

1. The Malaysian Unit Trust Funds Performance Table is a useful tool because it:
- A. Allows performance to be tabled at meetings held by the Securities Commission
 - B. Taps into the fund manager's credibility
 - C. Summarizes investment performance for the industry and allows for easy comparison
 - D. Enables the public to understand the fees and charges charged by unit trust management companies in Malaysia

Answer C

Performance tables are extremely useful in that they summarize the performance of the whole unit trust industry in a single table over standardized periods, and on a consistent and objective measurement basis. (Chapter 1, page 1-34)

2. Which statement regarding the EPF Members Withdrawal Investment Scheme is correct?
- A. The maximum age for the qualified member is 60
 - B. Members can withdraw funds from the EPF once in every two months
 - C. Investment can be made with any unit trust scheme
 - D. Balance in Account 2 is not eligible for this scheme

Answer D

Since 1996, a member has, subject to certain conditions, become entitled to make transfers from his or her Account 1 balance to an approved UTS. (Chapter 3, page 3-18)

3. Which of the following statement is correct?
- A. The income of real estate investment trusts (REITs) is mainly derived from the rental income and capital appreciation of the property held by the trust

- B. The portfolio of a real estate investment trust (REIT) can be switched to equities easily as the assets are highly liquid
- C. Real estate investment trusts (REITs) are not allowed to be listed
- D. Unlisted unit trusts are not allowed to invest in real estate investment trusts (REITs)

Answer A

Returns from property comprise net rental income plus or minus any change in the value of the property over the period. The price at which units in REIT trade on Bursa Malaysia will reflect these returns. (Chapter 1, page 1-15)

4. A collective investment scheme is:
- A. A type of fund that allows anyone to collect money from others, much like people collect money for charity
 - B. An investment fund which invests only in a specific collection of shares
 - C. A collection of investments which cannot be sold without permission of the owners
 - D. Another term used to describe a unit trust scheme

Answer D

UTS is a form of collective investment that allows investors with similar investment objectives to pool their savings, which are then invested in a portfolio of securities or other assets managed by investment professionals. (Chapter 1, page 1-2)

5. What would you not normally expect to find in the annual report of a unit trust scheme?
- A. Statement of assets and liabilities of the unit trust scheme
 - B. Auditor's report
 - C. Fund composition and statement of asset allocation
 - D. Unit prices of competitors' products

Answer D

An annual report's major contents are key performance data, manager's report, trustee's report, financial statements and auditor's report. (Chapter 3, page 3-10)

6. When was the first unit trust management company set up in Malaysia?
- 1949
 - 1950
 - 1959
 - 1960

Answer C

Malayan Unit Trust Limited was the first UTMC to be formed in 1959. (Chapter 1, page 1-18)

7. Investors who invested in unit trusts with borrowed money:
- Will only make profit if returns from their investment are higher than the cost of their borrowing
 - Will not be affected by changes in the base lending rate set by their end-financiers
 - Are guaranteed to make profit in longer term
 - Need to keep on investing until the loan is fully settled

Answer A

To maximize potential investment returns, some investors investing in UTS borrow the application money to invest, expecting that the rate of return from investing in UTS will exceed the borrowing costs, thus giving rise to additional profit. (Chapter 1, page 1-6)

8. An investor wants to gain exposure to the commercial property market in Kuala Lumpur but with only a small amount of money (approximately RM5,000), she was not able to invest at all. Which is a good investment alternative for her?
- Invest in equity index fund
 - Invest in fixed income fund

- Invest in any open-ended funds
- Invest in real estate property trusts

Answer D

By acquiring units in a listed REIT, it is possible to invest small amounts to gain exposure to the property market. (Chapter 1, page 1-14)

9. Puan Rose decided to withdraw some of her savings to invest in unit trusts. She would like to invest all of her money in a fund at one time and let it grow irrespective of the market condition. Whereas for Puan Sarina, she has very little savings but every month she is willing to cut some of her expenses and invests in unit trusts. Name the respective ways that can be used by them to invest in unit trusts.
- Spot and Installment Plans
 - Lump Sum Investment and Regular Savings Plan
 - Lump Sum Investment and Contractual Plans
 - Fixed Investment and Installment Plans

Answer B

10. Generally, what are the possible forms of return on investment can an investor expect from investing in unit trusts?
- Distribution
 - Capital appreciation
 - Interest
- I & II
 - I & III
 - II & III
 - All of the optional answers are correct

Answer A

The return on investment for unit holders in UTS is usually a combination of a regular income payment and capital appreciation.

