



اُنْبُوْرْسِيْتِي تِيْكْنُوْلُوْجِي مَارَا

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AN ANALYSIS OF RELATIONSHIP BETWEEN UNIT TRUST
PERFORMANCES TOWARDS
KLSE CI AND SYARIAH INDEX:
A CASE OF PUBLIC MUTUAL BERHAD

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

IN THE NAME OF ALLAH, THE MERCIFUL, THE BENEFICIENT

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ABSTRACT

Despite the growth in the traditional mutual fund literature over the past several decades, academics still reach contradictory conclusions regarding the ability of fund managers to consistently outperform the market and the fund specific organizational and managerial factors that impact performance.(Laurie Prather, William J. Bertin*, Thomas Henker, 2002). The aim of this paper is to ascertain the relationship between Public Index fund and Public Ittikal fund performance held by Public Mutual Berhad and their return persistence with their benchmark which is Kuala Lumpur Composite Index (KLCI) and Kuala Lumpur Syariah index (KLSI). This research is conducted on the 6 years data range from 7th January 2000 – 30th December 2005 unit trust market return based on Net Asset Value (NAV) and the Kuala Lumpur Composite Index (KLCI) and Kuala Lumpur Syariah Index (KLSI) market return, using weekly basis. The correlation between those performances is also discussed. In overall conclusion, this research shows that the unit trust performance does have a relationship but it is too weak for the benchmark to determine and estimate the performance of unit trust alone. This is supported by the findings from the previous research of Grinblatt and Titman (1994) which shows that inferences about fund performance can be dramatically affected by the chosen benchmarks.

1. INTRODUCTION

Evaluating mutual fund performance combines data and judgment. The data typically consist of returns on the funds and one or more benchmarks, and the judgment typically involves specifying the benchmarks and their role in defining performance. Investing in mutual funds also combines data and judgment. Rather than accepting the standard performance measures at face value, investors can allow their decisions to reflect doubts about either the adequacy of the benchmarks or the stock-picking ability of fund managers. (Robert F. Stambaugh, 2000).

This chapter provides the background and the rationale of the study. Public Mutual Berhad has been the largest unit trust company in Malaysia. This fund house is the first recipient of a special award for winning the most awards at The Edge-Lipper Malaysia Unit Trust Fund Awards 2003. Public Mutual Berhad remains as the best fund performance group not only to perform in most specific type of fund, but overall, its funds outperform the market. Even the index fund that is passively managed and designed to replicate the stock market index vastly outperformed the benchmark KLCI. It raised a question of whether the funds are indeed passively managed (Personal Money | March 2004).