



HOW TO SELECT UNIT TRUST FUNDS

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MARCH 2002

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Abstract

It used to be simple in selecting a unit trust. However, today there are a multitude of different unit trust funds competing for investment. Therefore, there are many unit trusts funds from which to choose from. Investors would look at the performance or investment results. Unfortunately, it is impossible to predict a unit trust's future investment performance. This will depend on the type of fund, the general market trends and the investments which a fund manager picks.

Most managers would provide the past performance tables that normally show the totals returns since inception or how much an initial investment made several years ago would be worth today with any income reinvested. However, past performance figures are no guarantee of the future. A fund that has performed well in the past may not do so in the future and vice versa. Investors should be aware past performance is not necessarily a guide to the future performance of the Funds. Past distribution of the Funds are not a guarantee of the Funds' future distribution.

Therefore, this study will try to determine the performance of the various unit trust funds in terms of low entry price, new or old funds, size of the funds and dividend for unit trusts

Chapter 1

INTRODUCTION

1.0 Background of Unit Trusts

Unit trust funds have certainly come a long way in Malaysia. In the 1980s, they earned a bad reputation when product-pushing, hard-sell methods coupled with investors' lack of understanding led to many Malaysians being badly burnt by their unit trust investments. Even today, you'll still hear the occasional sceptical response particularly from the older generation when you mention unit trusts.

However, unit trusts have since gained more respectability as investors have gained a better understanding of the instrument and efforts by the industry to clean up its act and strive towards greater professionalism have borne fruit.

Today, consumers have access to myriad unit trusts that vary not just in terms of the companies that manage them but also the investment asset mix. And thanks to institutional unit trust agents and the financial planning boom, consumers can now buy funds based on their needs and risk profile rather than just what an agent wants to sell them.

Despite its rapid growth in a short span of less than 10 years, the local unit trust industry still has along way to go compared with more developed markets. But one thing is clear, more and more Malaysians are investing in managed funds. This means that there is a greater need for pertinent information to help them make enlightened investment decisions.

Chapter 2

LITERATURE REVIEW

2.1 Introduction

This chapter presents the reviews of other writers on the subject of Unit Trust investment and other factors related to the subject.

2.2 Review related to Unit Trust Funds

2.2.1 Perhaps a simpler way is to first identify your investment objectives. If you want your money to grow a larger sum in the future to pay for an objective and your risk tolerance is higher, you may choose a growth fund to do the job. On the other hand, if you need an ongoing income stream to pay for expenses and your risk tolerance is low, a better choice may be a bond fund. You may have different investment objectives, risk tolerance and time horizons at any one time, which warrants owing a mixture of different unit trust funds for different investment purposes.

2.2.2 CMG First State Investment (Nov.2001) revealed that around 14% of the Singapore adult population own unit trusts. This higher than previous industry estimates of between 4% and 6%. Against other investment vehicles including savings and fixed deposits, stocks and shares, investment linked plans, bonds and other managed funds, unit trusts were the third most commonly held investment. 66% of those surveyed had