USING PUBLISHED UNIT TRUST DATA: A CASE FOR CAUTION

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The Growing 'Equity Culture' of the 1980s

It is claimed that the number of individual shareholders in the UK has risen from 2m to 9m between 1983 and 1988. The bulk of these first-time investors tend to operate on a modest scale. Of the present 9m shareholders, 5m hold shares in only one company, and although there is now a similar proportion of the population owning shares in the UK as in the US (some 20% of the adult population), the average size of US holdings tends to be very much larger — nearly one quarter of all UK individual shareholders have less than £500 invested, although the average shareholder has a portfolio worth nearly £4000. (Taylor, 1986).

There can be no doubt that the growing interest in equity investment in the UK is due to the influence of the Thatcher administration, one of whose political priorities has been to encourage as many people as possible to become registered as shareholders. Clearly the Government's comprehensive privatisation programme, in combination with a carefully planned campaign to extol the virtues of the market system, represent major influences. Other measures taken by the Government, like the reduction in 1986 of stamp duty on share transactions and the fiscal encouragement given to Employee Share Schemes, may seem less dramatic in comparison, but they have, nevertheless, contributed to the growing interest in equity investment. (Taylor, 1986).

In addition to Government measures, important changes within the UK financial sector have also taken place in recent years, including the introduction of tax-efficient equity plans in 1987, and the merging of the previously separate functions of share broking and jobbing through the 'Big Bang' of October 1986, whereby minimum commissions on share dealings were abolished. Finally, underpinning these political and institutional changes was the unprecedented rise in world stock markets throughout most of the 1979-87 period; in the UK the rise in the FTA all-share index of 330% between October 1981 and July 1987 was reasonably

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typical of the bull market conditions experienced worldwide over a seventy month period.

The capability of modern equity markets to adjust to different levels with terrifying speed was admirably demonstrated on 19 October 1988 when stock market indices everywhere fell by some 30% within 24 hours. Thatcher's volunteer army of first-time investors now had first hand experience of the harsh realities of a collapsing stock market. The term 'fall out' gained new significance.

Investing in Unit Trusts

In this article we concentrate on unit trusts — a sector of the UK equity market which has become a major catchment area for the first time personal investor and, consequently, has itself experienced phenomenal growth during the 1980s. Of the 1200 unit trusts in existence at 1 August 1988, 864 were launched after 1979 (and 546 of these since 1985). That first time investors should be attracted to unit trusts is not difficult to understand: they provide a convenient, cheap and simple introduction to equity investment in addition to offering the small investor the advantages of holding a broad portfolio of shares at relatively low cost vis-à-vis direct equity investment. However, with seventeen distinct categories of unit trusts involving 1200 trusts and 165 management companies, unless reliable and comprehensive information is available, it is virtually impossible to choose the 'right' trust and to benefit fully from the diverse investment opportunities offered by the unit trust market. Since many of the existing and potential investors in unit trusts have limited knowledge of the stock market, they are dependent for this information upon the services of financial intermediaries and professional advisers. The purpose of this article is to demonstrate that although financial intermediaries are legally bound to provide the 'best' advice within the context of the Financial Services Act (1986), it is doubtful whether such advice can be provided given the limited data on trust performance that is generally available.

When evaluating investment performance the academic literature stresses the importance of taking into account not only the expected return on an investment, but also the risk involved (such risk usually being represented by some measure of variability about the expected return on the investment).[1] Although there are a number of financial publications aimed at the professional adviser which provide unit trust performance

(1) For an explanation and appraisal of the treatment of risk in modern portfolio theory see Lumby (1981), Harrington (1983) and Rutterford (1983). Taylor (1987) gives a non-technical discussion of risk and provides a useful table which classifies specific types of equity investment according to the risk element they contain.

data, such data invariably concentrate upon the return on the investment only, and ignore the element of risk.[2] Since the acquisition of all the relevant information is subject to considerable opportunity cost constraints, first-time investors attracted to the unit trust market are rarely in a position to adopt a refined investment strategy based upon risk and return data. This raises the interesting question as to the extent to which the readily available, but limited, information is misleading — that is to what extent does it direct the investor to the wrong trusts? We attempt to answer this question below.

