CHAPTER 5

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5.1 Summary and Conclusion

Based on the findings in this study, it is noted that the significant betas of the Domestic and International Funds become less when regress on the returns of Bursa Malaysia in shorter period compare to the longer period. It maybe can be explained by the recent volatility of the stock market. Over the last three years before 2009, the stock market is very volatile. It has recorded an all time high of index points in the early of 2008 and also a global financial crisis which started at the end of 2008.

Due to the high volatility in the Bursa Malaysia, the Domestic Equity Funds might have taken some necessary step in order to reduce its stock holding and divert it to other investment channel or reserve more cash for the redemption from the investor. Besides, the liberalisation of the capital market also allows the domestic unit trust funds to invest part of their funds in overseas markets. Therefore, it might results the fund returns is less related to the Bursa Malaysia.

As for the International Equity Funds, the study result show that most of these funds can be found more related to the equity market based in Asia Pacific or Far East countries than others. It can be explained as most of the funds targeting the

Asia Pacific or Far East markets as these markets have a promising growth in the recent years. The economic in these regions is growing and many investment opportunities have been created. Therefore, many unit trust management companies are prefers to launch the fund which focus on Asia Pacific or Far East equity markets.

As for the excess returns which measured by alphas, most of the domestic and international funds are not able to deliver an alphas which is significant from zero. It provide evidence of relative inability of the equity funds to provide excess returns when compare with the equity markets. It might be consistent with the efficient market theory where it is difficult to earn superior returns by the fund managers. However, it does not mean that the investors who expect for higher returns should invest directly in the equity market. In fact, the unit trust funds help the investors to diversify their investment portfolio and reduce the investment risk through professional fund manager.

5.2 Limitations of the Study

Due to the late capital market liberalisation, most of the International Equity Funds were only launched few years ago. Therefore, the data gathered that been used in this study for the assessment on performance of the International Equity Funds was limited. The fund performance was only based on the most current three years data. Due to the short sample period, the result might be less convincing. As the equity fund is more volatile compare to other type of funds, it will be better to measure the performance consistency over long run.

This study is also using only one type of performance measuring technique which is based on the Jensen's measure (1968). The Jensen's measure makes use of capital asset pricing model to identify the excess return of a diversified portfolio. This evaluation method is different with other type of performance evaluation techniques such as Treynor (1965) and Sharpe (1966). However, the Jensen's measure will be able to provide the similar fund performance ranking with Treynor and Sharpe if the fund is well diversified. By using only Jensen's measure, this study did not cross check on the study result.

5.3 Suggestions for Future Research

There are some future research suggest due to the limitations and the results of this study. It is recommended to the restudy the performance of the International Equity Funds in Malaysia with a longer time frame. With the longer time frame, the result can be used as the evidence to show the consistency of the fund performance. However, it is also good if the study can use other fund performance measuring methods as it help to cross check the result provided in this study. Therefore, comparison between few studies based in Malaysia context can be done.

Besides, the future research can also study the effect of the capital market liberalisation on the return of the Domestic Equity Funds. Under the 2nd phase of Capital Master Plan, the Malaysia government has gradually liberalised the market access by allowing the existing Domestic Equity Funds to invest in overseas markets. With this, it will allow the existing Domestic Equity Funds to have greater flexibility and more options to diversify its investment portfolio. Therefore, the study on this effect will help to further understand on the fund returns by comparing its changes before and after the liberalisation.

5.4 Implications

The findings from this study have important implications for the investors as well as the unit trust management companies. It implied that there are not much different for investors to either invest in Domestic Equity Funds or International Equity Funds. In general, both types of funds did not outperform the market. The equity funds help the investors to diversify their investment but do not necessary to provide a greater returns than the market. Therefore, the potential unit trust investors might not need to detail study all equity funds when doing the investment as unit trust funds did not provide excess returns compare to equity market returns. Beside, the investors who invest in International Equity Funds with the expectation that it will have higher returns might need to reconsider. The additional fund returns expected by the investor on the fund that invests overseas might not be fully satisfied.

Since the unit trust funds do not provide extra returns in general, the unit trust management companies might need to reviews its management fees that are charging to its investors. Furthermore, since there is no different in excess returns between Domestic and International Equity Funds, the unit trust management companies might need to be more cautious when promoting their International Equity Funds. It will help to prevent giving a wrong perception to its potential investors that International Equity Funds are able to provide better returns than Domestic Equity Funds. However, investors will have more fund choices as the unit trust management companies are launching more new funds that invest internationally.