

PERFORMANCE OF ISLAMIC UNIT TRUST DURING THE GLOBAL FINANCIAL CRISIS: AN ANALYSIS OF FUND SPECIFIC CHARACTERISTICS

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Abstract

Purpose - This study analyzes the impact of the recent global financial crisis on the performance of the Islamic unit trust funds. In particular, the study aims to examine the performance of the Islamic unit trusts based on the fund-specific characteristics, namely the fund management company's ultimate parent

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ownership of local *versus* international companies, and Muslims *versus* non-Muslims fund managers.

Design/methodology/approach – The paper evaluates the performance of 33 Malaysian Islamic unit trusts based on the adjusted Sharpe index, adjusted Jensen Alpha index, and Treynor index over the period from January 2000 to December 2009.

Findings - The findings reveal that the Islamic unit trusts are comparable to that of the market. Major findings of the study reveal that the Islamic unit trusts perform better during the crisis period. Fund management companies having foreign parent origins are shown to perform better than those having local parent origins. The results of the study also reveal that the Islamic unit trusts managed by the non-Muslim managers have better performance than those managed by the Muslim managers.

Originality/value – The paper provides the latest evidence on the performance of the Islamic unit trust funds during the global financial crisis as well as the first evidence on the effects of the origins of the ultimate parent of the fund management companies and type of fund managers on the performance of the Islamic unit trust.

Keywords - Islamic finance, Islamic unit trust, Fund management, Performance, Malaysia

Paper type - Research paper

1. INTRODUCTION

Unit trust is defined as a set of investment vehicle that pulls investors money with the similar goals to buy a set of portfolio which contains several types of securities. The securities include stocks, bonds, money market instruments, and a combination of these investments, or even other funds which is held under a portfolio. Unit trusts are also known as open-end funds since the shares from the shareholders are required to be bought back at any time at a price based on the current net asset's value (Mobius, 2007). Although all investors have common objectives of buying the portfolios, each investor has different preference of risk and return which will therefore lead to having many different set of portfolios. The portfolios are sold and managed by the financial intermediaries known as the unit trust management companies with the supervision of the appointed trustees who besides owning the trust's assets, will ensure the manager's compliance with the Trust Deed on behalf of the investors (Hassan and Lewis, 2007).

Despite having the same investment objectives, investment in the Islamic unit trusts are subject to certain criteria with the aim to be in line with the requirements of the *shariah*. In particular, investment of Islamic unit trusts are prohibited in the activities, products or services which involved in financial services based on interest (*riba'*), gambling, alcoholic drinks, *gharar* such as conventional insurance, pork, and immoral services like prostitution. After complying with the above criteria, companies must go through another two screening process decided by the *shari'ah* board or *shari'ah* council (SC). For example, investments in Islamic unit trust in Malaysia are subjected to quantitative and qualitative screening. The quantitative screening is done by screening the company's liquidity, interest income, leverage, and the total income from non-

permissible activities to be compared with the benchmarks set by the SC. Any companies which exceed even one of the maximum limits of the benchmarks is considered as non-*Shariah* compliant and will be dropped out from this stage. If the companies are able to pass through the quantitative stage, they will proceed to the next screening stage which is the qualitative screening. In this screening methodology, companies will be evaluated based on their image or public perception on the companies. The companies' securities will then be approved as permissible to be invested based on the importance of the companies to the *ummah*, *uruf* (custom), *umum balwa* (common plight), rights of non-Muslims and other factors as well.

Regulations pertaining to the Islamic unit trust industry in Malaysia were initiated in 1997 when the Malaysian Securities Commission introduced the requirement of setting up a *shari'ah* committee in a fund management company if it wants to issue any Islamic unit trust funds under the additional provision of Guidelines on Unit Trust Funds. The *shari'ah* committee must also be approved by the Securities Commission's *Shari'ah* Advisory Council before they can officially be appointed. With the enabling environment provided by the government, the Islamic unit trust industry continues to record an encouraging performance. As at 31st October 2009, there were a total of 145 Islamic-based funds or 26 percent out of the total of 561 approved funds. This is a commendable performance if compared with the total of Islamic-based funds ten years ago of only 17 Islamic funds or 13 percent out of the total of 127 approved funds at end 2000. Similarly, the total NAV of the Islamic funds has increased significantly to over RM21 billion as at end of October 2009 from RM1.7 billion as at end of December 2000 (Securities Commission of Malaysia, 2009).

The rapid growth of the Islamic unit trusts industry, to a certain extent, has also contributed by the increasing investors' interests on the Islamic finance industry following the recent global financial crisis. Dented investors' confidence due to the prolonged doldrum in the conventional financial market has resulted in increased demand for Islamic financial products as viable alternatives. Amid the increasing interests on the Islamic financial products, there is a pressing need for more information about this nascent field so as to have better understanding on deeper aspects of the industry. Among others, the topic of Islamic unit trusts has captured the interest of researchers and industry-players alike.

