THE IMPACT OF MALAYSIAN UNIT TRUST FAMILY MEMBERSHIP ON INVESTORS RISKS AND RETURNS

ABSTRACT

This study examines the effect of unit trust investments within a fund family as opposed to across fund families in relation to the risk and return to the investors in Malaysia. The sample consists of 222 funds in 15 fund families. The study period is between 2003 and 2009. This study focuses on three aspects of risk and return of unit trust investment in relation to investing within a fund family or across families. The first part analyses the diversification benefits in terms of return correlation and its causes. This study finds evidence of unit trust returns being more closely related within fund families than outside the fund families. For this reason, investing in funds managed by the same unit trust family may not lead to a reduction of portfolio risk. It is also found that combining Islamic and conventional funds could bring additional risk reduction benefits. The money market funds stand out as a good diversification to other funds. The second aspect studied is the persistence in fund performance. This is done by examining the hot-hand phenomenon at unit trust fund family level, rather than at the individual fund level. The study finds evidence of short-term (monthly and quarterly) positive performance persistence, or the hot-hand phenomenon. However, the persistence disappears when a longer rolling period of six months and one year are considered. The hot-hand effect is generally associated with the relative superior performance in that industry as a whole. However, this study found weak evidence of hot-hand fund families, provide high excess returns to investors. Finally, this study examines the spillover effects, that is, the extent to which investors' capital is affected by the existence of a star fund in its family. Surprisingly, the evidence suggests that investors are not responsive to the star performing identity of funds in the same family. The finding suggests that a strategy of star-creation may not be a viable approach to attract market share in this industry in Malaysia. Possible reasons underlying the results are explored and these include families' past performance, size of the fund family and that the number of funds in the family.

ABSTRAK

Penyelidikan ini menguji kesan pelaburan unit amanah dalam sesebuah syarikat pengurusan unit amanah berbanding dengan pelaburan secara rentasan dalam syarikat-syarikat pengurusan unit amanah yang berbeza, dengan melihat risiko dan pulangan bagi pelabur-pelabur di Malaysia. Sampel terdiri daripada 222 unit amanah dalam 15 syarikat unit amanah yang berbeza. Tempoh kajian adalah dari tahun 2003 hingga 2009. Kajian ini memberi fokus kepada tiga aspek risiko dan pulangan pelaburan unit amanah. Bahagian pertama tesis ini menganalisa faedah kepelbagaian dari segi korelasi pulangan dan punca-puncanya. Hasil kajian ini mendapati bahawa perhubungan yang kuat wujud di kalangan pulangan unit amanah dalam sesebuah syarikat pengurusan yang sama berbanding dengan syarikat- syarikat unit amanah yang berlainan. Maka dengan ini dapat dirumuskan bahawa pelaburan dalam unit amanah yang diuruskan oleh keluarga unit amanah yang sama tidak mampu mengurangkan risiko portfolio. Kajian ini juga mendapati bahawa penggabungan dana patuh Syariah dan konvensional boleh memberikan manfaat dari segi pengurangan risiko. Aspek kedua yang ditinjau ialah ketekunan prestasi dana, iaitu sama ada kejayaan sesebuah syarikat unit amanah dalam sesuatu tempoh dapat diteruskan pada tempoh berikutnya. Hal ini dilakukan dengan meneliti fenomena *hot-hand* pada peringkat syarikat unit amanah dan bukan di peringkat unit amanah individu. Kajian ini mendapati bahawa ketekunan prestasi wujud dalam jangka masa pendek (bulanan dan suku tahunan). Sebaliknya, ketekunan prestasi ini akan luput bagi tempoh ulangan yang lebih lama, iaitu enam bulan dan satu tahun. Kesan *hot-hand* umumnya dikaitkan dengan prestasi relatif yang unggul dalam industri tersebut secara keseluruhannya. Penyelidikan ini menunjukkan bahawa syarikat unit amanah yang *hot-hand* kurang mampu memberikan pulangan luar biasa yang tinggi kepada pelabur. Akhir sekali, kajian ini meneliti kesan limpahan, iaitu sejauh mana modal pelabur dipengaruhi oleh kewujudan unit amanah bertaraf bintang dalam suatu syarikat. Anehnya, hasil kajian mendapati bahawa pelabur tidak responsif terhadap prestasi unit amanah berkadar bintang atau unit amanah berkadar bintang yang lain dalam syarikatnya. Penemuan kajian mendapati bahawa strategi penciptaan unit amanah bertaraf bintang mungkin bukanlah pendekatan yang berkesan untuk menarik pelaburan dalam industri amanah saham di Malaysia. Di antara sebab-sebab yang mungkin mempengaruhi dapatan ini ialah prestasi lampau syarikat, saiz keluarga unit amanah dan jumlah unit amanah yang terdapat dalam syarikat tersebut.

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