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**THE INVESTMENT PERFORMANCE  
OF UNIT TRUST FUNDS  
IN MALAYSIA**

**CLOSED STACKS**

By

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1986

Submitted to the Faculty of

Economics & Administration

University of Malaya

in partial fulfillment of

the requirement for

the Degree of

**MASTER OF BUSINESS ADMINISTRATION**

March, 1995

Dimikrofilkan pada 23-7-1998  
No Mikrofilis 13587  
Jumlah Mikrofilis 2

**UPR** UNIT REPROGRAFI  
PERPUSTAKAAN UTAMA  
UNIVERSITI MALAYA

## ABSTRACT

This research is aimed at studying the investment performance and ranking of unit trust funds in Malaysia. This includes an investigation into : their consistency of performance over time, the degree of risk diversification, the stability of the funds' systematic risk over time, whether the funds adhere to their stated objectives and whether fund managers have the ability to predict security prices. Finally the impact of fund characteristics (such as age, size, portfolio turnover and expense ratio) on investment performance and systematic risk was investigated.

The findings revealed that for the ten year period from January 1984 to December 1993, the sample of twenty one unit trust funds (bumiputra and non bumiputra funds) as a whole performed worse than the market portfolio with the bumiputra funds being the best performers. Over time, the funds performed quite consistently and their systematic risks were stable. It was also shown that the funds held quite well diversified portfolios with systematic risks lower than that of the market portfolio.

Another insight discovered was that, the funds did not adhere very well to their stated objectives and hence could not be relied upon by investors as qualitative guide post for investment.

The research also shows that none of the fund managers could forecast security prices and all failed to outperform the naive buy and hold strategy with some funds showing significant poor forecasting ability.

Finally the research shows that the fund characteristic, expense ratio have a negative correlation with investment performance with the larger funds and funds that practice active trading being more risky. The older funds however, were more risk averse.

## ACKNOWLEDGEMENT

I am deeply indebted to Associate Professor Dr. Mansor Md. Isa for his invaluable guidance, advice and comments throughout this research. I am also grateful to Encik Abdul Rahim Hashim from Asia Unit Trust Bhd, Puan Aminah Jaafar from ASM Mara Unit Trust Management Bhd and Ms Lim Nya Chin of Kuala Lumpur Mutual Fund Bhd for their cooperation and assistance in providing the necessary research data which made this research both possible and an enjoyable experience.

My gratitude also extends to my fellow classmate Mr Tan Chee Meng for providing me the necessary information and my senior as well as colleague in my place of work, Mr Yoo Ken Seng for providing valuable suggestions and encouragement.

My sincere gratitude goes to my parents whose understanding, love and support made this accomplishment possible. Many thanks are also extended to my company for making available valuable time and resources needed for completing the study.

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