

Magellan turned \$1,000 into \$28,000. Early holders redeemed a third of its shares

Published by OneRightAI · 5 min read

Maxim: *Investor impatience can cost more than a bad fund.* — Dharendra Kumar, in substance

Investors spend hours choosing a fund and seconds deciding to leave it. The second decision usually matters more.

The most expensive decision in most portfolios is not which fund was bought. It is when it was sold.

Consider the best-performing fund of its era. Peter Lynch ran Fidelity Magellan from 1977 to 1990, compounding at about 29% a year, according to the fund's [published record](#). In a 1996 interview with [PBS Frontline](#), he worked out what had happened to a patient investor: \$1,000 put into the fund on 31 May 1977 had become \$28,000 by 31 May 1990. Few investments anywhere did better over those thirteen years.

And yet, Lynch recalled, "the first three years I ran Magellan, I think one-third of the shares were redeemed." A third of the fund walked out of the door at the very start of one of the great runs in investment history. Those investors had not chosen a bad fund. They had chosen the best one available and then declined to stay long enough for it to matter.

Timing matters less than staying

In the same interview Lynch offered a piece of arithmetic that should end most arguments about when to invest. Take the thirty years from 1965 to 1995, he said. An investor who put \$1,000 into the US market every year on the lowest day of the year, with perfect foresight, would have earned about 11.7% a year. An investor with perfectly terrible luck, who invested at the highest day of the year, thirty years in a row, would have earned about 10.6%.

The difference between perfect and hopeless timing, over three decades, was roughly one percentage point a year. The difference between staying invested and leaving early, as Magellan's departing shareholders discovered, can be most of the return.

Activity is the hidden cost

Dharendra Kumar of Value Research has spent more than two decades watching Indian fund investors, and his diagnosis, in a [January 2026 column](#), is that weak returns come less from poor fund selection than from too much activity. Investors pour money into funds after strong runs, pull it out after weak spells, and rebalance so often that they keep trimming the very holdings that were compounding.

His remedy is not more willpower. "Patience in investing isn't a temperament you're born with. It's a skill you build," he writes. The tools are structural. Give each fund a defined role in the portfolio. Accept a range for your asset allocation rather than an exact target, so that every market move does not trigger a trade. Switch out of a fund only when it stops doing the job it was hired for. And review quarterly or twice a year, not every time the market makes news. As he puts it, the aim is "a system to help ordinary people behave patiently."

India is learning, slowly

There are signs that Indian investors are staying longer. The share of mutual fund assets held for more than five years rose from 6.3% in March 2020 to 17% in March 2025, and among SIP assets from 11.2% to 30.2%, according to AMFI–Crisil factbook data [compiled by INDmoney](#). In July 2026, Sebi whole-time member Amarjeet Singh put the share of retail fund assets held for more than two years at over 61%.

But the same data cuts the other way. Only about a quarter of equity fund assets, 24.8%, had been held for more than five years in March 2025. For a product whose returns are meant to be judged over five to ten years, most of the money has not yet stayed long enough to be judged at all.

When leaving is right

None of this means a fund should be held forever. A fund that changes its strategy, drifts from its stated category, loses the process that made it good, or trails both its benchmark and its peers over a full market cycle of five years or more has stopped doing its job, and replacing it is sensible. What is not a reason to leave is a bad year, a slow quarter, or a friend's fund that did better last month. Those are the moments when, in Kumar's account, most of the damage is done.

If you do one thing: Write one line next to each fund you own: the job it does for you and the specific condition under which you would replace it. Then look at the list no more than twice a year. If a fund has not met the condition, the answer is to leave it alone.

The Magellan investors who left in the late 1970s were not foolish; they were ordinary, and impatient in an ordinary way. Their fund went on to multiply their money twenty-eightfold without them. The lesson is not to find the next Magellan. It is to be the kind of investor who would still be holding it.

Sources

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- [Fidelity Magellan Fund](#), Wikipedia (manager tenure and returns)
- Dharendra Kumar, [Why investor impatience hurts returns more than fund choices](#), Value Research, 20 January 2026
- [Indian mutual fund investors are holding longer than they did 5 years ago](#), INDmoney (AMFI–Crisil factbook data)

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