PERFORMANCE MEASUREMENT OF UNIT TRUSTS APPROVED BY EMPLOYEE PROVIDENT FUND (EPF) FOR INVESTMENT IN 2000-2006

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**Submitted in Partial Fulfillment
of the Requirement for the
Bachelor of Business Administration
(Hons) Finance**

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MAY 2007

ACKNOWLEDGEMENT

ASSALAMUALAIKUM W.B.T

In the name of Allah, the compassionate, the merciful, praise is to Allah, Lord of the universe and peace and prayers are upon his final Prophet and Messenger. Thank God, and His teachings, wisdom and enlightenment that paths the way for me not only towards accomplishing my project paper but also beyond the frontiers of life.

In conducting this study, I have been greatly benefited from the guidance of my advisor, En. Zulkifli b. Mohamed, who has been supporting me all along in completing this project paper. I also want to express my sincere appreciation and heartiest gratitude to En. Sukor b. Jaafar for his willingness to provide consistent guidance, invaluable ideas and comments as well.

Special thanks also to my parents, En. Nordin B Omar and Pn. Maimunah Bt Abdul Hamid that have given morale and materials support in organizing this project paper. Last but not least, I would like to express my heartfelt gratitude towards all friends that has been supporting and giving valuable idea in helping to finish this project paper.

After facing many challenges, barriers and problems, I with the help of others finally had completed this assignment. I really hope that this project paper will give a great experience to others and I.

Thank you
Wassalam.

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ABSTRACT

This paper seeks to focus on examining unit trust performance approved by Employee Provident Fund (EPF) for investment over the period 2000-2006. Under the investment-related scheme, the EPF gives their members an alternative for them to pool their fund in unit trusts. Therefore the primary objective of the paper is to measure the performance of unit trust approved by EPF for the benefit of the EPF members. This general objective is analyzed from three specific objectives. The first objective is to see rank of 32 unit trusts approved by EPF for investment as compared to market portfolio performance. This ranking is based on the Sharpe and Treynor Index, which study about risk and return of the fund. Second objective is to measure the unit trust degree of diversification. Fund's degree of diversification will be measured by using a co-efficient of determination. The last objective is to measure a fund manager's predictive ability of stock prices that will be measured using the Jensen Alpha Index.

Under the study, 32 stock of unit trust approved by EPF for investment will be taken randomly. The comparison of unit trust is to be made with market portfolio (Bursa Malaysia Composite Index). The most important data will be uses in this study are Net Asset Value (NAV), Bursa Malaysia Composite Index and treasury bills to represent the market portfolio. The paper seeks to employ the Sharpe Index, Treynor Index, R-squared (R^2) and Jensen Alpha Index to estimate the overall fund performance.