[illegible]

Appraisal of [illegible]

[illegible] the enforce[illegible]

[illegible] new letter [illegible].

[illegible] holders [illegible],

[illegible] to, [illegible] ers

[illegible] investment trust [illegible] tion

[illegible] content by elect[illegible].

So far as the Co[illegible]

[illegible] investing public. [illegible]

[illegible] the amount [illegible]

[illegible] should be certain [illegible]

[illegible] should be invested [illegible],

[illegible] and properties. [illegible]

[illegible] ressive [illegible].[1]

[illegible] case there is [illegible],

[illegible] investing [illegible].

[illegible] economy is lop-sided, [illegible]

[illegible] is not advisable. [illegible]

[illegible] various sectors [illegible]

[illegible] is hit, [illegible]

1. [illegible] idea is borrowed [illegible] [illegible] [illegible],

[illegible]cause there are still [illegible]

Above all, [illegible] / [illegible]vern

[illegible] activities [illegible] the [illegible]

[illegible] to [illegible] Insurance

[illegible]es.[illegible]

[illegible]

The followi[illegible]

[illegible]

(1) [illegible]

(2) [illegible]tment.
[illegible]

(3) [illegible]

(4) [illegible] unit
[illegible]

(5) [illegible] services
[illegible]it-
[illegible]

[illegible] to the

[illegible]

[illegible]ter
[illegible]e
[illegible]lic
[illegible]

[illegible] like [illegible]
[illegible]

public, whereas the investment trust raises its funds from the shareholders. It does not invite the public for funds. Hence, funds raised by investment trust are usually smaller than those raised by the unit trust. This is certainly a disadvantage because should there be an opportunity for investment the investment trust would not be able to take advantage of it.

The incomes from investment are distributed to the unit-holders or shareholders of unit trust and investment trust respectively. The unit trust managers to earn moderate and stable income for the unit-holders. The income of the shareholders of investment trust is usually fluctuating but it all depends on the investment policies.

The unit trust has the policy of diversification. It does not involve in share speculation like some of the investment trusts. This policy of the unit trust is good in so far as it concerns the safety of investment and stability income of the unit-holders.

The unit trust invests in highly marketable securities primarily because it is obliged to redeem cash to the unit-holders if the latter want to. The investment trusts have this policy too. However, in practice they seldom follow strictly to this policy because they feel that such highly marketable securities do not yield them a sufficiently high income. From this it can be observed that the investment trusts often have the fear of illiquidity. Since the unit trust always plays safe by investing in highly marketable securities, there is less fear of illiquidity.

With regard to management and fees, the amount actually paid by the unit-holders is relatively high. This is because at the moment the number of unit-holders is not large. Of course, the fees charged by the management varies but there is always a minimum charge. In time to come if there is an increase in the number of unit holders, the amount that will be paid by them will be relatively small. The management of the investment trust is paid a certain fixed amount, and hence the management may perhaps be less motivated.

The special services of the unit-trust help the unit-holders to further their investment which is what most of the unit-holders want. Even all their investments can be insured. This policy has been recently introduced with the main idea of attracting more people to purchase the units. This is in line with the company's objective - to help the unit-holders wherever and whenever possible at the latter's convenience.

From these it can be deduced that the practices are in consonance with the policies. It is also true in the case of investment trusts. However, the set of policies and practices of the unit-trust is generally different from those of the investment trusts, especially the practices.

Advantages and Disadvantages

The most obvious advantage of the Unit trust to the investor is the diversification of investment obtainable even in small holdings. The second advantage is that investors can indirectly employ experts to select and supervise the securities. Though the funds are spread over many shares, the unit-holders are issued with only one owner's certificate for simplicity and they can always convert this certificate which states the number of units purchased for cash at the prevailing market prices of units.

The investor pays a price for indirect diversification and convenience. This is done through the management fees and other charges such as stamp duty, commission, etc.

The type of diversification offered by the investment trust is cyclical investment. While the element of risk involved here is greater, the management costs are somewhat lower.

Perspective - The Future of Trust Companies.

The unit trust is a good form of investment for the smaller or average investor who at the time he makes his investment, does so in the knowledge that he intends to let his investment stand for a long period. He invests also with the understanding that he can turn his investment for cash at short notice if any need for cash should arise. In the case of investment trust an investor will secure an investment in a widely diversified portfolio of shares of leading Malaysian companies which are likely to expand as the country develops.

As the crude rate of population growth annually is approximately 31.1 per thousand[3] for the year 1964 the demands of such an increasing population must be met. This will include housing, consumer durable products as well as ordinary consumer goods. In addition there will be demands for service provided by governmental or semi-governmental undertakings such as water, electricity, transport, etc. and industry will be called upon to supply the requirements to meet the demands from all these sources.

The lower-and middle-income groups are receiving a large share of the national income and obviously these people would want to seek

3. Department of Statistics, Monthly Statistical Bulletin of the States of Malaya, Kuala Lumpur, April 1966, p.3

the safety of principal and sound management of securities. The 3% rate of interest per annum by the post office and other savings banks have increased the number of accounts because of its convenience. As more people are aware of other financial institutions paying higher rate of interest (such as finance companies) they tend to invest in financial institutions. However, those who have as little as $100 who may not have the opportunity of investing in finance companies, may find that the unit trust provides an alternative in getting higher income, certainty of income distributed by the trustee twice a year and diversification of investment. For those who want self investment and who have bigger funds may find that the investment trust is their solution.

With the growth of the lower- and middle- income groups there is a good possibility that trust companies will increase in number and also in investments in the near future.