



**UNIT TRUSTS & THEIR PERFORMANCES:  
A CASE STUDY OF MALAYSIA  
1997 - 2001**



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SEPTEMBER 2002

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## **ABSTRACT**

This study attempts to find out about the risk-adjusted investment performance and ranking of a sample of 20 unit trust funds in Malaysia for the period from January 1997 to December 2001. It also includes an investigation into the level of risk diversification and the consistency in the performance of the funds over the 5 years period.

The finding revealed that the funds as a whole have outperformed the market portfolio in the 3 risk-adjusted risk performance measures. The study also revealed that most of the sample unit trust funds are less volatile than the market portfolio, thus confirmed the belief that investment in the unit trust is relatively less erratic and more secured. The funds have also achieved a reasonable level of portfolio/risk diversification. Nevertheless, the funds were not consistent in their performances over the period under review.

# CHAPTER 1

## INTRODUCTION

### 1.0 BACKGROUND OF STUDY

#### 1.1 Introduction:

This study is undertaken as part of the fulfillment under the BBA (Honours)(Finance) program of Universiti Teknologi Mara for its final year subject/module i.e.: FIN650, which carries 12 credit hours.

The student is given the liberty to choose any topics of their interest that are deemed relevant to the course. The study is expected to be completed and documented in a prescribed format, which is to be submitted to the Course coordinator within a prescribed deadline.

#### 1.2 Scope of Study

After giving due consideration to the relevancy of the various alternative topics in relation of the course, the availability of the information required as well as the time constraint, in view of the fact that I<sup>1</sup> am currently on full time employment, I have decided to choose "Unit Trusts and their Performances" as a topic for my research study.

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<sup>1</sup> I and We have been used interchangeably in this paper, to refer to the same person, the author

## CHAPTER 2

### LITERATURE REVIEW:

#### 2.0 Introduction:

This section reviews the findings of some of the studies carried out on the performance of unit trusts in the Malaysia, Singapore, United States, United and Kingdom.

#### 2.1 Review of Unit Trusts and their Performances in Malaysia:

"Tan Hoon Chuan investigated the investment performance and ranking of a sample of 21 unit trust funds in Malaysia for the period from January 1984 to December 1993. It also includes an investigation into the consistency of performance of the funds over time, the degree of risk diversification, the stability of the funds' systematic risk over time, adherence of funds to their stated objectives and ability of the managers to predict security prices. The impact of funds characteristics such as age, size, portfolio turnover and expense ratio on investment performance and systematic risk was also investigated. The findings revealed that the funds as a whole performed worse than the market portfolio. Their performance was quite consistent and their market risks were stable over time. They also held quite well diversified portfolios. Generally the funds did not adhere very well to the stated objectives and all the fund managers could not forecast security prices and failed to the naïve buy and hold strategy. The research also revealed that the fund characteristics, expense ratio has a negative