

What explains the rush to sell us global and private credit funds?

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Most of the fund houses offering Gift City products do not have global expertise.

SUMMARY

Fund managers and talking heads are full of investment advice—especially when it comes to promoting a fad. The latest themes have pushed gold aside only recently. Here’s what investors must watch out for.

Remember what fund managers were telling you in the last quarter of 2025—that you must have gold in your portfolio? It included even those who advised you just a year or two before to sell the ‘unproductive’ gold you had at home and put it all in equities. Indian equity markets did not do well and gold did, so the advice changed. Unfortunately, this change came far too late.

Investments from Indian investors into gold funds and exchange traded funds (ETFs) peaked in January, even exceeding equity flows. Since then, the rupee has fallen, import duty has been imposed and the gold price is *still* down.

The talking heads on TV have also moved on. What are you listening to these days? Some offer their seemingly wise counsel on why you should invest globally (usually in a Gift City product they have launched) or advise going into fixed income, especially private credit, which is where a number of new fund structures have been launched.

What is all this about? At one level, it is about driving—or rather, investing your money— looking backwards. In whatever has done well of late. But the actual reason for this is that the asset management industry is really an asset gathering industry.

The revenues of fund managers depend on the assets they gather and hence the focus is not on what would make the investor money now but on ‘under which theme the investor will give us money today.’

We plotted the clustering of thematic funds since the start of the mutual fund industry in India almost three decades ago. The pattern has not changed.

When did technology funds cluster? Just weeks before the global tech crash of 2000. Engineering and infrastructure funds? A little before the 2009 downturn, with the industry in doldrums for the next 12 years. In 2021? It was Nasdaq or China/Greater China. Then all of them crashed the following year, with Nasdaq becoming almost the worst performing index in the world for 2022.

This is a theme (pun intended) you would see play out every time new fund offerings (NFOs) cluster in a particular category, be it by geography, sector or size (small cap versus large cap). Usually, investors lose money or underperform on such investments because most such NFOs come around the end of the bull run for that theme.

But why do fund houses launch funds for themes which have already largely run their course? Don't they understand that risks are high and big returns unlikely?

Of course they do. But they also understand that this is when you, the retail investor, have come to understand that theme. Maybe you even have some FOMO (fear of missing out) because your friends supposedly made money on, say, public sector unit stocks or defence or some other theme. Or conversely, you have not made money on your portfolio and are looking to reverse your fortunes, which is where the current push for global funds and private credit is coming from.

Sell dreams of a new El Dorado and investors participate enthusiastically. That usually doesn't end well for investors but the objective of the fund house of gathering assets is met.

And when the new scheme does not perform?

I have seen asset management company (AMC) CEOs being asked on stage how they felt when a fund they launched was down substantially (in one case, it was a fund investing in a narrow list of global tech stocks; in another, it was a defence stock fund), the answers were similar.

The CEOs shrugged and said that they felt nothing as they were only offering a product and it was up to the investor to decide whether to invest in it!

Back to the Gift City products. Am I saying that you should not invest globally? Of course not. Mine has been among the very few voices saying for years that investing in India, which is a microscopic portion of global market capitalization, is not enough and that the rupee has depreciated almost 90% in the course of my career. The first four chapters of my book are about how asset allocation should include fixed income and global assets and how globalization does not mean only US markets.

So what is going wrong?

For one, most fund houses offering Gift City products do not have global expertise. They are there because money is coming in. Most of these fund managers are on record as having had at the most one global index fund even in their personal portfolios two or three years ago and now they have repositioned themselves as global fund managers.

This also shows in the performance of the half-a-dozen Gift City products that have been around for over a year. Every scheme is down for six months and, with one exception, has underperformed the almost 21% rise in a year for the global equity index.

As someone who has run a global investment firm since 1999 and managed global assets for the past 11 years, I can tell you that global stocks and markets are complex. It takes years to understand them in depth. You cannot wake up one day and launch a fund and expect it to perform.

As for private credit, the principle is that the fixed income part of your portfolio is there to reduce risk and volatility in your portfolio, not increase it. The combination of illiquidity and credit exposure to companies not getting funded by banks is deadly, as investors in Western global private credit funds have just discovered. More on that another time.

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