

Investment Performance of Domestic and International Equity Funds in Malaysia

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ABSTRACT

The a exploration on the performance of the unit trust funds in Malaysia is becoming more and more important nowadays as there is an increased demand and it is perceived to be able to provide better returns by diversifying its investment portfolio. This study focus on the excess returns provided by the unit trust funds when compare with the four market indexes. The returns from both Domestic Equity Funds and International Equity Funds were compare with the Bursa Malaysia (KLCI), Morgan Stanley World Index (MXWO), Morgan Stanley Asia Pacific ex-Japan (MXAPJ) and Europe, Australia and Far East Index (MXEA).

The study period was divided into two sub periods which are from 2005 to 2009 and from 2007 to 2009 by using total 75 funds and 317 observations. By applying a pooled time series regression methodology and Jensen measure, it is found that most of the equity unit trust funds did not provide a significant alphas when compare with the equity market indexes. Besides, the excess returns provide by the International Equity Funds also did not found to be different from Domestic Equity Funds.

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LIST OF ABBREVIATIONS

NAV	– Net Asset Value
KLCI	– Bursa Malaysia
MXWO	– Morgan Stanley World Index
MXAPJ	– Morgan Stanley Asia Pacific ex-Japan Index
MXEA	– Morgan Stanley Europe, Australia and Far East Index