Another deficiency in the available trust performance data (in terms of its potential for misleading the investor) is that it provides information that is relevant for one particular point in time only (i.e. one particular week or month) and thus does not incorporate a proper time perspective on performance. Since this return data is not averaged over a respectable period of time, an element of randomness is introduced in the observed performance of trusts when such observations are taken at discrete and isolated points in time. We also demonstrate below how seriously misleading this information can be for the potential investor.

Trust performance must also be viewed relative to the performance of other trusts and of the market as a whole. Whilst, on average, a fund may produce a positive return over a given investment period, it is possible that this return represents a decidedly inferior investment when compared to the returns produced by other funds and by the market as a whole. Another important attribute worth looking for in trust performance is consistency over different investment periods, particularly over the medium and long term (say three and five years). Given the limitations of the data that is generally available, obtaining reliable information in both these respects is no easy task. These aspects of trust performance are also considered below.

The Data

Our analysis concentrates upon one category of unit trust: UK general. Although this category comprises only 10% of all trust funds it is the largest single sector of the unit trust market, accounting for almost one quarter of the total value of trust funds (some £9b out of £38b in August 1988). Return data was obtained for each month over a 36 month observation period, 1 Jan 1985 – 1 Dec 1987, on the assumption that £1000 had been invested for a specific investment period terminating in that particular month. Three specific investment periods were analysed: one, three and five years. The returns were calculated on an offer to bid basis

(2) See, for example, *Money Management* which is published monthly by FT Business Information Ltd.

and include the re-investment of any net dividends paid within the investment period. Thus the first observation, 1 Jan 1985, provides the percentage return over an original investment undertaken on 1 Jan 1980 (5 year), 1 Jan 1982 (3 year) and 1 Jan 1984 (1 year). The mean return ($\overline{R}$) of each trust that was available for analysis over the full 36 month observation period and for all three investment periods forms the basis of Tables 1-3.[3] Data was similarly obtained for the FTA all-share index (representing the equity market as a whole) and for the 'average' UK general trust fund. This information is given in column 1 of Tables 1-3 whilst column 2 ranks the trusts on the basis of this mean return. In addition, the coefficient of variation (cv) was calculated for each trust (see column 3 of Tables 1-3).[4] As a measure of variability — and hence of risk — the cv is a convenient measure in two respects: firstly, it expresses the variation in returns observed over the 36 months as a percentage of the mean return (hence making trust comparisons a fairly simple matter); secondly, the inverse of the cv provides a measure of the mean return per unit of risk, where the standard deviation is the measure of risk adopted. In column 4 of Tables 1-3, the trusts are ranked on a risk-adjusted mean return basis ($\overline{R}a$) using the inverse of the cv.[5]

Finally, as we are concerned with the mean return of trust funds over a 36 month observation period, our analysis of fund performance has the advantage of incorporating a proper time perspective; this also means that our results have been unaffected by the fall in stock market values that followed 'Black Monday' (19 October 1987), since only the last two observations were influenced.[6]

Results

(i) *Mean Return ($\overline{R}$) versus Risk Adjusted Mean Return ($\overline{R}a$)*

Assuming that ranking trusts on the basis of ($\overline{R}a$) as opposed to ($\overline{R}$) is the preferred approach, let us define an undervalued trust as one where rank($\overline{R}$) < rank($\overline{R}a$) and an overvalued trust as when rank($\overline{R}a$) > rank($\overline{R}a$). Undervalued trusts provide a far better return on one's investment than rank($\overline{R}$) suggests i.e. they represent good value for money given

(3) 57 trusts were available for all 36 observations when compiling Table 3; for comparative purposes, only these funds have been included in Tables 1 and 2.

(4) This is defined as CV = [$\sigma/\overline{R} \times 100$], where σ = standard deviation and $\overline{R}$ = the mean return on an original investment given in column 1 of Tables 1-3.

(5) Thus [1/CV × 100] = $\overline{R}/\sigma$, the mean return per unit of risk. This is, in fact, the *Sharpe* measure of fund performance first advocated by W. Sharpe in "Mutual Fund Performance", *Journal of Business*, Volume 39 (1966), pp.119-38. There are, of course, other risk-adjusted measures of portfolio performance, and in a forthcoming article the authors provide a critical assessment of these measures using UK unit trust data.

(6) The performance rankings in Tables 1-3 were not significantly altered when the last two observations were ignored.

