

# Evaluating Performance of Islamic Mutual Funds in Indonesia and Malaysia

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*This study measures the performance of Islamic mutual funds in Indonesia and Malaysia, two countries which have growing Islamic Capital Markets. By using 5 measurement tools, namely Sharpe, Treynor and Jensen Indices, as well as Snail Trail Methodology and Market Timing, the study finds that Malaysian Islamic stocks seem to outperform the Indonesian Islamic mutual funds, even in the period of global economic crises. This study also discovers that risk-return relationship of debt Islamic mutual funds is relatively stable as compared with asset allocation and equity Islamic mutual funds. Lastly, this study finds that market timing ability of investment managers of Islamic mutual funds in the two countries cannot increase the funds' returns as a whole.*

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## 1. Introduction

The most prominent feature that can distinguish Islamic capital market from its conventional counterpart is that the former's activities are carried out in ways which does not conflict with the principles of Islam (Shari'ah). It represents an assertion of religious law in capital market transactions where the market is free from prohibited activities and elements such as *riba* (usury), *maisir* (gambling), *gharar* (ambiguity), *risywah* (bribery), and *zulm* (exploitation).

Islamic capital markets are now gaining the momentum to grow into a vibrant marketplace, especially for emerging market borrowers in the regions of the Middle-East, South-East Asia, South Asia and North Africa. In the period of global economic crises

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resulted from subprime mortgage case, which collapse most US and European giant investment companies, Islamic financial instruments have attracted more investors to put their funds in these interest-free instruments. Besides that, availability of numbers of Islamic capital market instruments, such as Islamic stock, sukuk, and Islamic mutual funds, has created a flourishing Islamic capital market.

On the area of Islamic mutual fund, investors can monitor its performance fluctuations by means of Islamic index. In Malaysia, Kuala Lumpur Shari'ah Index (KLSI) which was launched on April 17<sup>th</sup> 1999 was replaced by FTSE Bursa Malaysia EMAS Shariah on November 1<sup>st</sup> 2007. Not only that, Bursa Malaysia also cooperated with Dow Jones Market Asia to establish the other relevant indices. The main reason of the replacement is to provide a more globally relevant trading foundation for both domestic and foreign investors to base their investment analyses and decisions, increasing its appeal to international investors. As of November 28<sup>th</sup> 2008, Bursa Malaysia recorded that the number of Islamic-compliant securities amounted 855 (or 87% of the listed securities), while their market capitalization amounted RM 422.24 Billion (or 64.3% of total market capitalization). Moreover, as of June 30<sup>th</sup> 2008, there were 31 investment companies manage 142 Islamic mutual funds in Malaysia (SC of Malaysia, 2008).

In Indonesia, Indonesia Islamic Index (III, previously known as Jakarta Islamic Index or JII) was launched in 2000. Additionally, on March 2008, Bursa Efek Indonesia recorded that there were 20 Islamic mutual funds traded in Indonesia with assets value of Rp 2.52 Billion. This number is much smaller than total amount of mutual funds traded in the country (463 funds) which owned assets amounted Rp 92.6 Billion. However, the growth of the Islamic mutual funds in this world-highest populated Muslim country is very amazing. Since launched in the middle of 1997, Islamic mutual funds in Indonesia were consistently growing in term of number and assets value. Until the end of 2003, the only Islamic mutual fund traded in the country was DANBERI which managed by Danareksa Investment Management. However, at the end of 2004, there were 8 Islamic mutual funds which assets amounted Rp 379.11 Trillion. Thus, in a period of less than four years, the amount of Islamic mutual funds has grown by 150%, while their assets value has multiplied by 664.9%.

Though from the statistics, the Malaysian Islamic mutual funds seem to perform better because of their growth as compared to the Indonesian funds, we are yet to see the empirical performance on both countries Islamic mutual funds. Thus, this paper aims to compare the performance of Indonesian and Malaysian Islamic mutual funds. Furthermore, in order to ensure that the result will not be spurious, this study uses 5 measurement tools: (1) Treynor index, (2) Sharpe index, (3) Jensen index, (4) Snail Trail methodology, and (5) Market timing ability.

## **2. Theory of Islamic Mutual Funds Performance Measurement**

Studies which measure the performance of Islamic mutual funds are still lack as compared to studies on the conventional counterparts. Achsien (2003) did research on performance of both Malaysian Islamic and conventional mutual funds. His study found that during the period of January 2<sup>nd</sup> 1997 to February 26<sup>th</sup> 1999, Islamic mutual funds

performed better as compared with the conventional mutual funds. Besides that, his study uncovered that Malaysian Islamic mutual funds outperformed all of their benchmark, namely KLCI, RHB Islamic Index, dan KLSE Composite Index.

Moreover, Haruman dan Hasbi (2005) discovered that on the period of January 2002 to December 2003, Indonesian equity Islamic mutual funds outperformed the market (JII). This finding was supported by the result of performance measurement which calculated by using Sharpe, Treynor, and Jensen indices. All of the three indices show positive value, which means that all equity Islamic mutual funds performed better than their benchmark. Another study on this area was done by Rachmayanti (2006). She found that during 2001 to 2002, the performance of equity Islamic mutual funds were higher than equity conventional mutual funds. Her study used Sharpe, Treynor, and Jensen indices.

Hayat (2006), additionally, studied the return of Malaysian Islamic equity by using market timing ability measurement which was developed by Treynor and Mazuy (1966). His result showed that Malaysian Islamic mutual funds' investment managers have relatively good ability to buy or sell stocks in right time. On the other hand, his study also discovered that at global level, Islamic mutual funds' investment managers have reliable ability to do stock picking.

Furthermore, study done by Cahyaningsih, et. Al (2007) found that during January 2004 to December 2006, the Indonesian conventional mutual funds have been able to outperform the Islamic mutual funds. This underperformance of Islamic mutual fund performance happened because portfolio managers did not have superiority skills in security selection and market timing.

The above literature reviews shows that most studies on evaluating the performance of Islamic mutual funds were conducted by utilizing Sharpe, Treynor, and Jensen Indices. Therefore, this study is trying to broaden the analysis by adding two performance measurement tools of Snail Trail Methodology and Market Timing ability.

### **3. Data and Methodology**

#### **3. 1. Data Sources**

Data used in this study were obtained from Bloomberg Database. The filter used in the Islamic mutual funds selection is based on the funds whose daily returns are available over a period of no less than three years, which is from January 1<sup>st</sup>, 2006 to April 31<sup>st</sup>, 2009. The period is chosen to see how the global economic crises affect the performance of the Islamic mutual funds in Indonesia and Malaysia. With those criteria, 10 Indonesian Islamic mutual funds and 14 Malaysian Islamic mutual funds are collected.

As benchmark, this study uses two stock market indices, which are Jakarta Islamic Index (JII) and Malaysia Dow Jones Islamic Market Index (DJIMI). Additionally, for the risk-free rates, this study uses the daily rate of Malaysian Government Treasury Bills (MGTY5Y) and the daily rate Bank Indonesia Certificate (GIDN5YR). These rates were also taken from Bloomberg Database. Moreover, for

calculating return and its standard deviation, this study makes use of daily NAV of each mutual fund, as well as the daily price of JII and DJIMY.

### 3. 2. Methodology

To evaluate the performance of each mutual fund, this study employs five measurements: (1) Treynor Index, (2) Sharpe Index, (3) Jensen Index, and (4) Snail trail method.

#### 3. 2. 1. Treynor Index

Treynor index, which was founded by Jack Treynor (1965), is commonly used to measure mutual fund performance. This measurement assumes that the mutual fund, as the object of study, is well diversified, therefore this index only takes the systematic risk ( $\beta$ ) into account. The Treynor index can be calculated by dividing the net of mutual fund's return minus the risk-free rate with the market risk of that mutual fund.

$$T = \frac{\overline{R_i} - \overline{RFR}}{\beta_i}$$

The result generated by using the above formula is simply the slope of the line between the risk free rate (RFR) and the risk-return plot for the stock. The greater slope indicates a better risk-return tradeoff. Thus, higher T generally indicates better performance.

