



UNIVERSITI TEKNOLOGI MARA

**IMPACT OF MACROECONOMIC VARIABLES
ON FINANCIAL PERFORMANCE OF UNIT
TRUST IN MALAYSIA**

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A handwritten signature in black ink, appearing to read 'Rohanizan', is written over the printed name and faculty information.

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ABSTRACT

Unit trust fund has been growing exponentially since 2007. This paper investigates the relationship between unit trust's net asset value (NAV) growth as the focus variable along with other control variables such as, Brent oil prices, Malaysia Interest Rate, USD/MYR exchange rate and inflation rate. Revealing the relationship will give us the right steps to build a stable index. This research presents a study of unit trust performance from the year 2000 to the year 2020. The whole year that has been observed for this research is twenty years. Moreover, this research uses secondary sources, and the data and information have been obtained via databases, other publications, and articles. All of the information gathered came from Google Scholar, Trading Economic, and Investing.com. In addition, the study employs descriptive analysis, correlation analysis, regression analysis, F-test, T-test, multicollinearity test and coefficient of determination (R^2) to determine whether the independent variables are significant or insignificant towards the Malaysia unit trust performance. Therefore, it is concluded that the most important factors affecting the performance of unit trusts are the exchange rate, inflation rate and Brent crude price. This index is unaffected by interest rates in Malaysia.

Keywords: NAV Unit Trust, USD/MYR Exchange rate, Malaysian Interest rate, inflation rate, Brent Oil Price.

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CHAPTER 1 INTRODUCTION

1.1 Preliminary Information

Unit trust funds were first introduced in Malaysia in 1959, and since then, the market has grown tremendously. The emergence of unit investment trusts and funds in Malaysia in the 1980s and 1990s opened the door to empirical research into a broader range of market concerns. To invest money in low-risk investment tools like mutual funds or unit trusts is a recent phenomenon among Malaysians who lack fundamental knowledge of investing methods. Unit trusts are a straightforward, practical, and time-saving alternative to direct investment in securities. It is overseen by a team of expert fund managers with extensive backgrounds in the financial industry. In addition, they kept tabs on daily changes in the market. As a result, the likelihood of failure is quite low.

Investing in unit trust funds has drawn considerable interest from both the business and academic worlds. Unit trust funds have been outperformed by scholars such as Abdullah, Biakowski and Otten, Fletcher and Marshall (2005), Angelidis et al. (2013), and Jones et al. (2008). For 2014 and 2015, unit trust funds had a net asset value of 20.69 percent and 21.07 percent, respectively, of Bursa Malaysia's market capitalisation (Securities Commission). For example, the equities and debt markets in Malaysia are quite significant in comparison to the country's overall GDP. It is estimated that in 2010 equity market capitalization and debt securities accounted for around 165 percent and 97% of the country's nominal GDP, respectively. Despite a rising trend in Malaysia's nominal GDP, the country's outstanding debt securities account for 97 percent of the total. In addition, the 97% contribution indicates that the demand for investments in fixed income unit trust funds would remain strong in the near future. In addition, the equity market grew from RM717.5 billion in 2000 to RM2.0 trillion in 2010. (Securities Commission).

Large Collective Investment Schemes (CIS), such as open-ended mutual funds (mutual funds in the US), can have a significant impact on stock prices and indexes in both the long and short term. Because of the herding impact of major institutional investors such as unit trust funds and other mutual funds, market indices might experience long-term trends or counter-trends depending on the trading activity of unit trust funds. A buy-and-hold approach is typical of unit funds, notwithstanding their ability to influence indices in the short or long run. As a result of their size, unit trust funds are capable of causing significant price changes and long-term bullish trends. The government may direct them to operate as market stabilisers or market makers, depending on the situation.