

## CHAPTER 4

### CONCLUSION AND RECOMMENDATION

#### 4.1 Summary and Conclusion

The results of the research show that the unit trusts have been able to outperform the stock market before and during financial crisis. These funds, however, performed much 'better' during financial crisis, although both the market and unit trusts suffered losses during this period. This is because the unit trusts also invest in other assets which provide constant returns. In fact, many studies have concluded similar result. It is therefore, safer to invest in the unit trusts rather in the stock market during recession.

The performances of the government-sponsored funds are better than the private funds before the financial crisis. This is due to the fact the former have privileges to invest in some assets which the latter does not possess, such as IPOs. However, during the crisis, the whole situation changed drastically. Private funds performed much better than the government-sponsored funds. One of the reasons is that the privileges that the government-sponsored funds used to enjoy have not been able to provide superior returns during the financial crisis.

Others suggest that the private fund managers had begun reducing the stakes in equities as far back as July 1997, long before the KLSE's meltdown. Kuala Lumpur Mutual Fund Sdn Bhd, the country's largest private fund, for example, holds 60% - 70% of its assets in cash. By contrast, the Kedah fund had nearly 89% of its assets in equities at the end of March, 98, strikingly close to the regulatory maximum of 90%. (Far Eastern Economic Review, June 1998). However, the suggestion of the private funds moved out their investments prior to the declining market might not be totally true as only 20 funds out of 37 funds recorded positive returns, out of which only 5 funds managed to earn above risk

free rate. As for the government-sponsored funds, suggestion that the States to continue marketing the funds but to entrust their management to professionals with better track records worth considered. At present, the chief minister is usually the chairman of these unit trusts, which are managed by the private-sector professionals appointed by the state governments.

Unit trusts performances, however, are not influenced by its size. This is due to the fact that there are advantages and disadvantages of managing smaller or bigger size fund.

Based on the risk and return, this research shows that the unit trusts have not generally adhered to their stated objectives. This finding is consistent with other research done in Malaysia.

Lastly, those fund managers who could anticipate the market outlook and reduce their equity holding during bear market will provide better returns to the funds they managed.

## **4.2 Suggestions for Future Research**

There are presently about 100 unit trusts in Malaysia. Although this research has included most of the funds exists prior to the first data collected, it barely represents half of the total number of funds. New unit trusts have emerged drastically in recent years and new research will provide an insight how these funds will perform.

Methods of portfolio performance measurements and the choice of market proxy to be used remain the issues worth considering. New methods of measurements and more the appropriate market proxy should be introduced in future.

Table 3.39 - Equity Holding of Government-sponsored Unit Trust (Just Before &amp; After 1st July 1997)

Fund No.	Name of Unit Trust	Before 1st July,1997			After 1st July1997		
		Equity(%)	Non-equity(%)	Date	Equity(%)	Non-equity(%)	Date
1	Amanah Saham Kedah	72.2	27.8	28/2/97	75	25	31/8/97
2	ASM First Public Fund	93.5	6.5	31/4/97	97	3	31/10/97
3	ASM Premium Fund	91.4	8.6	15/2/97	74	26	15/8/97
4	ASM Second MARA Bumiputra Investment Fund	87	13	15/3/97	78.3	21.7	15/9/97
5	ASM Kumpulan Modal Bumiputra Yang Keempat	87.6	12.4	15/6/97	73	27	15/12/97
6	ASM Kumpulan Modal Bumiputra Yang Keenam	81.9	18.1	15/1/97	80.6	19.4	15/7/97
7	ASM Kumpulan Modal Bumiputra Yang Kelapan	85.2	14.8	15/2/97	86.2	13.8	15/8/97
8	ASM Kumpulan Modal Bumiputra Yang Kelima	81	19	15/4/97	79.9	20.1	15/10/97
9	ASM Kumpulan Modal Bumiputra Yang Kesebelas	87.5	12.5	30/6/97	62.5	37.5	31/12/97
10	ASM Kumpulan Modal Bumiputra Yang Kespuluh	86.6	13.4	15/4/97	83	17	15/10/97
11	ASM Kumpulan Modal Bumiputra Yang Ketiga	85.6	14.4	15/4/97	76.1	23.9	15/12/97
12	ASM Kumpulan Modal Bumiputra Yang Ketujuh (Acc)	88.4	11.6	15/2/97	72	28	15/8/97
13	ASM Kumpulan Modal Bumiputra Yang Ketujuh (Inc)	85.2	14.8	15/2/97	75	25	15/8/97
14	Amanah Saham Pekerja-pekerja TNB	88.1	11.9	28/2/97	81.5	18.5	30/8/97
15	Amanah Saham Darul Iman	78.1	21.9	30/4/97	78.5	21.5	31/10/97
16	Amanah Saham Sabah	90.8	9.2	30/6/97	89.4	10.6	31/12/97
Mean		85.6	14.4		78.9	21.1	