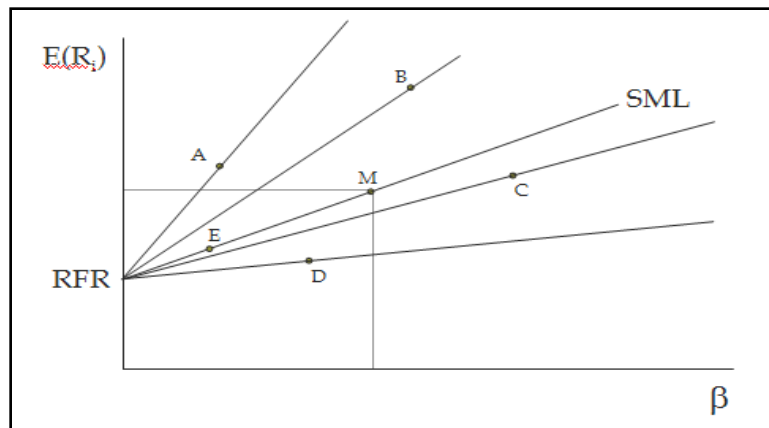


Figure 1. Plot of Performance on SML (Treynor Index)  
Source: Reilly/Brown. *Investment Analysis and Portfolio Management*. 2006

The return of mutual fund, as well as its benchmark index can be calculated as follows:

$$R_i = \frac{NAV_t - NAV_{t-1}}{NAV_{t-1}}$$

Where

- $R_i$  = Actual return of mutual fund  $i$
- $NAV_t$  = Net asset value of mutual fund  $i$  on day  $t$
- $NAV_{t-1}$  = Net asset value of mutual fund  $i$  on day  $t-1$

Moreover, to calculate the Treynor index, actual return generated from above formula has to be annualized by using below formula:

$$AR = (1 + APR)^m - 1$$

Where:

- AR = Annual rate of return
- m = Number of periods in a year
- APR = Average periodic rate of return

### 3. 2. 2. Sharpe Index

Sharpe index is another methodology to evaluate the performance of mutual fund. Instead of using beta as denominator, the formula to calculate this index uses total risk, which is the total of systematic and unsystematic risk of the mutual fund. In the case of well-diversified mutual fund, where the unsystematic risk is close to zero, the total risk is same with systematic risk. Thus, in this case, the result of Sharpe and Treynor index will be the same.

$$S = \frac{\overline{R_i} - \overline{RFR}}{\sigma_i}$$

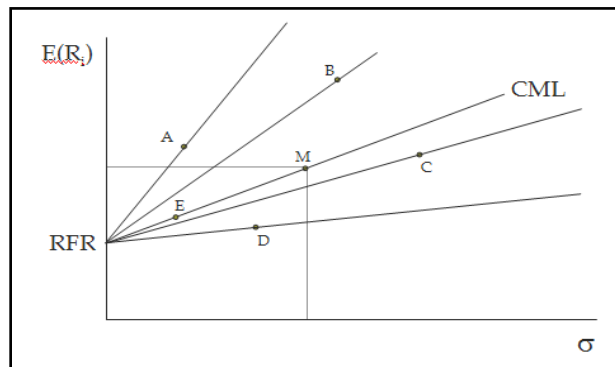


Figure 2. Plot of Performance on CML (Sharpe Index)

Source: Reilly/Brown. Investment Analysis and Portfolio Management. 2006

While other variables of the Sharpe index formula can be calculated by using the above formulas, the standard deviation of the mutual funds can be calculated by using following formula:

$$\sigma = \sqrt{\sigma^2} = \sqrt{\frac{\sum (R_i - \bar{R}_i)^2}{n-1}}$$

Where:

- $\sigma^2$  = variance
- $\sigma$  = standard deviation
- n-1 = number of day - 1

### 3. 2. 3. Jensen Index

Jensenindex, however, measures the performance of mutual fund based upon the Capital Asset Pricing Model (CAPM), which calculate the excess return on a portfolio over time. The breakdown of the formula can be seen as follow.

$$R_{jt} - RFR_{jt} = \alpha_j + \beta_j (R_M - RFR) + e_{jt}$$

$$R_{jt} = \alpha_j + RFR_{jt} + \beta_j (R_M - RFR) + e_{jt}$$

$$\alpha_j = R_{jt} - [RFR_{jt} + \beta_j (R_M - RFR) + e_{jt}]$$

This index also measures the investment manager’s ability to increase the funds’ return above the market’s return by using active strategy. In another word, this index can measure of how best the mutual fund can “beat the market”. Additionally, any mutual fund with a consistently positive excess return (adjusted for risk) will have a positive alpha, vice versa.

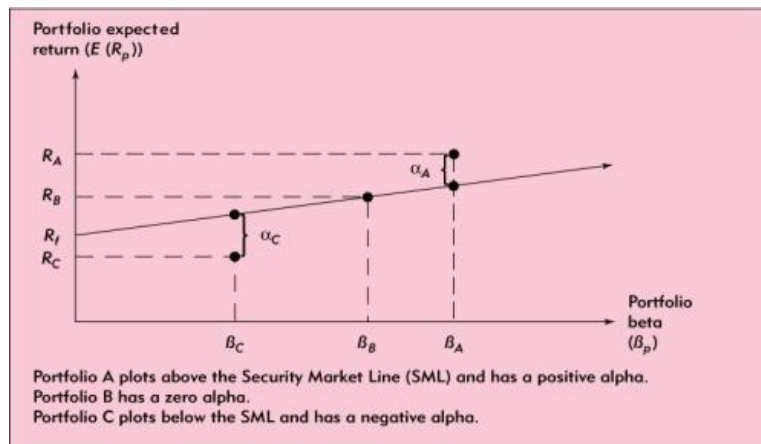


Figure 3. Plot of Performance (Jensen’s Ratio)

Source: Corrado, C.J. Fundamental of Investment. 2002

### 3. 2. 4. Snail Trail Method

This method is considered as the newest method in measuring the performance of mutual fund. As compared with the previous three methods, Snail trail method is relatively simpler since it only applies a combination between risk and return of a mutual fund in 4 plotted quadrants. The horizontal axis of the quadrant represents risk, while the vertical axis denotes return of the mutual fund. Additionally, the risk and return of the mutual fund is plotted to the quadrant from time to time, so that, the mutual fund's movement can be observed at the end. By using this method, both investor and investment managers can monitor the movement of mutual fund's performance, and therefore, they can make any related decisions appropriately.

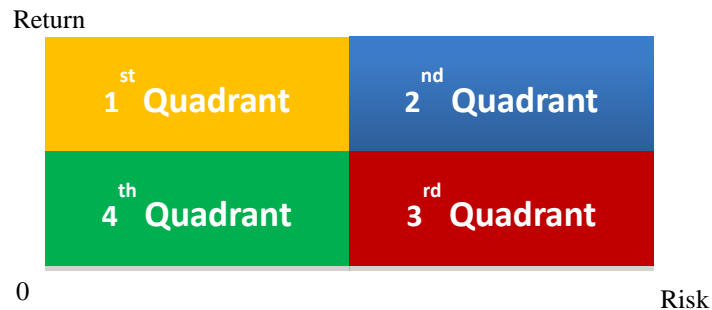


Figure 4. Risk and Return Quadrants

The 1<sup>st</sup> quadrant shows any mutual fund with relatively high return and relatively low risk. Most investors are keen on investing in this type of fund. The 2<sup>nd</sup> quadrant represents any mutual funds with relatively high return and risk. Investors with speculative motive will enjoy investing in this fund. The 3<sup>rd</sup> quadrant exhibits any mutual fund with relatively low return and relatively high risk. Almost no investor prefers to invest in this type of fund. Lastly, the 4<sup>th</sup> quadrant displays any mutual fund with relatively low return and relatively low risk. In general, golden-age or new investors have high preference to invest in mutual fund located in this quadrant (Manurung, 2008).

### 3. 2. 5. Market Timing

The performance of mutual fund is also influence by investment manager's ability to select the mutual fund's components appropriately (by doing effective stock selection) as well as to manage the time of transaction (to buy, to hold, and to sell) those components. To measure the ability, this study use "market timing model" which was developed by Treynor dan Mazuy (1966). The model is formulated by using OSL regression as follow:

$$R_i - R_f = \alpha + \beta (R_m - R_f) + \gamma(R_m - R_f)^2$$

From the above equation, it can be described that  $\alpha$  denotes the ability of investment manager to make effective stock selection, while  $\gamma$  denotes market timing ability of the investment manager.

