

PATCHARAPORN KONGCHAREON: UNIT TRUSTS IN THAILAND: RETURN, RISK & INVESTMENT STRATEGY. THESIS ADVISOR: ASSO.PROF. PAIROJ VONGVIPANOND, Ph.D.
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This thesis looks at the implementation of strategies for investment in closed-end funds in Thailand and measures investment return and risk. The study focuses on Sinpinyo IV Fund(SF4), Sinpinyo V Fund(SF5), Ruam Pattana Fund(RPF), Subthawee II Fund(SW2) and Thanaphum Fund(TNP) for the period 1988-1990.

1. Mutual Funds: Utilizing the relevant theories, the results show that the returns from closed-end funds are higher than bank savings deposits (with the exception of the TNP). The returns on bank savings ranged from 10.08-11.02% per year, while the returns on closed-end funds were in the range of 18.75-28.63 per year.

The study of closed-end funds in Thailand shows that their discounts move between 5-20%. The best return and lowest risk among the closed-end funds studied was SF4. The study shows that the placement of investments and savings into mutual funds by small investors provides worthwhile returns with low associated risk.

2. Investors: Seth C. Anderson, studying Cootner's reflecting barriers, looked at the various strategies used to invest in 21 unit trusts over the period 1965-1985. Professional investors purchased shares when the discounts were in the 20-25% range and sold when the discount fell to 10-15%. The reverse, however, was true for non-professional investors. The results showed that professional strategies produced significantly higher returns, on average, than a long-term (buy and hold) strategy, which was in turn superior to returns from non-professional (reverse) strategy.

In our study, unit holders using professional and non-professional (reverse) strategies to invest in funds with wide price to NAV discounts could gain an advantage over long-term investors in terms of risk-adjusted returns. Looking at SF4 specifically, shows that professional investors holding units when the price discount to NAV ranged between 20% and 15% at performed all other strategies with a return of 34.04% per year. On the contrary, non-professional (reverse) investors buying & selling TNP with a triggering pairs of discounts at 10% and 15% respectively also achieved an impressive return of 33.81% per year for the period studied.

The results of this thesis differ from those reported in the overseas study; this allowed professional investors and non-professional (reverse) investors to gain higher returns than long-term (buy and hold) investors. Factors bearing of the difference between the results of our study and the overseas study are believed to be the shortness of the selection period for study. In addition, discounts varied greatly across funds over the study period, while the market itself was subject to considerable volatility.

The difference between the results of the overseas study and our own study indicate that the Reflecting Barriers theory is not appropriate for use as a strategy for investment in unit trusts in Thailand. Investors wish to invest in closed-end funds can opt for a "buy & hold" strategy, as the return using this strategy is higher than both bank deposits and the market return. Investors wishing to take advantage of the discount to NAV for unit trusts should follow the movements of these discounts in order to maximize returns from closed-end funds in Thailand. Closed-end funds in Thailand tend to have high price-to-NAV discounts at over 20%. This is seen clearly, particularly in the first year of trading for the new unit trusts, when prices slipped below their 10 baht par values. However, discounts over 20% may not occur in the future because of changes in the environment for unit trusts which are developing rapidly in Thailand.