



UNIVERSITI TEKNOLOGI MARA

**FACTORS THAT AFFECTING THE MUTUAL
FUNDS PERFORMANCE IN MALAYSIA**

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ABSTRACT

This study aims to analyse the impact of various factors on mutual funds performance by studying 16 Malaysian equity mutual funds over the period of five years. The determinants examined include fund size, management fee, fund age and inflation. Secondary data will be used in the research, which will be obtained from a range of sources, such as World Bank Open data, corporate annual reports, mutual fund firm websites, and other written materials gathered from relevant sources. The data were collected yearly from the year 2015 to 2020. Descriptive analysis, correlation analysis, and regression analysis are the statistical tests utilised to identify the objective of this research. The expected findings reveal that the fund size, management fee, fund age and inflation have a significant impact on performance of mutual funds in Malaysia. Besides, it is likewise expected that the after effect of this review would add to writing survey, permitting other researchers to more readily distinguish the variables that are in all likelihood influencing the performance of mutual funds in Malaysia.

Keywords : Mutual funds performance, Fund Size, Management Fee, Fund Age, Inflation

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CHAPTER 1 : INTRODUCTION

1.1 INTRODUCTION

A research by Gusni, Silviana and Hamdani (2018) mentioned that mutual funds play a major part in the economy of a country and are the most often utilized investment option.

Mutual funds is an investment instrument that pools money from clients who purchase shares to invest in a portfolio of assets, with the purchase and sale of securities managed by fund managers (Reilly & Brown, 2011). This form of investment is recognized for its minimal transaction costs, portfolio diversity, and expert management.

The use of mutual funds is to make it simple for small or individual investors who lack information and skills and have a low risk tolerance to put their money in profitable portfolios. These funds are managed by more skilled fund managers. These knowledgeable professional managers seek to discover profitable and outperforming financial products in order to create returns for investors. Rehman and Baloch (2016) mentioned that the large number of mutual funds investors across the world, particularly in developing nations, is an evidence of as an investment option.

The first mutual funds were established in the Netherlands in 1774, during a period of severe collapse in the country's banking industry. It was followed by North America in 1924. Since 1980, mutual funds have been an important source of investment all over the world (Rehman & Baloch, 2016). Money market, equities, fixed income, mixed, protected, guaranteed, and index mutual funds are among the mutual funds portfolios traded.

Malaysia has a long history of founding mutual funds, beginning in 1959 with Malayan Unit Trust Limited, which was managed by a consortium of Australian investors (Majid, Saad, Kassim, Hamid & Yusof, 2010). Majid et al. (2010) further pointed out that by the 1960s and 1970s, the industry was dominated by two players, namely, Asia Unit Trust Management and MARA Unit Trust Management. As more