#### 4. Empirical Results

The Treynor index is calculated for each mutual fund by using annualized return rate, market beta of the mutual fund and return of the risk-free rate asset corresponds to the same period. Additionally, Sharpe index is calculated by using almost same formula with the Treynor index, except it uses total risk instead of mutual fund's beta. If a mutual fund is effectively diversified, both Treynor and Sharpe index will have about the same amount. Moreover, Jensen index is calculated by applying CAPM concept. This index is an absolute measurement to estimate constant rate of return for an investment period where the mutual fund can obtain higher (lower) return as compared with buy-hold strategy which has the same systematic risk (Manurung, 2008).

Table 1 and 2 shows the result of the Treynor, Sharpe, and Jensen indices of Indonesian and Malaysian Islamic mutual funds. For all of these three indices, the higher the index amount, the better the mutual fund performance. More specifically, Table 1 shows that in overall, the three indices infer the same result (in term of positive or negative sign). Thus, consistency in the utilization of any of the three indices is proven.

Moreover, this study also found that Indonesian debt mutual funds have performed better as compared with asset allocation mutual funds. In general, all mutual funds with positive Sharpe, Treynor, and Jensen index are the funds which performances are better relative to the market, vice versa.

Table 1 Performance of Indonesian Islamic Mutual Funds

Islamic Mutual Funds	Type	Sharpe	Treynor	Jensen
I-HAJJ Syariah Fund	Debt	17.2550	25.6298	0.1741
BNI Dana Syariah	Debt	7.2600	26.5752	0.1603
PNM Amanah Syariah	Debt	6.6765	26.9228	0.1735
AAA Amanah Syariah Fund	Asset Allocation	1.2939	1.1883	0.1338
Mandiri IV Syariah Berimbang	Asset Allocation	0.9035	0.5875	0.1417
Danareksa Syariah Berimbang	Asset Allocation	0.6580	0.4573	0.1072
PNM Syariah	Asset Allocation	0.4939	0.3782	0.0624
Reksa Dana IPB Syariah	Asset Allocation	0.4231	0.2948	0.0510
BNI Dana Plus Syariah	Asset Allocation	(0.0609)	(0.0438)	(0.1180)
Rifan Capital Syariah Fleksi	Asset Allocation	(0.0890)	(0.0757)	(0.0765)

Table 2 presents that as the case of Indonesian Islamic mutual funds, Malaysian Islamic mutual funds also have relatively same performance (in term of positive or negative sign) when measured by using Sharpe, Treynor and Jensen indices. The exceptions occurred with Prulink Dana Aman, which has positive Treynor index but negative Sharpe and Jensen indices. This discrepancy may imply that this mutual fund is very well-diversified. As contrast with the analysis of Indonesian Islamic mutual funds, the Malaysian debt mutual funds, except GE Dana Sejati, have performed relatively worse as compared with its asset allocation and equity counterparts.



Table 2 Performance of Malaysian Islamic Mutual Funds

Islamic Mutual Funds	Type	Sharpe	Treynor	Jensen
GE Dana Sejati	Debt	2.7948	8.6788	0.0624
Prulink Dana Aman	Debt	0.3961	(28.3813)	0.0161
MAA Dana Seri Mulia	Debt	(0.0270)	(0.1138)	(0.0015)
Maybanlife Dana Pendap Prima	Debt	(0.2578)	(1.7064)	(0.0094)
AIA Dana Progresif	Asset Allocation	1.1542	0.3803	0.0847
AMASSURANCE Dana Teguh	Asset Allocation	0.7496	0.2204	0.0518
HLA Venture Dana Putra	Asset Allocation	0.4129	0.1386	0.0316
MCIS Zurich Jati	Asset Allocation	(0.0955)	(0.1177)	(0.0175)
ING Dana Suria Ekuiti	Equity	0.7263	0.2884	0.0720
Manulife Dana Ekuiti Dinamik	Equity	0.7181	0.2226	0.0556
GE Dana Restu	Equity	0.4758	0.1491	0.0371
Maybanlife Dana Ekuiti Prima	Equity	0.4481	0.1648	0.0397
Prulink Dana Unggul	Equity	0.4431	0.1357	0.0339
MAA Dana Mas Maju	Equity	0.3628	1.8232	0.0550

Evaluation of Indonesian Islamic mutual funds by using Snail Trail methodology shows that all funds have most of their risk-return plotting at the 1<sup>st</sup> quadrant. As explained previously, any mutual fund which located in the 1<sup>st</sup> quadrant has relatively low risk with relatively high return. This type of fund is gaining interest from most investors in the capital market. However, there are also two Indonesian Islamic mutual funds, namely Reksa Dana IPB Syariah and BNI Dana Plus Syariah, which have almost proportionate plotting in both 1<sup>st</sup> and 2<sup>nd</sup> quadrant. Therefore, it is implied that these two funds have performed fluctuated returns, which can act as appetizer for speculative investors. More interestingly, the Snail Trail analysis of Indonesian Islamic mutual funds shows that though most of the funds are located in the 1<sup>st</sup> quadrant, in the period of global economic crises which effects come to the country in around the 3<sup>rd</sup> quarter of 2008, the risk and return of most Islamic asset allocation mutual funds were much fluctuated. They even reached the 3<sup>rd</sup> quadrant. In this situation, the disparity between mutual funds and market return were more than 2% (for example. see Figure 6: Risk-Return of MANVEST). The risk-return plots of these funds were located back to the 1<sup>st</sup> quadrant in the 4<sup>th</sup> quarter of 2008. However, this condition was not happened with Islamic debt mutual funds, as INSHAJJ. Their Snail Trail were consistently located in the 1<sup>st</sup> quarter, which imply that their returns were not very much fluctuated as happen with their asset allocation mutual funds counterparts. Complete Snail Trail figures of Indonesian Islamic mutual fund are attached in the Appendix 1.

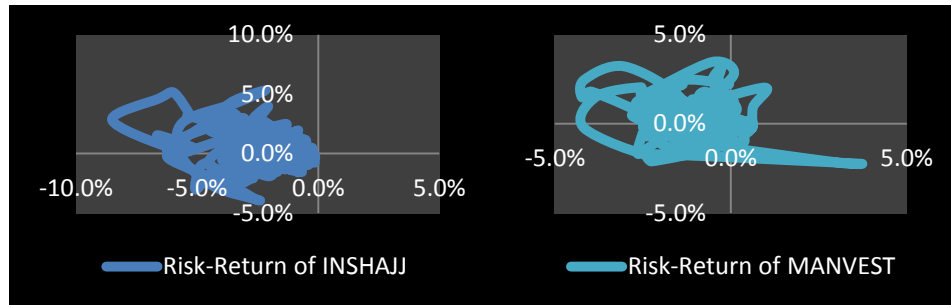


Figure 6. Risk-Return INSHAJJ and MANVEST

Afterward, as the case of Indonesian Islamic mutual funds, all Malaysian Islamic funds have most of their risk-return plotting at the 1<sup>st</sup> quadrant. However, still there are two funds, namely ING Dana Suria Ekuiti and MCIS Zurich Jati, have fluctuated plotting in all quadrants. These two funds have performed fluctuated risks and returns, which should be managed appropriately by both their investment managers and investors. Furthermore, as happened with Indonesian Islamic mutual funds, Malaysian debt Islamic mutual funds are the most stable fund which place the 1<sup>st</sup> quadrant. The two other mutual funds, asset allocation and equity mutual funds are more fluctuated in term of risk and return. Complete Snail Trail figures of Malaysian Islamic mutual fund are attached in Appendix 2.

