

# **AN INVESTIGATION OF UNIT TRUST INVESTORS' RISK TO TOLERANCE LEVELS AND SELECTION CRITERIA IN MALAYSIA**

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## **ABSTRACT**

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This research investigates on the risk tolerance level of unit trust investors and their selection criteria in making a unit trust investment. Analyses like Pearson correlation coefficient, chi-square tests and one way ANOVA testing are made on unit trust investors' risk tolerance levels and selection criteria in selecting a fund investment. Through the distribution of questionnaires to the subjects, total samples of 129 respondents are utilized. It is found that the most important selection criteria for the investors is the past performance record. Thus, the finding of this study has agreed with other research studies done by Noel et al. (1994) and Sirri and Tufano (1998). However, after separating investors into performance driven and recommendation driven group, funds already owned in the family and friends' recommendations are found to be the major selection criteria of the recommendations are found to be the major selection criteria of the recommendation driven investors.

This paper has added another factor into the consideration of the selection criteria of investors, which is their risk tolerance level. It is discovered that investors have significant differences when they are categorized into six different groups using their selection criteria and risk tolerance levels. Among the six groups, it is discovered that the wealthiest group has significant differences with the least wealthy group in terms of their demographic data and investment behaviors. Age is not a factor that affects the risk tolerance of investors but monthly income has been found to have a significant correlation with investors risk tolerances levels. Female investors are not risk takers, however there are more likely to be risk normal.