Table 1: *One Year Data*

	Trust Name	(1) Mean Return (%)	(2) Rank	(3) Vari-ability (%)	(4) Risk Adjusted Rank
1	Abbey General	17.1	56	69.6	52
2	Allied Dunbar Asset Value	27.9	7	50.9	37
3	Allied Dunbar Balanced	19.0	49	51.1	38
4	Allied Dunbar Growth & Inc.	19.1	48	50.3	33
5	Anderson Growth	21.4	37	96.7	56
6	Asset Growth	14.1	59	131.9	59
7	Aetna International Earnings	16.7	57	75.4	53
8	Barclay's Unicorn 500	25.9	13	49.8	31
9	Barclay's Unicorn Capital	19.4	46	54.6	40
10	Barclay's Unicorn General	24.8	21	41.9	8
11	Barclay's Unicorn Income	26.5	10	37.0	3
12	Barclay's Unicorn Trustee	22.0	35	46.8	20
13	Barclaytrust Investment	21.6	36	47.7	27
14	British Life	20.5	40	50.7	34
15	Brown Shipley MGD Portfolio	25.1	18	99.2	57
16	Buckmaster General	25.6	16	56.3	44
17	Canlife General	18.6	51	54.8	41
18	Discretionary	20.0	44	89.0	54
19	Equitable Pelican	23.6	26	49.2	30
20	Equity & Law General	17.5	55	60.6	47
21	Fidelity Growth & Income	28.2	6	37.6	4
22	Friars House	30.2	4	44.7	13
23	Friends Provident Equity	18.7	50	35.6	43
24	G & A	23.6	26	50.8	36
25	Glen Capital	23.3	28	106.9	58
26	G.R.E. Guardhill	16.3	58	63.8	48
27	Henderson Income & Assets	25.9	13	39.4	5
28	Henderson Income & Growth	27.0	9	41.9	8
29	Henderson Recovery	27.8	8	93.9	55
30	Hill Samuel British	20.5	40	49.8	31
31	Hill Samuel Security	25.7	15	47.5	25
32	Lloyds Bank Balanced	18.2	53	57.1	45
33	M & G General	25.3	17	45.2	16
34	M & G Midland	36.8	1	39.4	5
35	M & G Second General	24.3	24	47.3	24
36	M & G Trustee	24.9	19	45.4	17
37	Mayflower General	19.4	46	46.4	18
38	Mercury General	28.4	5	46.8	20
39	Midland Bank Income	23.3	28	44.2	12
40	Minister	19.5	45	55.4	42
41	MLA General	20.3	42	51.7	39
42	NPI UK	23.3	28	47.6	26
43	Northgate Unit Trust	21.4	37	44.9	14
44	Norwich Union Growth	18.2	53	68.1	49
45	MM Schroder UK Equity	21.4	37	49.1	29
46	Pearl Unit Trust	23.9	25	46.9	22
47	Quadrant General	23.2	32	58.2	46
48	Reliance Unit Trust	24.7	22	44.9	14
49	Robert Frazer Growth Trust	32.8	3	68.9	51
50	S & P Scotshares	18.5	52	68.1	59
51	S & P UK Equity	23.3	28	46.4	18
52	Stewart Ivory British	33.0	2	30.9	1
53	Target Equity	22.9	34	47.2	23
54	Trades Union	24.9	19	39.8	7
55	T.S.B. General	20.1	43	50.7	34
56	T.S.B. Income	26.1	12	35.6	2
57	Vanguard Trustee	24.4	23	43.8	11
58	Average	23.1	33	48.1	28
59	FT All Share Index	26.5	10	43.3	10