Derived from a pool of investments held within that UTS. (Chapter 1, page 1-3)

11. In marketing unit trust scheme, providing quality services includes:
- A. Being responsive to customers' requests, queries and complaints
 - B. Providing clear and precise reporting
 - C. Providing convenient choices in handling investors' cash and payments
 - D. All of the optional answers are correct

Answer D

12. Which of the following is the most appropriate thing to do if you meet a person who has never invested in unit trusts and does not feel comfortable to invest in unit trusts?
- A. Let the potential investor have a prospectus and go through with her
 - B. Comfort her by letting her know that unit trust is an investment with no risk
 - C. Show her the marketing brochure and take them back as you need to show the brochure to another investor
 - D. Show her the excellent performance record of the unit trust fund and tell her that the performance will repeat in the future

Answer A

UTC must ensure that an investor is given a current prospectus and should provide him or her with an in-depth explanation of the prospectus before an application is made. (Chapter 1, page 1-24)

13. Unit trusts offer an effective way to pursue lifetime financial goals with advantages that would be difficult to achieve by lay persons who invest on their own. The advantages include:
- I. On-going professional fund management
 - II. Diversification of assets with reduced risks

- III. Can be bought and sold easily
- IV. More favorable transaction costs for unit trusts due to large investment amount
- V. Flexibility to switch between different type of funds (applicable to certain unit trusts)

- A. I, II & III
- B. I, II, III & IV
- C. I, II, III, & V
- D. All of the optional answers are correct

Answer D

Chapter 1, page 1-3 to 1-4. Chapter 3, page 3-8.

14. "Market risks" is a type of risks involved in investing in equity unit trusts and it means:

- A. Stock values underlying the Net Asset Value (NAV) of the unit trust scheme fluctuates in response to the activities of individual companies and general market or economic conditions. Such movements will cause the NAV or prices of units to fall as well as rise.
- B. Poor Management of the scheme will jeopardize the investment of unit holders through the lost of their capital invested in the scheme
- C. Unit holders might be forced to provide additional funds to restore their loan margin when the value of the unit trusts scheme dropped drastically
- D. None of the optional answer is correct

Answer A

Master Prospectus, page 32. Market risk: The purchase of equities represents a risk since the prices of stocks underlying the NAV of the fund fluctuate in response to many factors. Therefore, stock values fluctuate in response to the activities of individual companies, and general market or economic conditions. Such movements in the underlying values of the shares of the investment portfolio will cause

NAV or prices of units fall as well as rise, and income produced by the fund may also fluctuate.

15. One of the major benefits of investing in unit trusts is to gain access to the experience of a professional fund manager. Which term best describes a professional fund manager?
- Someone who has bought and sold many investment in his lifetime
 - A friend who always recommends the best stocks to buy
 - Someone who always manages in excess of RM500 million
 - Someone who has been professionally trained in the field of fund management

Answer D

16. Unit Trust Management Company (UTMC) must issue a prospectus for each of its unit trust schemes. The UTMC is required to:
- Issue a prospectus at least once a year
 - Provide complete information
 - Send a copy to any potential investor who request a copy
 - All of the optional answers are correct

Answer D

The prospectus must be updated at least once every 12 months. It is a legal document containing legal, accounting and investment terms. The purpose is to provide investors with all the necessary information to make an informed decision to invest in that UTS. (Chapter 1, page 1-24)

17. Risk/return characteristics can vary significantly between two funds. Which of the following statement is **not** correct comparison of the risk/return trade-off between investing in a Capital Growth Fund (G) and a Capital Protected Fund (P)?
- G's return are potentially higher than P's because G is less risky

- G needs to adopt a riskier investment strategy to achieve potentially higher returns
- P's losses are potentially less because it takes less risk
- Expect a lower return from P because the fund takes less risk

Answer A

18. Amongst others, the calculation of Net Asset Value (NAV) of a unit trust scheme involves:

- The value of the equity investments
- Costs and charges involved in various transactions of the scheme
- The value of money market instruments (if applicable)
- Accrued gross distribution and interest income after deduction of relevant fees and expenses such as annual management fees and administrative expenses

