



**RISK ANALYSIS ON BOND MUTUAL FUNDS IN  
MALAYSIAN MARKET**

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**CHAPTER 1**  
**INTRODUCTION**

***1.1 INTRODUCTION***

Unit trusts or also known as mutual funds have been considered as good instruments for medium to long-term financial plans. The unit trust industry in Malaysia was first established by British investors in 1959 with the introduction of the Malayan Unit Trust Ltd. The first two decades in the history of the unit trust industry were characterized by slow growth in the sales of units and a lack of public interest in the new investment product. Only five (5) unit trust management companies were established, with a total of 18 funds introduced over that period. The industry was regulated by several parties including the Registrar of Companies, The Public Trustee of Malaysia, Bank Negara Malaysia and the Ministry of Domestic Trade and Consumer Affairs. The 1970s also witnessed the emergence of state government sponsored unit trusts, in response to the Federal Government's call to mobilize domestic household savings. (*Fauziah and Mansor, 2007*).

The turning point for the industry was when the Malaysian government decided to enter into the industry by launching a government sponsored unit trust known as Amanah Saham Nasional (ASN). The initial intention of launching the unit trust was to help improve the indigenous Malays' (Bumiputera's) social-economic status. The centralization of industry regulation, with the establishment of the Securities Commission on 1<sup>st</sup> March