Table 2: *Three Year Data*

	Trust Name	(1) Mean Return (%)	(2) Rank	(3) Variability (%)	(4) Risk Adjusted Rank
1	Abbey General	69.1	53	29.2	44
2	Allied Dunbar Asset Value	118.7	6	20.2	9
3	Allied Dunbar Balanced	91.6	36	20.9	12
4	Allied Dunbar Growth & Inc.	79.9	46	23.3	26
5	Anderson Growth	73.0	51	39.5	53
6	Asset Growth	44.7	59	59.3	58
7	Aetna International Earnings	70.0	52	27.4	40
8	Barclay's Unicorn 500	100.5	26	28.9	43
9	Barclay's Unicorn Capital	80.6	45	24.4	32
10	Barclay's Unicorn General	124.1	5	18.5	5
11	Barclay's Unicorn Income	118.0	8	18.6	6
12	Barclay's Unicorn Trustee	103.0	21	20.8	11
13	Barclaytrust Investment	92.7	34	22.0	21
14	British Life	91.3	38	21.8	18
15	Brown Shipley MGD Portfolio	82.9	43	44.8	55
16	Buckmaster General	96.7	30	30.7	45
17	Canlife General	77.3	49	25.6	38
18	Discretionary	59.9	58	53.3	57
19	Equitable Pelican	104.6	17	22.8	24
20	Equity & Law General	77.8	48	25.3	34
21	Fidelity Growth & Income	29.7	3	18.4	4
22	Friars House	104.5	18	39.5	53
23	Friends Provident Equity	91.4	37	31.5	47
24	G & A	96.2	32	25.3	34
25	Glen Capital	67.5	55	52.9	56
26	G.R.E. Guardhill	67.4	56	25.8	39
27	Henderson Income & Assets	118.4	7	17.8	2
28	Henderson Income & Growth	125.2	4	17.9	3
29	Henderson Recovery	97.9	28	38.9	52
30	Hill Samuel British	97.2	29	21.0	13
31	Hill Samuel Security	112.3	12	22.9	25
32	Lloyds Bank Balanced	80.7	44	24.2	31
33	M & G General	104.2	20	22.1	22
34	M & G Midland	161.3	1	21.2	15
35	M & G Second General	99.9	27	22.1	22
36	M & G Trustee	101.6	25	24.1	30
37	Mayflower General	87.9	41	21.4	16
38	Mercury General	112.4	11	27.8	42
39	Midland Bank Income	107.6	13	19.1	8
40	Minister	91.8	35	24.6	33
41	MLA General	105.7	14	32.3	48
42	NPI UK	115.6	10	21.5	17
43	Northgate Unit Trust	79.9	47	31.0	46
44	Norwich Union Growth	75.3	50	25.5	37
45	MM Schroder UK Equity	104.7	17	21.8	18
46	Pearl Unit Trust	105.1	16	20.5	10
47	Quadrant General	89.3	40	32.3	48
48	Reliance Unit Trust	93.0	33	33.7	50
49	Robert Fraser Growth Trust	67.2	57	107.6	59
50	S & P Scotshares	67.7	54	34.0	51
51	S & P UK Equity	102.8	24	23.4	27
52	Stewart Ivory British	133.1	2	23.9	29
53	Target Equity	102.9	21	21.0	13
54	Trades Union	105.2	14	18.7	7
55	T.S.B. General	84.3	42	25.4	36
56	T.S.B. Income	116.2	9	16.9	1
57	Vanguard Trustee	102.9	23	21.9	20
58	Average	96.5	31	23.4	27
59	FT All Share Index	91.1	39	27.5	41

