Planning your mutual fund investments for 2026? Experts recommend key strategies to follow

By Surbhi Khanna, Published on: January 02, 2026

With investors entering into 2026, they are reviewing their mutual fund portfolios and reassessing how they invest across market cycles. After a period marked by sharp rallies, corrections and shifting global cues, investors are increasingly looking for clarity on how to position their investments and what strategy to follow for the year ahead.

Vishal Dhawan, CEO of Plan Ahead Wealth Advisors, a wealth management firm in Mumbai told ETMutualFunds that in 2026, mutual fund investors should adopt a balanced, diversification-led strategy anchored in asset allocation, complemented by selective tactical allocations where valuation comfort and earnings visibility are stronger and rather than chasing returns, the focus should remain on managing risk, preserving capital, and allowing compounding to play out over market cycles.

Dhawan adds that the experience of 2025 was a textbook reminder of why diversification matters, it was a rare year in which international equities, precious metals like gold and silver, REITs, real estate, and bonds all delivered meaningful returns at different phases.

Correct approach: Dhawan believes that while entering 2026, a well-diversified core portfolio supplemented by measured tactical exposures offers the most resilient approach in an environment marked by valuation sensitivity and shifting leadership across asset classes.

Another expert, Arjun Guha Thakurta, Executive Director, Anand Rathi Wealth shared with ETMutualFunds that the right mutual fund investment strategy for 2026 is not about reacting to short term market movements, but about structuring portfolios correctly and staying disciplined through cycles as the core principles of investing remain unchanged.

If you are a new investor who is willing to start mutual fund investment in 2026, Thakurta recommends beginning by setting clear financial goals and adopting an asset allocation of around an 80:20 mix of equity and debt for long term goals, which offers an effective balance between growth and stability. Equity exposure should be built through actively managed diversified equity categories such as flexi cap, multi cap, large and mid cap, large cap, mid cap, and small cap funds and equity investments should follow an optimal market cap mix of approximately 50 to 55% in large caps, 20 to 25% in mid caps, and the balance in small caps to manage risk while participating in long term growth.

Fixed income investment

Thakurta says that within debt, investors may consider target maturity funds, while arbitrage funds are more suitable specifically for those in higher tax brackets due to their favourable tax treatment. “For investors with a longer investment horizon, a part of the debt allocation can also be replaced with Gold ETFs, as gold acts as a hedge against inflation and adds portfolio resilience due to its low correlation with equity.”

According to financial planners, investors should begin by clearly defining their financial goals—such as retirement, children’s education or buying a house—before selecting mutual fund schemes. Goalbased investing helps determine the right asset allocation and reduces the tendency to react emotionally to short-term market movements.

Experts say many investors still invest based on recent returns, which often leads to poor timing and inconsistent outcomes.

The expert from Anand Rathi Wealth shares that being correctly allocated matters far more than trying to time market entry, for long term goals beyond three years, an equity allocation of around 80% with 20% in debt has potential to deliver 12 to 13% returns and medium term goals of one to three years require a more balanced approach, with equity exposure gradually reduced to manage volatility, while short term goals should remain fully in debt oriented instruments.

He also shares that the choice between SIP and lump sum is not about superiority but suitability as lumpsum investing works well when the investment horizon is long term, allowing sufficient time for market cycles to play out and investors with larger lump sums can deploy the amount across four to five tranches to manage timing risk.

On the other hand, Dhawan says that asset allocation should be primarily driven by an investor's risk profile, time horizon, and liquidity needs, rather than short-term market views and growth asset exposure can be broadly structured such that low-risk investors maintain 0–40% in growth assets, medium-risk investors 41–60%, high-risk investors 61–80%, and very high-risk investors 81–100%.

Dhawan believes that this structure helps ensure portfolios remain aligned with individual risk tolerance while providing a disciplined framework to manage market fluctuations and alongside growth assets, allocations to precious metals and tax friendly market-neutral strategies such as arbitrage and long-short funds can help bring balance to the overall portfolio by reducing volatility and improving risk-adjusted returns.

Prudent approach: Dhawan says that given elevated valuations across several asset classes, portfolios in 2026 should emphasize balance over aggression, with adequate allocation to defensive and income-oriented assets to cushion volatility and diversification across equity styles, asset classes, and geographies remains critical, as leadership across markets and sectors is likely to rotate. SIPs should remain the primary mode of investing, especially for equity-oriented funds.

During the festive time of the year or on different occasions, advertisements encourage more spending through sales and discounts. Mutual fund investors often make mistakes and invest in a product which is not aligned with their risk appetite, investment horizon and goals.

So what are the mistakes mutual fund investors avoid in 2026? Dhawan lists eight mistakes that one can avoid not just in 2026 but at any investment period. These mistakes include firstly, reacting to short-term volatility instead of staying patient through market cycles. Secondly, running concentrated portfolios and underestimating the need for diversification.

Some other mistakes include - overloading portfolios with too many funds without a clear allocation framework and letting emotions, tips, or AI outputs drive decisions rather than suitability and discipline, ignoring global diversification, increasing home-market concentration risk, overlooking liquidity needs, which can force exits at the wrong time, attempting to only time the market, and chasing past performance or market narratives without valuation comfort. According to Thakurta, one of the most common mistakes is investing without clearly specifying goals. The other includes failing to stay disciplined during corrections. Stopping SIPs or redeeming investments during uncertain phases disrupts compounding and often results in missing out on market recoveries, underestimating the impact of SIP step up.

Many investors consider Diwali as the auspicious occasion to review their portfolio and make necessary adjustments, some consider the beginning of the new calendar year as the best time to rejig their portfolio whereas some think that the starting of financial year is the best time to make investments and move out from the ones offering losses.

To such investors wondering when to review their portfolio, Thakurta says that portfolios should ideally be reviewed once every six months to assess whether asset allocation or market exposure has drifted away from the intended strategy and the review should also focus on identifying concentration risks, such as over exposure to a single fund category, market capitalisation segment, AMC, or sector.

“Rebalancing should aim to restore the desired allocation between equity, debt, and other assets rather than respond to short term market movements,” he added.

Having a similar opinion, Dhawan also says to review the portfolio at least twice a year to assess performance, risk alignment, and any changes in goals or cash-flow needs, Rebalancing, however, should be disciplined and need-based, or when asset allocations drift meaningfully from target levels due to market movements and lastly frequent tinkering in response to short-term market noise should be avoided, as long-term outcomes are best served by structured reviews, valuation awareness, and patience, rather than constant portfolio changes.

“However, given how asset classes can fluctuate sharply in both directions, investors should closely evaluate whether opportunities are emerging to enter or exit specific asset classes or schemes, rather than relying solely on broad market trends,” Dhawan says.

One should always make investment decisions based on risk appetite, investment horizon, and goals.