CAPITAL ASSET PRICING MODEL AND PORTFOLIO MANAGEMENT IN MALAYSIA

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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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