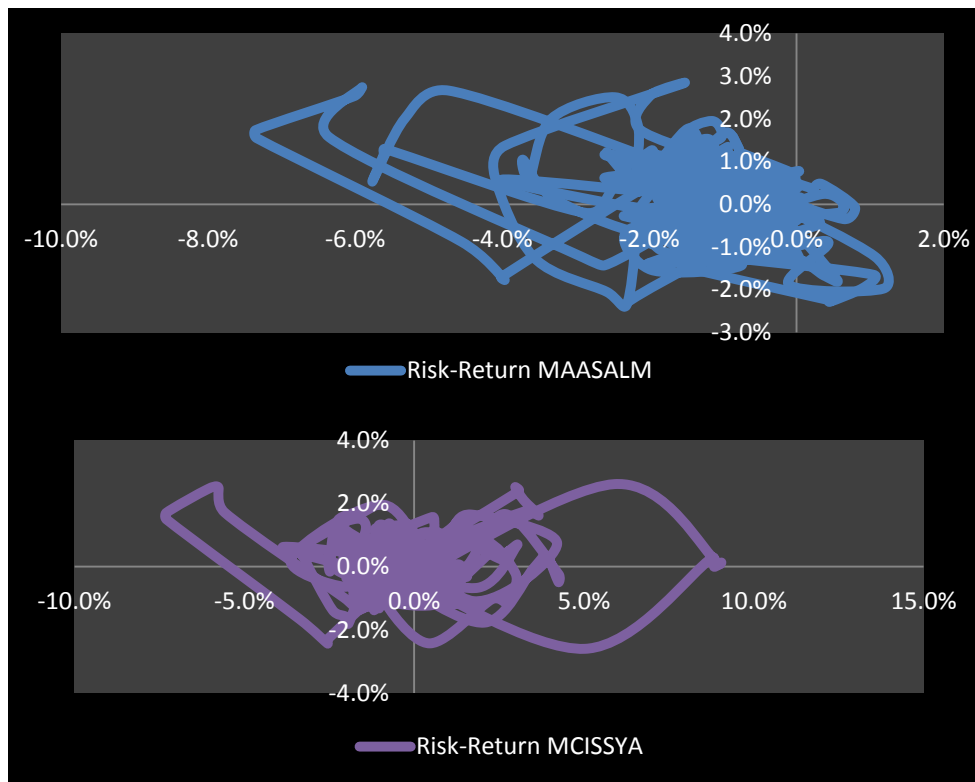


Figure 7a. Risk-Return MAASALM, MCISSYA and INGSYAR

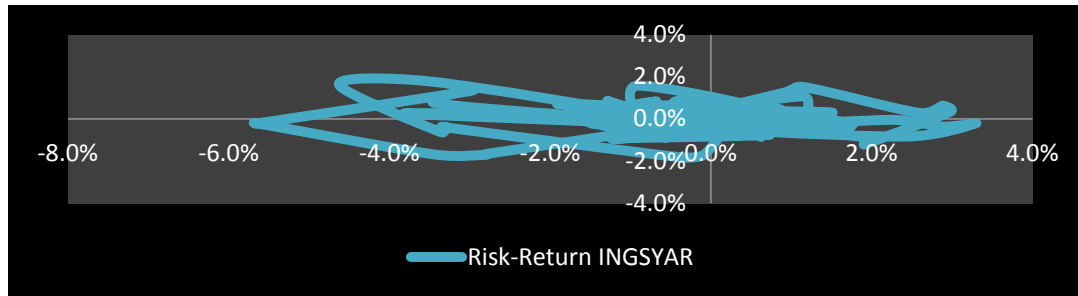


Figure 7b. Risk-Return MAASALM, MCISSYA and INGSYAR

The last mutual funds performance measurement tool used in this study is market timing ability. The calculation of this ability for the Indonesian mutual funds was done by using regression analysis, which results are shown in Table 6. The table shows regression coefficient by using formula of  $R_i - R_f = \alpha + \beta (R_m - R_f) + \gamma (R_m - R_f)^2$ . Column 3 of the table presents beta which significant value in 95% confidence level is ranged between 0.12383 and 0.37107. Moreover, this study cannot verify any beta which value is higher than 1. Thus, it implies that fluctuation in capital market does not infinitely influence any specific Islamic mutual fund per se. A reason which can explain this phenomenon is that the Indonesian capital market is dominated with conventional investment instruments rather than Islamic ones. Column 4 of Table 3 shows market timing ability of the mutual funds' investment managers. The highest market timing ability was held by the investment managers of KMJIPBS. Additionally, there were three Islamic mutual funds which had negative market timing. It means that the market timing of the three funds cannot increase the funds' returns. In general, however, this study cannot support any interpretation regarding the market timing of Indonesian Islamic mutual funds due to very low rate of R-Square.

Table 4 shows market timing analysis of Malaysian Islamic mutual funds. As founded in the analysis of Indonesian Islamic mutual funds, Malaysian Islamic mutual funds relatively indifferent with the market fluctuation. This is shown by the beta value which is lesser than 1. Additionally 10 out of 14 Malaysian Islamic mutual funds had negative market timing which cannot increase the funds' returns. Like the analysis of Indonesian Islamic mutual funds, this study also cannot support any interpretation regarding the market timing of Malaysian Islamic mutual funds due to very low rate of R-Square.

Table3 Market Timing of Indonesian Islamic Mutual Funds

Mutual Fund	$\alpha$	$\beta$	$\gamma$
INSHAJJ	0.00021*	0.00153	(0.01670)
* P-value	1.1510E-35	0.0937	0.3320
PNMAMAN	0.00025*	(0.00019)	0.00288
* P-value	1.4731E-05	0.9426	0.9532
BNISYAR	0.00025*	(0.00125)	(0.08421)*
* P-value	1.3556E-08	0.5337	0.0228
AAAMANS	0.00011	0.12383*	0.15193
* P-value	0.6688	3.0998E-23	0.4941
MANVEST	-9.8023E-05	0.3009*	(0.68595)
* P-value	0.8152	1.4257E-47	0.0539
PNMSYAR	(0.00040)	0.26252*	0.71805
* P-value	0.4123	1.0296E-28	0.0853
PNMSYAR	(0.00040)	0.26252*	0.71805
* P-value	0.4123	1.0296E-28	0.0853
DANBERI	-3.6169E-04	0.3511*	0.79850
* P-value	0.4936	8.1867E-42	0.0748
RIFCASJ	(0.00091)*	0.14509*	0.35293
* P-value	0.0252	2.3839E-14	0.3047
KMJIPBS	(0.00076)	0.36812*	1.14232*
* P-value	0.2088	6.6364E-36	0.0263
BNIPSYA	(0.00129)*	0.37107*	0.90626
* P-value	0.0483	4.1123E-32	0.1011

\* Significant in the 95% confidence level

Table 4 Market Timing of Malaysian Islamic Mutual Funds

Mutual Fund	$\alpha$	$\beta$	$\gamma$
GEMZUUN	-0.0009*	0.0065142	0.01682397
* P-value	6.23E-63	0.0632071	0.78011562
MAASALM	-0.0011*	0.0169276	-0.1128015
* P-value	7.96E-19	0.0517714	0.45078309
PRLSNAD	-0.00101*	0.0022427	0.00607342
* P-value	1.31E-113	0.4021167	0.89506459
MBLNAIM	-0.00118*	0.0049627	0.01091309
* P-value	7.08E-40	0.4112934	0.91635374
MCISSYA	-0.00108*	0.1641466*	-0.4611938
* P-value	0.032079	7.069E-06	0.46024761
AAIASTI	-0.00027	0.3331272*	-0.8237585*
* P-value	0.105037	1.04E-117	6.1435E-05
AMATEGU	-0.00042*	0.3794323*	-0.6457388*
* P-value	0.001573	2.66E-184	9.091E-05
HLAITZA	-0.00051*	0.3469506*	-0.9358259*
* P-value	0.004542	5.64E-110	3.141E-05
JOHSYAR	-0.00025	0.4968305*	-0.7824435*
* P-value	0.239065	2.35E-140	0.0035615
MBLAZIM	-0.00055*	0.3814473*	-0.9208551*
* P-value	0.024899	2.95E-80	0.00252218
MAAFAYD	-0.00082*	-0.021366	-0.9337351*
* P-value	0.016363	0.3865641	0.02809121
INGSYAR	-0.00048	0.4828298*	0.52044642
* P-value	0.136865	1.123E-76	0.1892315
GEBRKAH	-0.00035	0.4454561*	-1.2236136*
* P-value	0.083717	5.01E-134	1.044E-06
PRLRASL	-0.00025	0.4790488*	-1.7501597
* P-value	0.2165	1.9E-143	1.1596E-11

\* Significant in the 95% confidence level

## 5. Conclusion

This study evaluates the comparative performance of Indonesian and Malaysian Islamic mutual funds over the period of January 2006 to April 2009 by using the daily funds' returns. The results are relatively robust to a battery of diagnostic measurement tools, while the slight differences are somehow happen because of the specific mutual funds' beta, risk, and return.