- I & II
- I, II & III
- I, III & IV
- All the optional answers are correct

Answer D

(Chapter 1, page 1-38 & 1-39)

19. In order to enhance professionalism in marketing of unit trusts:

- It is irrelevant what promises are made to clients with respect to investment returns
- It is important to provide superior service to clients and attend to their needs
- It is important to observe as many marketing leads as possible
- It is important to recommend to potential clients the best performing unit trusts regardless of the suitability of her risk profile to the fund

Answer B

D. All of the optional answers are correct

Answer A

UTS is a form of collective investment that allows investors with similar investment objectives to pool their savings, which are then invested in a portfolio of securities or other assets managed by investment professionals. Ownership of the portfolio is divided into units of entitlement and each investor is known as a 'unit holder'. (Chapter 1, page 1-2) UTS provide the benefits of liquidity whereby units can be bought and sold readily through UTMC, IUTA and UTC. (Chapter 1, page 1-4)

25. Which of the following best describes "Aggressive Growth Fund"?

- A. The fund will invest primarily in stocks which earn significant dividend income
- B. The fund will normally generate returns which closely resemble the performance of a stock market index, both in terms of risk and return
- C. Generally the fund will be invested in stocks with higher growth potential and with higher risk characteristic
- D. The fund mainly invests corporate bonds, government securities and liquid assets

Answer C

Equity UTS labeled "aggressive growth" generally invest in companies with higher capital growth potential, but with associated higher risk. (Chapter 1, page 1-13)

26. Which of the following is not the right of unit holders?

- A. To obtain information about the unit trust scheme and its performance
- B. To receive profile of board of directors
- C. To redeem units
- D. To select shares for the unit trust scheme's portfolio

Answer D

One of the disadvantages of UTS is loss of control. Investors in UTS lose the right to direct how their savings are invested. (Chapter 1, page 1-5)

27. Which of the following statement is not valid?

- A. Investors are entitled to receive unit trust certificate or statement for his investment
- B. Unit trusts are professionally managed by the unit trust management company
- C. Unit holders directly purchase the securities in the investment portfolio of the unit trust
- D. Value of a unit will fluctuate in line with the changes in the net asset value of the unit trust

Answer C

Investors in UTS do not purchase the securities in the portfolio directly. Ownership of the portfolio is divided into units of entitlement. (Chapter 1, page 1-2)

28. The best way for investors to minimize the impact of the initial service charge on unit trust investments is to:

- A. Buy and sell units as much as they can
- B. Invest as regular as possible and avoid lump-sum investments
- C. Adhere to a long-term buy and hold strategy; making sure that the units purchases match their long-term investment objectives
- D. Only purchase aggressive growth fund

Answer C

Investment in most UTS should not be for the short term, as the cost of investing is reasonably high. When spread over a longer time frame, these costs become less significant. Rapid purchase and sale of units in UTS can, because of the cost of investing, become significant drain on an investor's capital. (Chapter 1, page 1-29)

29. What is one of the functions of FMUTM?

- A. Reviews all materials prior to release to the public
- B. Generates all the guidelines that unit trust companies comply to and to report to the Compliance Authority if non-compliance is found
- C. Provides a common platform for unit trust companies to discuss issues in the industry
- D. A governing body which regulates the investment made by the unit trust management company

Answer C

The FIMM provides a common platform for UTMC to discuss issues relating to the unit trust industry.

30. The fund manager of unit trust scheme is allowed to charge a management fee, the fee is

- A. Mainly used to cover the management expenses incurred by the manager in managing the scheme
- B. Also known as a fee charged by the trustee
- C. Levied by the fund manager on the investment made by investors to cover the commission paid to agents
- D. Used for the purpose of registering the unit holders with the trustee

Answer A

Annual management fees that average around 1.5% per annum are levied by UTMC to cover the costs of managing UTS. (Chapter 1, page 1-30)

Question 31 & 32

31. Assume that the asset allocation of fund X and fund Y are as follows:

	<u>Fund X</u>	<u>Fund Y</u>
Equity Market	70%	0%
Money Market	10%	85%

Fund X is most appropriate to be classified as:

