

**CAPITAL ASSET PRICING MODEL AND PORTFOLIO
MANAGEMENT IN MALAYSIA**

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**SUBMITTED TO THE FACULTY OF ECONOMICS AND
ADMINISTRATION, UNIVERSITY OF MALAYA, IN
PARTIAL FULFILLMENT OF THE REQUIREMENT
FOR THE DEGREE OF MASTER OF ECONOMICS**

MARCH 2004

Perpustakaan Universiti Malaya



A511706942

ACKNOWLEDGEMENT

I must first express my sincere gratitude to Dr. Tan Tok Shiong, who has supervised me and made valuable suggestions, comments and guidance that enabled me to complete this research paper. Without his supervision, critical feedback and correcting the draft for improvement, this paper would not have been completed with this degree of excellence.

I am also grateful to my all family members and friends for giving valuable advice to complete of my research paper.

Not forgotten, I am ever grateful since interviews were arranged with the help of Mr. Tony Leung and Ms. Joyce Tan, Senior Branch Managers of SBB Mutual Bhd with Mr. David Ng Kong Cheong, Portfolio Manager at Hwang DBS Unit Trust Bhd., Mrs. Grace Kang of Mayban Unit Trust Bhd and Mr. Albert Kee Kin Soo, Branch Manager CIMB Securities Sdn. Bhd.

Above all, my heartfelt thanks to my husband, Mr. Santhira Segaran for his constant encouragement and support, which has made the completion of this research paper possible.

Last but not least, thanks to God.

ABSTRACT

This research is a study on the Capital Asset Pricing Model (CAPM). The main objective is to investigate the empirical relevance of the implication of the model. According to the model, the Capital Market Line (CML) provides the best attainable mix of risks and returns for investors, and therefore investors should hold their portfolios as suggested by the CML. For the study, interviews with the relevant authorities in the unit trusts funds held together with in depth analysis of 29 master prospectuses consisting of 200 listed funds were carried out. Information obtained from the interviews together with the qualitative analysis were then used to construct evidence whether the CAPM holds or not in the unit trust market. In addition, past portfolio of 37 unit trusts in Malaysia during the period from January 1995 to June 2001 were also used for the study. The research revealed that portfolio management of unit trusts in Malaysia deviates significantly from the hypothetical world given by the Capital Asset Pricing Model.

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