Between the two countries, the empirical results obtained from the study show that in general, Indonesian Islamic mutual funds seem to be slightly outperformed the Malaysian Islamic mutual funds in terms of asset allocation funds. However, from the analysis of Sharpe index, Malaysian asset allocation funds were relatively better diversified as compared to their Indonesian counterparts. In terms of debt funds, Indonesian Islamic mutual funds are much better as compared to the Malaysian counterparts (see Table 5). It is can be reasoned that most of the Indonesian debt funds are placed in the government sukuk instead of corporate ones.

Table 5. Indonesian vs Malaysian Islamic Mutual Funds

	Sharpe	Treynor	Jensen
Debt Islamic Mutual Funds			
- Indonesian	10.3972	26.3759	0.1693
- Malaysian	0.7265	(5.3807)	0.0169
Asset Allocation Islamic Mutual Funds			
- Indonesian	0.5175	0.3981	0.0431
- Malaysian	0.5553	0.1554	0.0377
Equity Islamic Mutual Funds			
- Malaysian	0.5290	0.4639	0.0489

In addition, as resulted from the snail trail analysis, after the nadir of global financial crises was suddenly left behind, returns of Islamic mutual funds in both countries are continuously increasing. The higher confidence of market player in these Islamic financial instruments also contributes to this higher return.

As overall conclusion, since the study found that the Islamic mutual funds are relatively outperform the market, even in the situation of global economic crises; these instruments can be taken to consideration by investors, Islamic and conventional, as the part of their portfolio selection.

