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## Synopsis of Policies And Practices Of Trust

### Companies In Malaysia

The problems confronted by trust companies are mostly investment and management problems. Decisions with regard to investment are constantly changing to keep pace with the new economic conditions with the primary motive of profit-making.

The idea of trust investment is not popular in Malaysia mainly because it is only in its infant stage. The management of trust companies also poses a problem. Mainly because of these reasons, the growth of trust companies in Malaysia is thwarted.

The legal environment affects the framing of policies and practices of trust companies. In the case of the unit trust, the unit-holders should be informed of the investment portfolio (through the Auditors certificate) and such other information as required by the Seventh Schedule of the Companies Act, 1965.

Investment trusts commonly have three types of investment policies: high income, capital (or share) appreciation and thirdly, a compromise between high income and capital appreciation. In the first case these trust companies are primarily involved in share speculation and also concentrate aggressively in high income-yielding type of securities. In the second case most of the investment will be in industrial shares. In the third case, there is some sacrifice of high income and capital appreciation. In most of the third case, the investment portfolio will cover all industries, namely, industrial, tin and rubber and sometimes properties.

The third type of policy of the investment trust is also followed by the unit trust, because, among other things, it diversifies the investment, thus minimising risk.

As regards practices, the unit trust obtains its investment funds by selling the units to the investing public. In the case of investment trust, the funds are obtained only from the shareholders. It may obtain loans from other financial institutions but it does not invite the public for investment funds.

The funds are then invested in shares to earn income. In the case of unit-trusts, distribution is made to the unit-holders twice a year. In the case of investment trust the shareholders get the income only once a year.

Trust companies, especially the unit trust, have special services for the unit holders.

For managing the unit trust, the management is paid a loading charge and management fees. The management of investment trust is given management fees annually.

It is expected that the trust companies will grow as the economy advances and as the people are more exposed to the idea of trust investment.