Table 3: *Five Year Data*

	Trust Name	(1) Mean Return (%)	(2) Rank	(3) Vari-ability (%)	(4) Risk Adjusted Rank
1	Abbey General	147.3	51	18.1	5
2	Allied Dunbar Asset Value	222.5	15	26.6	41
3	Allied Dunbar Balanced	189.9	33	19.9	14
4	Allied Dunbar Growth & Inc.	173.7	38	18.9	8
5	Anderson Growth	149.4	50	43.6	55
6	Asset Growth	103.4	58	29.7	48
7	Aetna International Earnings	137.9	52	30.4	49
8	Barclay's Unicorn 500	195.6	28	23.4	31
9	Barclay's Unicorn Capital	162.6	46	22.0	24
10	Barclay's Unicorn General	256.3	4	20.4	16
11	Barclay's Unicorn Income	240.6	10	18.9	8
12	Barclay's Unicorn Trustee	215.9	16	17.5	4
13	Barclaytrust Investment	188.6	35	20.8	18
14	British Life	186.2	36	21.1	19
15	Brown Shipley MGD Portfolio	157.9	49	46.0	56
16	Buckmaster General	166.9	45	47.2	57
17	Canlife General	158.0	48	23.7	33
18	Discretionary	123.4	56	28.0	43
19	Equitable Pelican	232.5	11	21.8	23
20	Equity & Law General	173.5	39	20.2	15
21	Fidelity Growth & Income	226.9	13	27.1	42
22	Friars House	171.0	41	41.8	53
23	Friends Provident Equity	232.4	11	18.8	7
24	G & A	194.4	30	23.1	29
25	Glen Capital	131.2	54	42.1	54
26	G.R.E. Guardhill	136.5	53	21.2	20
27	Henderson Income & Assets	224.1	14	23.2	30
28	Henderson Income & Growth	294.9	3	15.8	1
29	Henderson Recovery	167.8	44	61.8	58
30	Hill Samuel British	194.9	29	21.2	20
31	Hill Samuel Security	213.6	19	28.0	43
32	Lloyds Bank Balanced	172.5	40	18.4	6
33	M & G General	196.4	27	29.4	47
34	M & G Midland	302.8	1	36.5	51
35	M & G Second General	205.9	22	26.0	39
36	M & G Trustee	203.6	24	29.3	46
37	Mayflower General	168.7	42	22.2	25
38	Mercury General	243.6	7	19.6	12
39	Midland Bank Income	215.7	17	25.1	36
40	Minister	207.1	21	19.6	12
41	MLA General	301.9	2	20.7	17
42	NPI UK	244.1	8	19.0	11
43	Northgate Unit Trust	122.6	57	38.3	52
44	Norwich Union Growth	179.6	37	18.9	8
45	MM Schroder UK Equity	248.2	6	17.0	3
46	Pearl Unit Trust	209.8	20	22.7	27
47	Quadrant General	204.8	23	23.9	34
48	Reliance Unit Trust	161.9	47	25.3	38
49	Robert Frazer Growth Trust	51.4	59	146.3	59
50	S & P Scotshares	126.2	55	35.6	50
51	S & P UK Equity	215.0	18	21.2	20
52	Stewart Ivory British	251.7	5	26.0	39
53	Target Equity	189.9	34	25.1	36
54	Trades Union	201.0	25	23.0	28
55	T.S.B. General	168.6	43	22.4	26
56	T.S.B. Income	244.1	8	16.2	2
57	Vanguard Trustee	191.8	32	29.2	45
58	Average	193.1	31	23.9	34
59	FT All Share Index	200.3	26	23.5	32

the relatively low risk they entail for the investor. Overvalued trusts may be regarded as offering a poorer return than that suggested by rank($\overline{R}$), given the relatively high risk they entail for the investor. Consequently, if risk is ignored, it is possible that investors may be attracted to trusts which are overvalued on a rank($\overline{R}$) basis, at the expense of trusts which this method of ranking tends to undervalue. Examination of Tables 1-3 reveals that, using rank($\overline{R}$), some 25% of the trusts analysed are consistently undervalued over the three investment periods, whilst 18% are consistently overvalued. We now consider whether these differences between rank($\overline{R}$) and rank(Ra) are to be regarded as serious (in terms of directing investors to the wrong trusts).

Of the trusts that are consistently undervalued, trusts 3, 4, 26, 32 and 37 are particularly good examples of the phenomenon — indeed trust 26 consistently appears in the bottom ten over all three investment periods on a rank($\overline{R}$) basis. However, if one considers only the top ten trusts on a rank($\overline{R}$a) basis over the three investment periods, most of the undervalued trusts do not feature at all, and of the five trusts noted above, only trusts 4 and 32 are relevant in a limited sense, since they only rank in the top ten in Table 3. Thus even these two trusts are not consistently good performers on a rank($\overline{R}$a) basis. Consequently all the trusts that are undervalued using rank($\overline{R}$) may also be justifiably ignored by a potential investor on a rank($\overline{R}$a) basis.

Of the overvalued trusts, although 15, 22, 29, 34 and 52 are good examples, we shall concentrate upon trusts 34 and 52, which are ranked very highly over all three investment periods using rank($\overline{R}$). It is when one considers these trusts that the potential for rank($\overline{R}$) to seriously mislead the investor is realised. Although both trusts consistently dominate the ($\overline{R}$) based rankings, they do not feature in the top ten over the three and five year investment periods on a rank($\overline{R}$a) basis. Indeed trust 34, which ranks first over all investment periods on a rank($\overline{R}$) basis, actually appears in the bottom ten in Table 3 on a rank($\overline{R}$a) basis! Trust 52 is also to be avoided on the basis of its performance over the medium and long term using rank($\overline{R}$a).[7]

To conclude our assessment of ($\overline{R}$) vis-a-vis ($\overline{R}$a), trusts 10, 11, 28, 34, 42, 52 and 56 earn high rankings using rank($\overline{R}$) over the three and five year investment periods. In addition trusts 11, 28, 34 and 52 also appear in the top ten in Table 1 using rank($\overline{R}$) and so would appear to represent very attractive investments. However on a rank($\overline{R}$a) basis, only trusts 11, 28 and 56 feature in the top ten in Tables 1-3. Using rank($\overline{R}$a), trust 10

(7) Although trust 34 and 52 performed well over one year using both ($\overline{R}$) and ($\overline{R}$a), the three and five year results are regarded as being more important.

is also a good performer, although it does not feature in the top ten in Table 3; trust 42 never features in the top ten.