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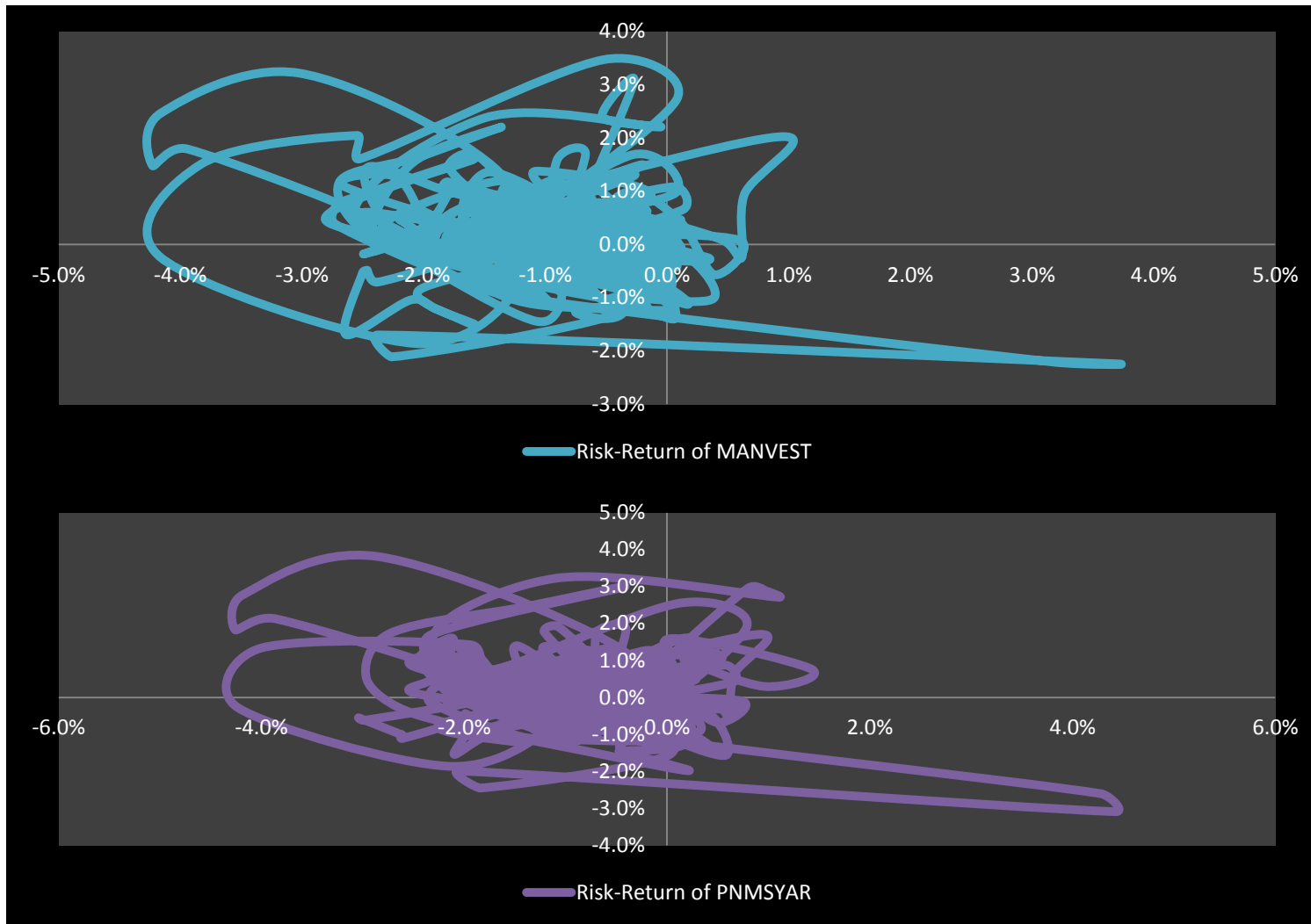
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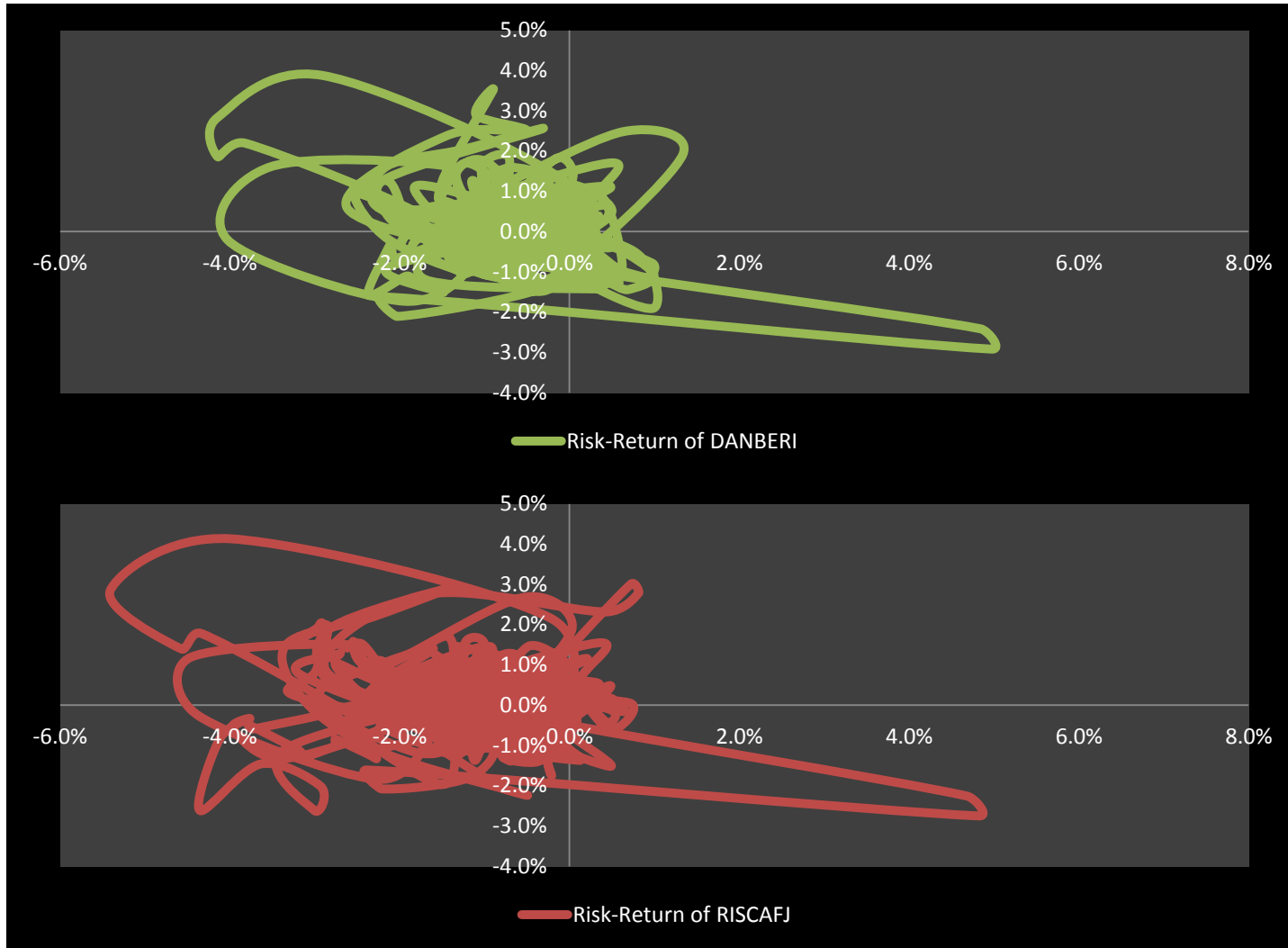
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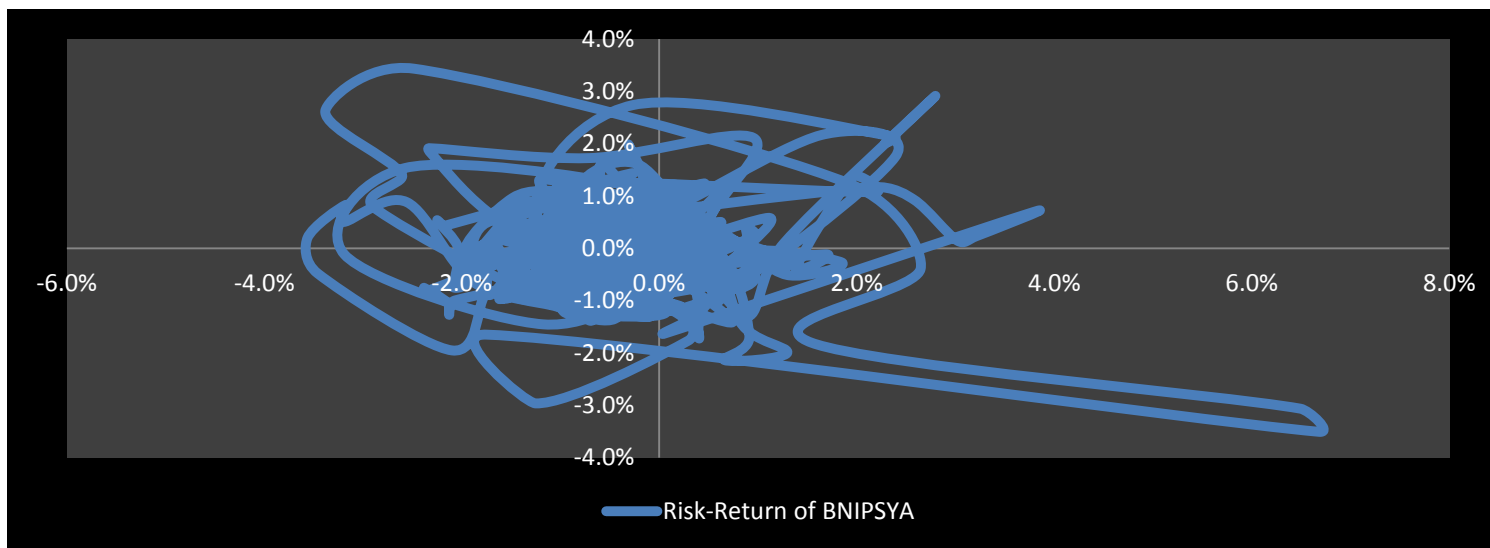
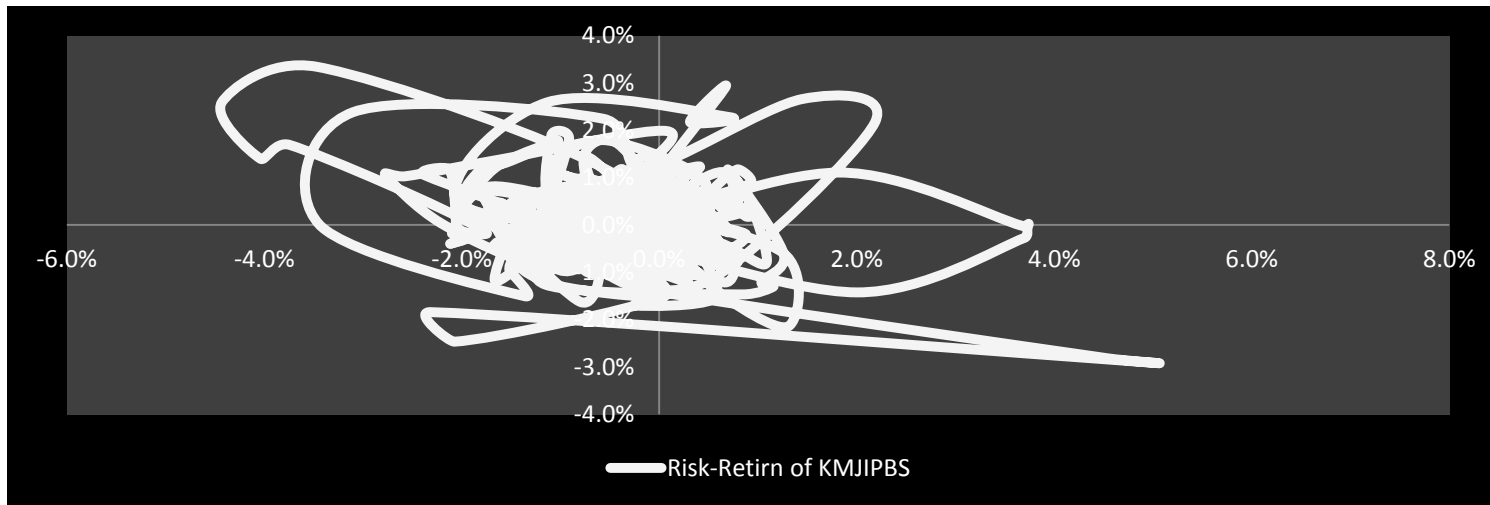
### Appendix 1. Snail Trail of Indonesian Islamic Mutual Funds