- A. Equity Fund
- B. Fixed Income Fund
- C. Property Fund
- D. Money Market Fund

Answer A

The major portion of equity UTS portfolios are shares of listed companies. (Chapter 1, page 1-13)

32. Which statement is correct

- I. Interest rate decreased, value fund Y will be more adversely affected
- II. Interest rate decreased, value fund Y will be more positively affected
- III. Value fund X will be more positively affected when the stock market is increasing

- A. I only
- B. I & III
- C. II & III
- D. All correct

Answer B

When the interest rate increases, the value of money market instruments will increase accordingly, vice versa (fund Y). When the stock market is increasing, the equity portion will move positively. (fund X).

33. Which of the following is (are) true about a bond fund?

- I. It is best to buy when interest rates are peaking and bond yields are high
- II. Manager's fees and charges are generally lower compared to the equity fund
- III. Fund prices will fall when interest rate rise
- IV. No matter when you redeem your investment, you will get back at least your principal amount or capital you have invested

- A. II only
- B. I & III
- C. I,II & III
- D. All of the optional answers are correct

Answer A

34. Which of the following is NOT TRUE?

- A. Generally, the portfolio of unit trust investment is determined by fund manager
- B. A unit trust is an investment mechanism which allows investor who shared similar investment objectives to pool their money
- C. The portfolio of investments is allowed to include only one asset class
- D. Unit holders do not directly purchase the securities and the ownership of the fund is divided into units

Answer C

The investment of some UTS may also be diversified across asset classes. In addition to shares, a UTS may invest in fixed income securities, property and cash. These investments will provide an element of stability in a declining stock market, and may provide some liquidity when meeting the repurchases of unitholders in UTS. (Chapter 3, page 3-28)

35. Net Asset Value of the fund does not change with UNIT SPLIT. Why does the UTMC take the options to split?

- A. Gain Management Fees
- B. Increase fund size in term of ringgit
- C. Lower unit NAV so that new investors can purchase
- D. Increase unit NAV to benefit existing unitholder.

Answer C

By splitting units, a high priced unit becomes lower-priced unit and new investors may be more inclined to purchase units especially in

comparison with competitor UTS that may have high-priced units. (Chapter 1, page 1-44)

36. NAV calculation includes:

- I. Equity market
- II. Money market (if applicable)
- III. Transaction cost of UTS
- IV. MER

- A. I and II
- B. I, II and III
- C. I, II and IV
- D. All of the optional answers are correct

Answer D

37. Trustee

- I. Regulatory body to control investment decision by UTMC
- II. Common platform for UTMC to discuss issues
- III. Guideline & report to regulatory body for non-compliance on investment
- IV. Safeguard the assets of the fund

- A. I, II and III
- B. I, III and IV
- C. II, III and IV
- D. All of the optional answers are correct

Answer B

The trustee's role is in Chapter 2, page 2-14

38. Capital Growth Fund (G) Capital Protected Fund (P)

Which of the following statement is NOT TRUE?

- A. G has better returns than P because of less risk
- B. P has less loss because of less risk

- C. P has less return because of less risk
- D. G has an aggressive risk strategy to get better potential returns

Answer A

G would have a higher potential return because it is at a higher risk exposure compared to P.

39.

	A	B
	RM1,000	RM1,000
NAV	RM0.27	RM0.80
MER	1.5%	0
Exit Fees	0	2%

Mr. Yee has investments in Fund A and Fund B with RM1000 each for 5 years. Assume that Fund A has a MER charge of 1.5% per annum, fund B has an exit fee of 2% and both funds have the same returns. Mr. Yee will gain more from Fund B. Is this statement true?

- A. True
- B. False because Fund A and Fund B have the same returns
- C. False because of the different fees imposed on both funds
- D. None of the answers are correct

Answer A

Yes, Mr. Yee will gain more from Fund B because MER charges are yearly charges however an exit fee is only charged when an investor makes redemption.

40. FIMM

- I. Common platform for UTMC to discuss issues
- II. To agree on standards of practice for the protection of the interests of unitholders.
- III. To improve regulations, tax and other rules affecting sales of unit trust.

- A. I and II
- B. II and III
- C. I and III
- D. All of the optional answers are correct

Answer D

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