around 41st out of 42 markets in the comparison she cited.

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She also cited the experience of the dot-com bubble. After the technology crash in 2000, Nasdaq took until 2015 to decisively move above its earlier peak. During the intervening period, other asset classes such as gold, bonds and oil performed well at different points.

The lesson, according to Mehra, is that investors should not assume that one market or sector will always lead. A global portfolio needs exposure to different countries, sectors and asset classes so that it is not dependent on a single market cycle.

Mehra says investors should consider a wider range of asset classes rather than focusing only on equities. The performance of equities, bonds, commodities and other assets can vary across market cycles.

Mehra described her approach to managing a global portfolio as flexible, with allocations changing in response to market conditions rather than remaining fixed.

The strategy also allows investments in companies and opportunities across less familiar markets and sectors. Mehra cited holdings such as South African real estate investment trusts, Australian mining companies, Chinese coal companies, footwear businesses and semiconductor companies. More recently, Malaysia and Mexico were among the countries represented in the portfolio.

Indian investors can access international markets through different routes, but Mehra noted that overseas investment limits for Indian mutual funds have been exhausted in some cases. Some international funds have also traded at premiums to their net asset values, making it important for investors to understand the price they are paying.

Another route is the Liberalised Remittance Scheme (LRS), which allows an individual to remit up to $250,000 in a financial year. Mehra pointed out that a family of four could potentially remit up to $1 million in a year, subject to the applicable rules and individual limits. Investors can also open overseas brokerage accounts to access international markets directly.

For investors who prefer passive investing, Mehra suggested that broad global exchange-traded funds tracking indices such as the MSCI All Country World Index could be considered instead of concentrating on a specific region or theme.

She cautioned against direct stock picking for investors who are not professionals. Investing in individual overseas stocks requires research and an understanding of businesses, markets and risks. Investors who do not have the time or expertise may find broad-market exposure more suitable than trying to identify individual winners.

Mehra also cautioned investors against chasing thematic funds after a sector has already delivered strong returns. Such funds often become popular and are launched when investor interest in a theme is already high, which can mean investors enter after much of the rally has taken place.

She raised concerns about providers in GIFT City that may not have sufficient experience in managing global investments, and said investors should examine the expertise and performance of the fund manager before investing.

On artificial intelligence and semiconductors, Mehra drew a distinction between the success of a technology and the returns investors can earn from companies associated

with it. AI may prove to be a transformative technology, she said, but that does not mean every company linked to it will be a good investment at any price.

Mehra said geopolitical conflicts can create short-term market volatility, but markets have historically tended to move on from such events unless they result in a direct defeat or have a lasting economic impact.

She also highlighted the importance of interest rates and bond markets in understanding global capital flows. The interest-rate differential between the US and India, she said, has narrowed to less than 2%, compared with a historical level of around 5%. In her view, this leaves foreign investors with less incentive to invest in India purely on the basis of the interest-rate differential.

For investors, the broader point is that global markets are influenced by several factors, including currencies, interest rates, economic conditions and geopolitics. A portfolio that depends on one country or one asset class may be more vulnerable to changes in these factors.