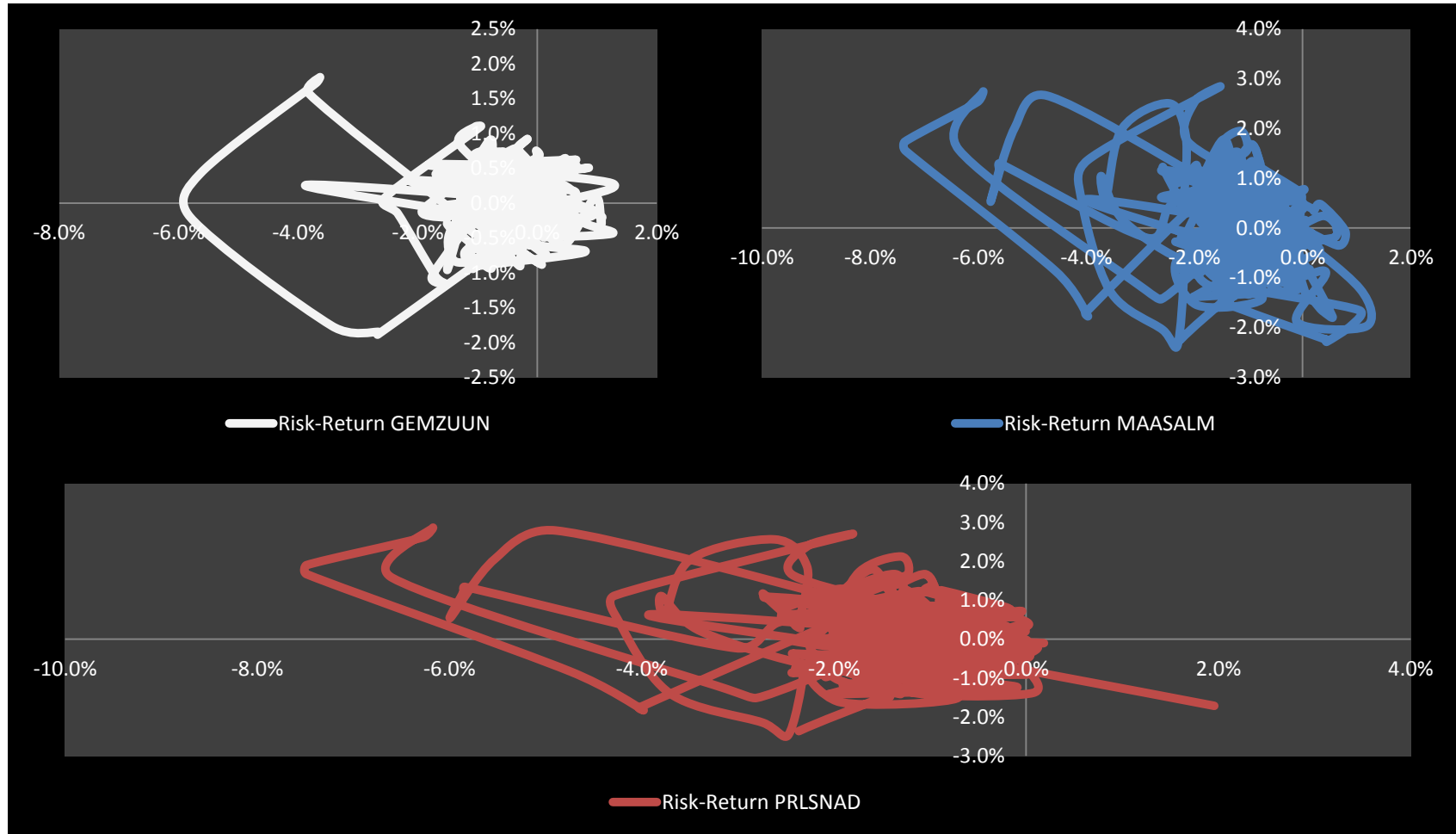


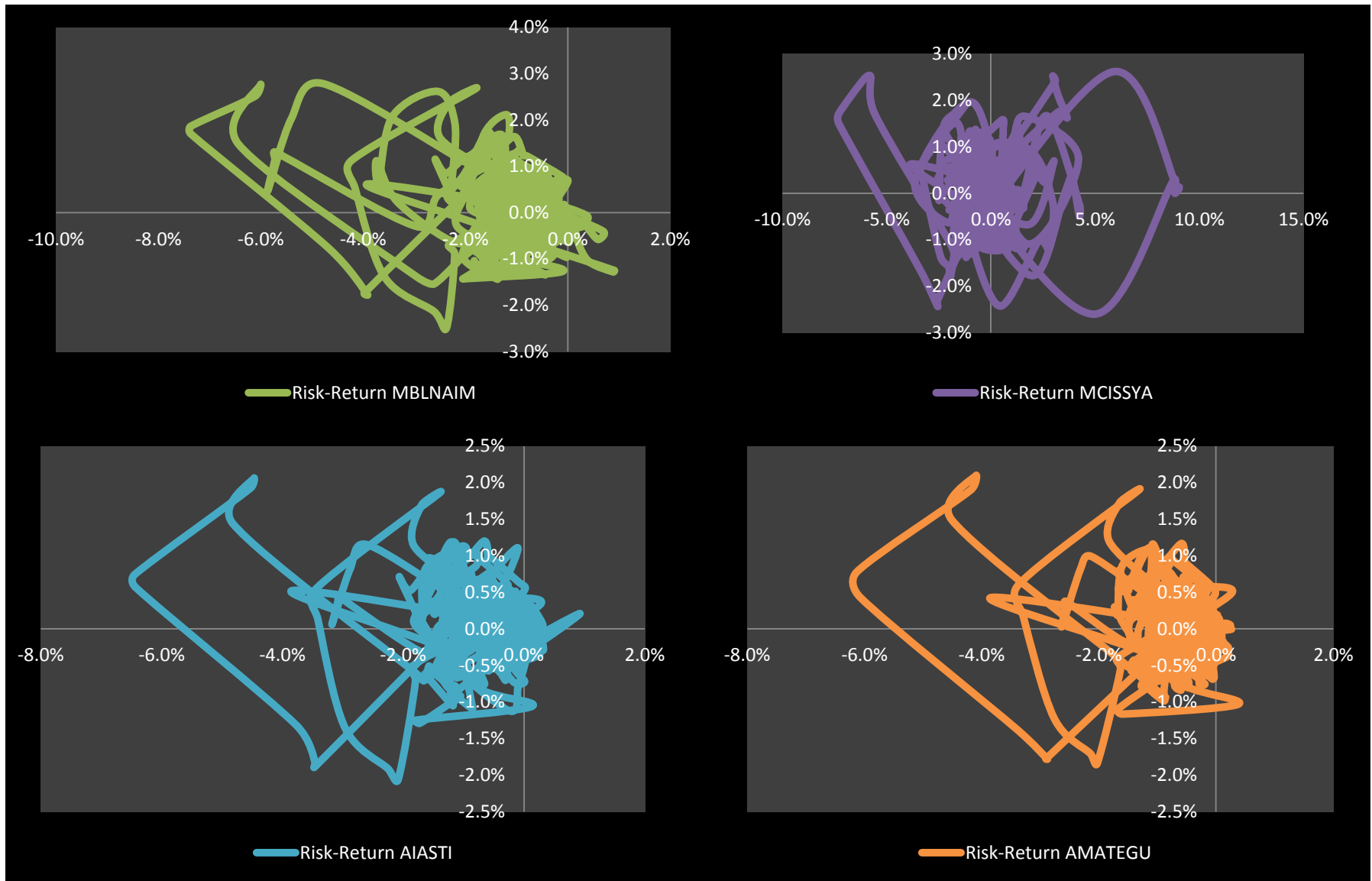


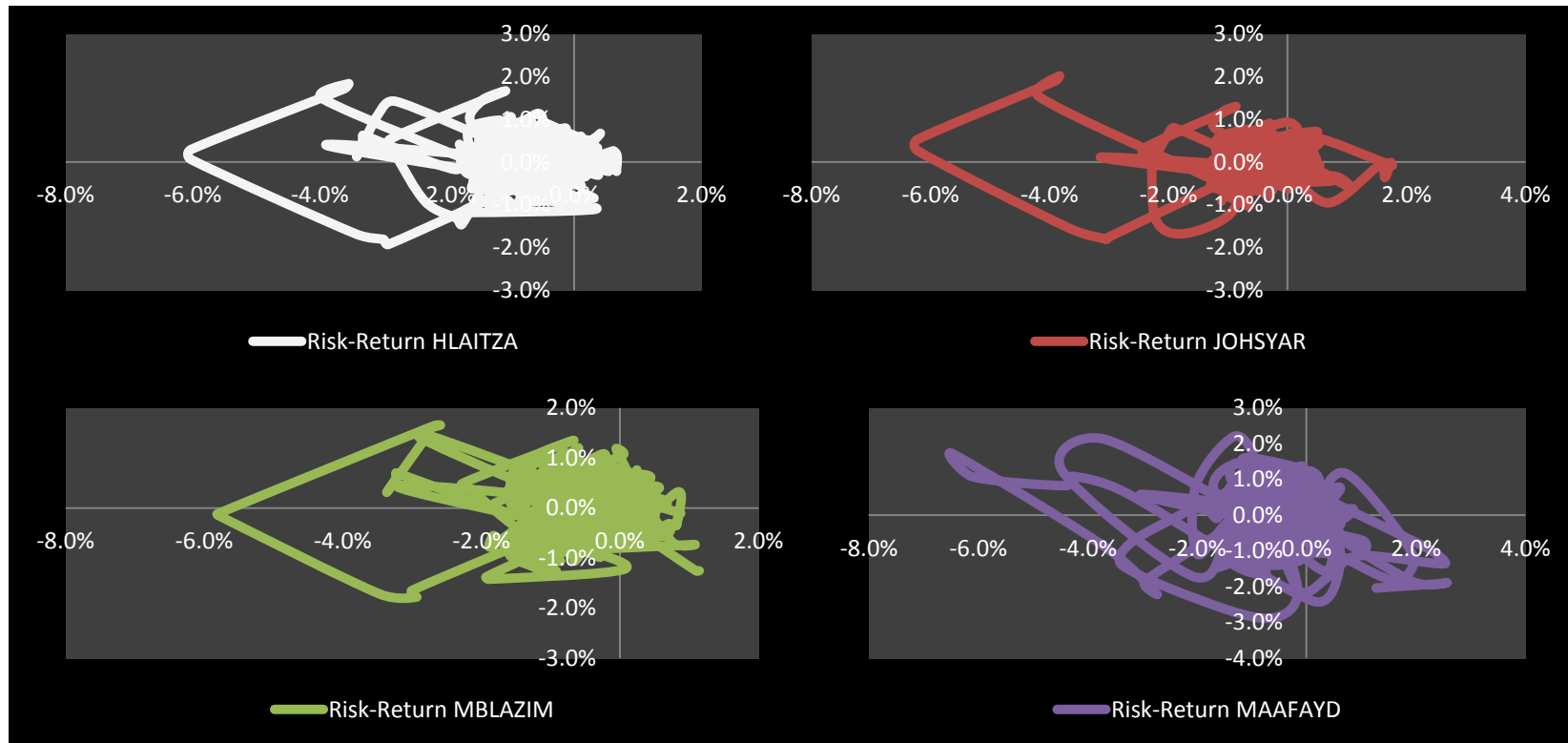


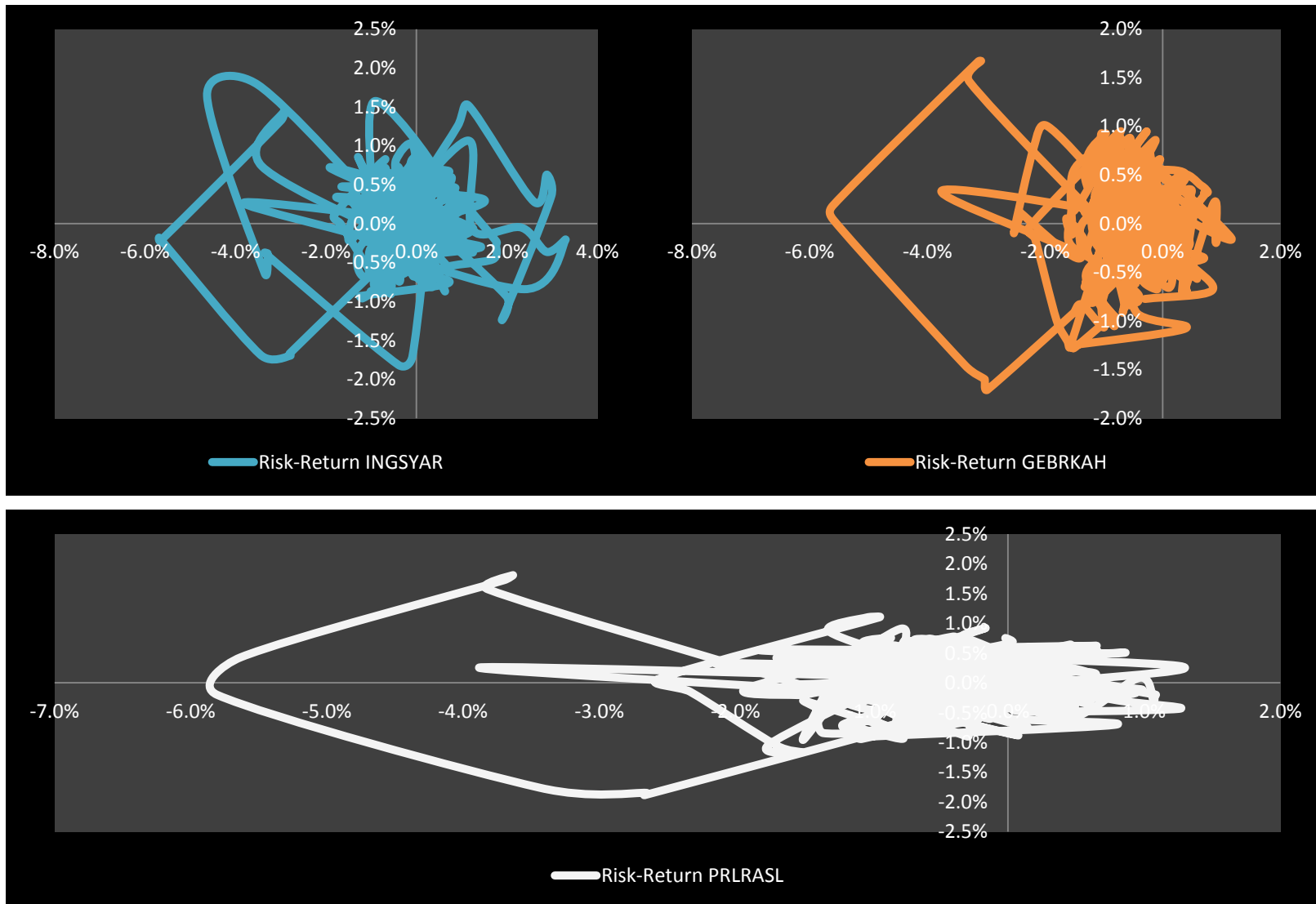


### Appendix 2. Snail Trail of Malaysian Islamic Mutual Funds









**Appendix 3. List of Indonesian and Malaysian Islamic Mutual Funds**

<b>INDONESIAN ISLAMIC MUTUAL FUND</b>			
<b>Islamic Mutual Funds</b>			<b>Classification</b>
1	INSHAJJ	I-HAJJ Syariah Fund	Debt
2	PNMAMAN	PNM Amanah Syariah	Debt
3	BNISYAR	BNI Dana Syariah	Debt
4	AAAMANS	AAA Amanah Syariah Fund	Asset Allocation
5	MANVEST	Mandiri IV Syariah Berimbang	Asset Allocation
6	PNMSYAR	PNM Syariah	Asset Allocation
7	DANBERI	Danareksa Syariah Berimbang	Asset Allocation
8	RIFCASF	Rifan Capital Syariah Fleksi	Asset Allocation