Thus although trusts 11, 28, 56 are consistently high performers on both rank($\overline{R}$) and rank($\overline{R}$a), they would be dominated by trusts 34 and 52 using rank($\overline{R}$), and this could seriously mislead the investor. Trust 42 would also be avoided on a rank($\overline{R}$a) basis, but using rank($\overline{R}$) it is an attractive trust over the medium and long term. Thus, at the top end of the performance scale, ignoring the element of risk by using rank($\overline{R}$) only, could encourage the wrong investment decision.

Finally, at the other end of the performance scale, trusts 5, 15, 18, 25, 29, 49 and 50 are poor performers over all three investment periods using rank($\overline{R}$a); these trusts also perform poorly using rank($\overline{R}$), particularly over the medium and long term periods. The dismal performance of these trusts is rather dramatic when one considers that they have performed poorly during a period which was remarkable for its bull market characteristics.

(ii) *The Need for a Proper Time Perspective on Performance*
Although the rank($\overline{R}$) discussed in the previous section ignores the element of risk it is still based on an *average* return taken over a 36 month observation period. As noted in Section 2, the data on unit trust performance that is generally available, besides ignoring risk, does not incorporate such a time perspective on performance. Hence the possiblity of serious error, in terms of directing the investor to the wrong trusts, is significally enhanced.

It is easy to demonstrate the importance of incorporating a proper time perspective when evaluating trust performance with reference to the poor performing trusts noted above i.e. 5, 18, 25, 29, 49 and 50 using rank($\overline{R}$a).[8] Taking each of the ten months, 1 Jan 1988–1 Oct 1988 in isolation (see Table 4), it is rather remarkable that these trusts appeared to be doing extremely well considering their performance over the previous 36 months.

Although trusts 5 and 29 did not rank within the top five in any of the months covered by Table 4, trust 29 ranked within the top ten over the three year investment period between June and October 1988, whilst trust 5 ranked within the top ten over the same investment period in September and October 1988. Other apparently good performers during this period on a monthly 'snapshot' basis were trust 18 (over one and three years), trust 25 (one and three years), trust 49 (three years) and trust 50 (over one

(8) Trust 15 is no longer available.

Table 4: *Number of Months Trust ranked within the Top Five January – October 1988*

Trust	Investment Period (Years) I	III	V
5	0	0	0
18	10	7	0
25	5	4	0
29	0	0	0
49	0	7	0
50	6	0	0

Source: *Money Management*

year). That trust 49 should feature regularly in the top five each month since January 1988 is particularly dramatic and, of course, misleading given its very poor performance on a rank($\overline{R}a$) basis — or even using the more simple rank($\overline{R}$) — over the previous 36 months. Just as dramatic was the recent performance of trust 18 which ranked in the bottom ten over the one and three year investment periods using rank($\overline{R}a$) based on the previous 36 months, but which ranked in the top five for these two investment periods for most months between January-October 1988.

Of course it is not difficult to provide an explanation for the apparent change in the performance of these trusts. Tables 1-3 show that these trusts exhibit a very high variation about the mean return observed over all three investment periods (see column 3). This means that one must expect runs of 'good' months in terms of performance as well as periods of very dismal performance — for that is what a high cv implies.

From our analysis of trust performance taken over a proper time perspective, one can see the potential danger of ranking trusts on the basis of a monthly 'snapshot' of information which ignores both risk and time. Yet it is on this basis that trusts are ranked by a variety of financial publications aimed at the individual investor and professional adviser.

Conclusions

The available data on trust performance is deficient in two crucial respects: it ignores both risk and time. In this article we have demonstrated how seriously misleading this limited information can be in terms of attracting the investor to the wrong trusts. Clearly, within the context of the Financial Services Act, there is a strong case for ensuring that financial intermediaries make use of more comprehensive information on trust fund performance than that which is generally published, and that potential investors be given access to this information. Most certainly

financial publications ought to be discouraged from the current practice of ranking unit trusts on the basis of severely limited data.

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