

ABSTRACT

A mutual fund is a company that pools investors' money and, generally, purchases stocks, bonds. A group of investors with similar investment goals put their money together into a fund and receive mutual fund ownership in the form of “units of the fund”. Unitholders have a claim to the portfolio established by asset management companies in proportion to the amount invested.

These days, most investors find current deposit interest rates less attractive because deposit interest rates in the banking system as a whole have decreased continually. Therefore most investors seek other investment alternatives, such as mutual funds, to earn extra and higher returns than deposit interest rates so as to maximize their wealth.

This study focuses on general fixed income open-ended funds. These funds have low risk and are suitable for investors who are seeking current income and consistent capital appreciation. The study chooses thirteen general fixed income open-ended funds that are currently trading in the mutual fund industry. The selected fixed income open-ended funds do not have dividend payment policies during the study period. Sharpe index is applied to evaluate fixed income open-ended fund performances during September 1999 to July 2002. Moreover, the study compares fund performances to the market return and also makes comparisons among those thirteen fixed income open-ended funds using other basic measures such as risk, return etc. To get accurate findings and reliable results, the statistical hypotheses are applied to examine whether the overall performances of general fixed income open-ended funds are significantly superior to the market return based on Sharpe index.

The study uses the weekly NAVs data of these thirteen fixed income open-ended funds, the weekly data of the yield on one year government bond as a proxy of the risk free rate, the weekly return on the bond market and the average one year fixed deposit interest rate as the market returns during September 1999 – July 2002. The results show that the average return of general fixed income open-ended funds is less than the bond market return but higher than the average one-year fixed deposit interest rate. The weekly average return and standard deviation of the return on fixed income open-ended fund are 0.11 percent and 0.36 percent respectively. Whereas the weekly average return and standard deviation of bond market are 0.17 percent and 0.53 percent respectively. The weekly average one year fixed deposit interest rate is 0.06 percent and standard deviation is 0.07

percent. The weekly returns of fixed income open-ended funds range between 0.02 percent for SCBSFF and 0.14 percent for ABNSS and TSB. The average weekly and yearly returns of fixed income open-ended fund are 0.11 percent and 5.81 percent respectively. The weekly returns of all fixed income open-ended fund, except SCBSFF, are higher than that of the average one year fixed deposit interest rate. However, the weekly returns of all fixed income open-ended funds are less than the bond market return. ABNSS and TSB get the highest returns at 0.14 percent per week or 7.55 percent per year. By contrast, SCBSFF gets the lowest return at 0.02 percent per week or 1.05 percent per year. Moreover, the results show that the average return on these general fixed income open-ended funds measured by Sharpe index is superior to the average one year fixed deposit interest rate. However, the average return on these open-ended funds measured by Sharpe index is less than the bond market return. During the study period, TMBMF, ABI and ABIG have the best performances with Sharpe indices of 1.25. By contrast, SCBSFF has the worst performance with Sharpe index of -0.04.

