

# Trump Tariff Turbulence: Should mutual fund investors rework their investment strategy?

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With US President Donald Trump imposing an additional 25% tariff on key Indian goods, on top of the existing 25% duty, bringing the total levy to 50%, market experts recommend that mutual fund investors focus on diversification to manage tariff risks and cut exposure to funds heavily reliant on US exports.

“Fund managers are also likely making these adjustments at their end, so we suggest investors avoid overhauling portfolios in response. SIPs (Systematic Investment Plans) remain a prudent choice in the current volatile and unpredictable environment,” said Vishal Dhawan, CEO of Plan Ahead Wealth Advisors, a Mumbai-based wealth management firm, told ETMutualFunds.

“However, investors with a higher risk appetite can opt for lump-sum investments as long-term growth factors remain intact. Given that valuations are above long-term averages, a 7–10 year investment horizon is advisable,” Dhawan said.

Another expert pointed out that investors need not worry about the recent noise around US tariffs, as only 2–3% of the mutual fund market is expected to be impacted, largely limited to a few export-oriented sectors. The broader market remains strong, supported by India’s resilient domestic fundamentals.

Hrishikesh Palve, Director at Anand Rathi Wealth shared three key strategies with ETMutualFunds for investors to manage their portfolios. First, review and rebalance the portfolio in case of deviations from target asset and market-cap allocations. “For a long-term view, 80% in equity and 20% in defensive assets is the right strategy. Within equity, investors should allocate 50–55% to large caps, 20–25% to mid caps, and the rest to small caps. This will help investors ride market volatility smoothly,” he said.

Second, investors should focus on diversified, actively managed equity categories. Third, they should continue SIPs, as volatility benefits SIP investors through rupee cost averaging. For lump-sum investments, it is wiser to stagger the allocation across 4–5 tranches.

According to the US Department of Homeland Security, the tariffs apply to products “entered for consumption, or withdrawn from warehouse for consumption, on or after 12:01 am EDT on August 27, 2025” (9:31 am IST).

Dhawan added that with a 50% tariff, exports worth approximately \$45–50 billion to the US will be affected. Sectors such as textiles, garments, gems & jewellery, seafood, carpets, and furniture are likely to be hit hardest, while neighbouring countries like Bangladesh, Vietnam, and Indonesia may benefit, as they face lower tariffs than India.

Commenting on the sectoral impact, Palve said diversified equity mutual funds retain a safety edge as they are not concentrated in a single sector or industry, helping mitigate risks of underperformance in any one area.

There is one equity mutual fund category that invests across broad international markets, commodities, and foreign indices — these are known as international mutual funds. The performance of such schemes depends on the geography or index where your money is invested.

This makes it essential for investors to pay extra attention when allocating to international funds, carefully considering which geographies or indices they are exposed to.

So, does the current tariff risk strengthen the case for investing in international funds as a diversification tool?

Addressing this, Dhawan said that international mutual funds help reduce risks such as currency fluctuations and concentration, as different geographies outperform during different cycles. “The current tariff situation once again demonstrates to investors the benefits of international funds, as these can improve portfolio resilience, particularly for investors seeking to hedge macro risks tied to a single economy,” he added.

Palve, however, takes a more cautious view. He advises against allocating heavily to international funds, suggesting that global diversification should be capped at just 5–10% of the overall portfolio.

Meanwhile, according to a report by ETMarkets, India’s exports to the US are valued at around \$87 billion, of which nearly 60% will face the full 50% tariff burden. However, significant carve-outs remain for critical sectors.

Some areas under Section 232 tariff investigation — including semiconductors and electronics, pharmaceuticals, lumber, energy, and bullion — escape tariffs entirely for now. In contrast, finished autos and auto parts are subject to a relatively modest 25% duty, the report noted.

Experts say equity mutual fund investments should always be made with a long-term horizon — at least five to seven years. For investors with such a horizon, the key question is whether they should worry about the tariff impact, or instead focus on positioning themselves without overreacting to the news.

An expert from Anand Rathi Wealth Limited cited a study of 180 observations which showed that if an investor started an SIP in the Nifty 50 and saw negative returns after one year, simply staying invested for the next five years would have turned those losses into positive returns of around 11–12%.

Therefore, long-term investors should not panic or exit during market dips. Instead, they should continue SIPs, as volatility works in their favour through rupee cost averaging. “The key is to maintain a balanced allocation across large, mid, and small caps, and remain disciplined. By doing so, investors give themselves the best chance to unlock the full potential of compounding over time,” said Hrishikesh Palve, Director, Anand Rathi Wealth.

Dhawan, meanwhile, noted that while tariffs will have an impact, the effects are expected to be manageable. India’s GDP growth may be shaved off by 0.3–0.5 percentage points, but it will still remain above 6% — among the fastest growth rates globally for large economies.

“Investors should maintain their SIPs and investment plans, and make changes to their portfolios only if they are heavily tilted towards US export-dependent sectors. In such cases, reducing exposure and diversifying further makes sense,” Dhawan added.

Ultimately, investors should consider their own risk appetite, investment horizon, and goals before making any portfolio adjustments.