



**UNIVERSITI TEKNOLOGI MARA**

**THE MACROECONOMIC FACTORS THAT  
AFFECT MUTUAL FUND PERFORMANCE IN  
MALAYSIA**

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## ABSTRACT

The goal of this research is to observe and comprehend the elements that drive mutual fund performance in Malaysia, allowing participant to gain more knowledge of the elements influencing their performance. This research focus about the macroeconomic factors that affect mutual fund performance that happen in Malaysia. It also demonstrates that the mutual fund sector is positively affected by problems that happen in Malaysia. The study aim is to investigate the macroeconomic factors that affect mutual fund performance in Malaysia. Furthermore, the dependent variable that involved is Net Asset Value (NAV) that being used to look at the mutual fund performance while the independent variables are Gross Domestic Product, Money Supply, and Inflation Rate. The dataset is collected from secondary sources from Securities Commission Malaysia, Bank Negara Malaysia, CEIC Data and World Bank. Data gathering begins from year 2001 to year 2020 by yearly basis. For this research study, it refers to the Malaysia's mutual fund as the target population which investigates 20 years of its performance. The methodology of Multiple Regression Analysis will be used for analysing data by using E-Views 12 Software. Then, the other methods that will also be conducted are descriptive analysis, correlation analysis, normality test, autocorrelation test, heteroskedasticity test, multicollinearity test, model specification (Ramsay RESET Test) and multiple linear regression analysis. The result of findings stated that only money supply has a significant influence on mutual fund performance (net asset value) while the other two independent variables which are gross domestic product and inflation rate do not have significant influence on mutual fund performance (net asset value). This research actively supports, including financial investors, investment advisors, finance experts, policymakers, and financial market regulators as well as corporations.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 INTRODUCTION**

Mutual fund can be defined as a feature of financial mechanism that invests in securities, money market funds, bonds, and other assets by the combination of funds from a group of participants known as investors which is decided by a fund manager. Mutual funds are managed by experienced financial planners who distribute resources and aim to create investment returns or profit for the fund's shareholders. A mutual fund's portfolio is created and operated to satisfy the investment goals declared in the prospectus. Mutual fund plays an important role in obtaining fresh resources from institutions and efficiently allocating them to economically productive resources such as property, organisation, and capital around the world. However, mutual funds in emerging markets are still in their infancy. Despite the fact that the numeral of mutual funds in Asia market is smaller than in the United States' market, the development in Asian markets is substantial (Qureshi, Ismail, & Chan, 2016).

According to Abdullah and Abdullah (2009), due to their remarkable achievement, participating in stock funds for the Asian capital market is a smart plan, and Malaysia has the biggest mutual fund share of the market and asset under management among Asian nations. The Malaysian equities industry is differentiated by its function in two financial systems which are conventional and Islamic, each of which offers shareholders a distinct investing atmosphere (Ling, Abdul-Rahim, & Said, 2020). The public is concerned about the performance of this indirect investment asset arrangement, notwithstanding the tremendous development of the Malaysian equities market particularly the mutual fund sector. Recognized performance of a specific scheme which is mutual fund performance can boost investor trust, leading to additional investment in the future and improving this country's economy.