9	KMJIPBS	Reksa Dana IPB Syariah	Asset Allocation
10	BNIPSYA	BNI Dana Plus Syariah	Asset Allocation
<b>MALAYSIAN ISLAMIC MUTUAL FUND</b>			
<b>Islamic Mutual Funds</b>			<b>Classification</b>
1	GEMZUUN	GE Dana Sejati	Debt
2	PRLSNAD	Prulink Dana Aman	Debt
3	MAASALM	MAA Dana Seri Mulia	Debt
4	MBLNAIM	Maybanlife Dana Pendap Prima	Debt
5	AIAISTI	AIA Dana Progresif	Asset Allocation
6	AMATEGU	AMASSURANCE Dana Teguh	Asset Allocation
7	HLAITZA	HLA Venture Dana Putra	Asset Allocation
8	MCISSYA	MCIS Zurich Jati	Asset Allocation
9	INGSYAR	ING Dana Suria Ekuiti	Equity
10	JOHSYAR	MANULIFE Dana Ekuiti Dinamik	Equity
11	MAAFAYD	MAA Dana Mas Maju	Equity
12	GEBRKAH	GE Dana Restu	Equity
13	MBLAZIM	Maybanlife Dana Ekuiti Prima	Equity
14	PRLRASL	Prulink Dana Unggul	Equity