

Parag Parikh's fund raised ₹64 crore in 2013. The money waited for the record

Published by OneRightAI · 5 min read

Maxim: Give a new fund three years. — Dhirendra Kumar

A new fund has a story, a manager and a launch campaign. What it does not have is evidence. Three years is roughly how long that takes to arrive.

The cost of waiting three years to judge a new fund is usually small; the cost of judging it too early can be large.

In May 2013 a small Mumbai fund house led by the value investor Parag Parikh launched its first equity scheme, then called the Parag Parikh Long Term Value Fund. The offer raised about ₹64 crore, and Parikh and his senior colleagues had put in roughly ₹13 crore of that themselves, according to a June 2013 [Moneycontrol report](#) archived by the fund house. It was not a launch anyone would call a success.

Three years in, the fund was still small. In April 2016 its assets were about ₹650 crore, [PTI reported](#), up from ₹570 crore a year earlier. By then, though, it had something it lacked at launch: a record across a full stretch of market conditions, run by the same managers throughout.

The money followed the record. Assets reached ₹22,324 crore by June 2022 and about ₹1.1 lakh crore by June 2025, by [Crisil's figures](#) in Business Standard. In May 2025 the fund, now Parag Parikh Flexi Cap, became the first actively managed scheme in India to cross ₹1 lakh crore, [DSIJ noted](#). Crisil put its return since launch at about 19% a year to September 2025, ahead of both its category and the Nifty 500 TRI.

The lesson is not that this fund was a safe bet in 2013. Nobody could have known that. The lesson is that most of the money it now manages arrived after the evidence did, and those investors still had years of compounding ahead of them. Waiting for proof did not mean missing the story.

Why young funds look better than they are

Dhirendra Kumar of Value Research has repeated the same advice for years: wait until a fund is at least three years old. In a [September 2026 column](#) he gave two reasons. Around 36 months is the minimum for a meaningful sample. And funds tend to launch when markets are rising, when they are small and nimble, and when their portfolios can lean towards whatever is popular. Three years is usually long enough for a downturn to test them.

Value Research's own testing shows how flattering a short record can be. Older funds, judged during their first three years, passed its monitoring tests 52% to 73% of the time; after that, the pass rate fell to 29% to 64%, according to the [companion cover story](#). In other words, it is easier to look good when your record is short.

There is a second, less visible distortion. Fund companies in the United States have long run some new strategies privately before launching them. In a study published in the *Journal of Finance* in 2010, [Richard Evans](#) found that such incubated funds beat non-incubated funds by 3.5% a year on a

risk-adjusted basis while in incubation, attracted larger inflows once they opened, and then lost the edge entirely. Investors were buying a record selected because it looked good.

The evidence is not one-sided, and it should not be presented as if it were. When Value Research [looked in January 2024](#) at 15 recent new funds that had each raised at least ₹2,000 crore at launch, 11 had beaten their category average since inception. New funds are not bad by nature. The problem is that, early on, you cannot tell the good ones from the lucky ones.

What to watch while you wait

Waiting does not mean ignoring. Value Research now tracks young funds monthly with four questions, which any investor can approximate from a factsheet and a benchmark:

1. **Has it beaten its benchmark since launch, and by how much?** A narrow lead over a short period means little.
2. **How often has it been ahead?** Look at rolling one-year returns. A fund ahead on most days is more convincing than one that won a single good month.
3. **What happened when the market fell?** The months when the benchmark dropped are the most revealing part of a short record.
4. **Have the last 12 months held up?** A strong start followed by a weak recent year is a warning, not a footnote.

Value Research is clear that passing these checks is not a rating; it only means a fund has done nothing wrong so far. Use them the same way.

A simple decision rule. For your core long-term money, buy funds with at least three years of record under the same manager, through at least one market fall. If a new fund genuinely offers something your existing funds do not, limit it to a small slice you could hold through a bad year, and review it against the four questions every few months. Revisit the decision at the three-year mark, when the evidence starts to mean something, and either commit or move on.

The early backers of Parag Parikh's fund took a risk that happened to pay off. The far larger group who came later took much less risk and still did well. That is the quiet logic of the three-year rule. A fund that is genuinely good will usually still be good, and still be open, three years from now. A fund that only looked good will usually have been found out by then.

Sources

- Dhirendra Kumar, [New mutual fund? Here's how to judge it before three years](#), Value Research, 20 September 2026
- Value Research, [10 promising new mutual funds and the test they had to pass](#), September 2026
- Value Research, [Record-breaking mutual fund launches: analysing the trend and their performance](#), 8 January 2024
- Moneycontrol, [Parag Parikh puts skin in the game](#), 4 June 2013 (archived by PPFAS)
- PTI via Business Standard, [Parag Parikh MF looks to double SIP folios in two years](#), 10 April 2016
- Crisil Intelligence via Business Standard, [Fund pick: Parag Parikh Flexi Cap Fund rewards investors who don't blink](#), 28 September 2025
- DSIJ, [Parag Parikh Flexi Cap Fund crosses Rs 1 lakh crore in AUM](#), 9 May 2025
- Richard Evans, [Mutual fund incubation](#), *Journal of Finance*, 2010

The Virtual AI Author is an AI writer for OneRightAI.

Disclaimer

This article is published by OneRightAI for general information and investor education only. It was written by an AI author and may contain errors or omissions, and facts may have changed since publication. It is not investment, tax or legal advice, and it is not a recommendation or solicitation to buy, sell or hold any security, mutual fund, bond or commodity. Companies, funds and indices are mentioned only to illustrate concepts. OneRightAI is not registered with the Securities and Exchange Board of India (Sebi) as an investment adviser or research analyst. Investments in securities markets are subject to market risks; read all related documents carefully before investing. Past performance does not guarantee future returns. Consult a Sebi-registered investment adviser and a qualified tax professional before making any investment decision. OneRightAI and its authors accept no liability for any loss arising from the use of this information.

Credits and rights

Maxims and quotations are attributed to their original authors and are used for commentary and investor education; their use does not imply any affiliation with, or endorsement by, those authors or their publishers. Facts and data from third-party sources are summarised in our own words and credited with links; all copyrights and trademarks remain with their respective owners. OneRightAI is not responsible for the content of external websites.