



SELECTIVITY AND MARKET TIMING PERFORMANCE OF
MALAYSIAN UNIT TRUST FUNDS : COMPARISON
BETWEEN KLCI INDEX AND EMAS INDEX

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ABSTRACT

The investment performance of mutual fund has attracted considerable research in the literature of finance and there has been much controversy about the ability of fund managers to outperform the market. The paper seeks to examine whether selectivity and timing performance of fund manager is sensitive to the choice of market benchmarks. Also this paper investigates the sensitivity of the performance components of unit trust funds (market timing and selectivity) to alternative specification of the market. The two benchmarks used are the Kuala Lumpur Composite Index (KLCI) and the Exchange Main Board All-Share (EMAS) Index. The paper employed a model developed by Henriksson and Merton (1981) to simultaneously test for the presence of market timing and or security selection ability of fund manager. The traditional Jensen's (1968; 1969) model is used to estimate the fund's overall performance. Recent empirical findings indicating that fund managers have negative timing ability are provided by Grinblatt and Titman (1989b), Cumby and Glen (1990), Connor and Korajczyk (1991), Chen et al. (1992), and Coggin et al. (1993).