This study aims to analyze how specific unit trust funds' characteristics influence the funds' performance during the recent global financial crisis. Specifically, the study attempts to meet three objectives. First, to analyze the performance of the Malaysian Islamic unit trust during the non-crisis, up-market and during the global financial crisis; second, to examine whether the type of the ultimate parent origins of the fund management companies either it is from local or foreign countries have any effect on the performance of the unit trust; and third, to examine whether the type of fund managers either the Muslim or non-Muslim managers have any effect on the performance of the unit trust.

Results of this study are expected to contribute to the literature since it provides an updated analysis on the performance of the Islamic unit trusts, equip the investors with new information on the importance of selecting the fund management companies before making an investment decision, and the empirical evidence of this study presents new perspectives on the importance of the type of fund managers to the funds' performance.

This study is organized as follows. The second section discusses on the literatures on unit trust based Malaysian and Islamic evidences. The third section focuses on the data and methodology, followed by section four which explains the results and analysis of the study. The final section concludes the study and highlights the implications and directions for future research.

2. LITERATURE REVIEW

Studies on unit trusts performance have look at the issue from several dimensions. Annuar and Shamsir (1995) estimate the performance of 54 unit trust funds covering the period from 1988 to 1992. Their findings indicate that the returns on investment in the unit trust are well below the risk-free and market returns. Tan (1995) examines 21 unit trusts funds over a ten-year period from 1984 to 1993. He finds that the unit trusts perform worse than the market portfolio. Wan Haslan (1999) conducts a study on 33 equity unit trust funds from the period of January 1983 to June 1998. The results reveal that most of the time, the unit trusts are underperforming the market. It also indicates that the external unit trusts managers of fund management companies have better performance than the internal manager of fund management companies. The study also documents that long serving managers of unit trusts in fund companies are able to perform better than short serving managers, and foreign unit trust managers have better performances than the local unit trust managers.

Similar findings were reported by Fauziah and Mansor (2007) who analyze 110 unit trusts funds over the period from January 1990 to December 2001. The findings

reveal that unit trusts are unable to perform well than the market over the period of study except for during the 1997-1998 crisis where the unit trust market adjusted returns are positive. Low (2007) on the other hand examines 40 Malaysian unit trust funds monthly data for the period of five years from January 1996 through December 2000. Using KLCI and EMAS Index in examining the sensitivity of fund performance to different benchmark, the study reveals that all the funds show negative overall performance regardless of the benchmarks use as the previous findings. However, the EMAS Index movements seemed to be tracked better by all the sample funds and have stronger correlation with the funds return compared to the KLCI.

On the contrary, Leong (1997) and Ch'ng and Kok (1998) obtained results which are in favor of the fund managers. Leong (1997) conducts a study on 13 unit trusts covering the period from January 1992 to December 1996. The result reveals that most of the unit trusts are able to outperform the market portfolio during the study period. Likewise, Ch'ng and Kok (1998) analyze 34 unit trusts from the period of January 1991 to June 1997. The findings show that the funds perform better than the market over the whole period. In terms of degrees of portfolio diversification, some studies including by Annuar and Shamser (1995) show that Malaysian unit trusts have low degrees of diversification since the average diversification is only 37 percent which is below their expectation in the study. Somehow, contradict results on portfolio diversification are obtained by Tan (1995) and Ch'ng and Kok (1998) where it shows that the funds are well diversified and unchanged even during the period where the market was declining.

Existing studies on the Islamic unit trusts included that of Elfakhani, Hassan and Sidani (2005) which examine 46 Islamic unit trusts from various categories covering the

period from January 1997 to August 2002. The findings indicate that majority of the Islamic unit trusts are able to outperform their benchmarks and have better performance during the recession period. Similar results are obtained by Hayat (2006) who conducts a study on 59 Islamic equity unit trust funds worldwide from the period 2001 to 2006. The results show that Islamic funds significantly outperform both the Islamic and conventional benchmarks during the bear market in 2002.

Consistent findings with Elfakhani et al.(2005) and Hayat (2006) are attained by Ferdian and Dewi (2007) when they compare the performance of the Islamic unit trusts in Indonesia and Malaysia. Using daily data for the period between October 2005 to April 2007 for a total of 25 Indonesian and Malaysian Islamic unit trusts, the study finds that Malaysian Islamic unit trusts have better performance than the Indonesian Islamic unit trusts and that the Islamic unit trusts are able to outperform the market benchmark. Ferdian and Dewi (2009) expand their studies to see the affect of global economic crisis to the Islamic unit trusts performance by using the daily return which covered the date between January 2006 to April 2009 of 24 Indonesian and Malaysian Islamic unit trusts. Consistent with their previous result, the study also conclude that the Islamic unit trusts are proven to be among the best investments because of the rising returns as well as the outperforming evidence over the market during the global economic crisis.

Despite this, different results are obtained by Fikriyah, Taufiq and Shamser (2007) when they examine the performance of 65 Malaysian unit trusts, of which 14 are Islamic unit trusts covering from January 1992 to December 2001. The findings reveal no difference in terms of performance between the unit trusts group and both were underperforming the market. However, the study finds that Islamic unit trusts have better

performance than the conventional unit trusts during the crisis and post crisis period while the conventional unit trusts outperform the Islamic unit trusts during the pre-crisis period. Likewise, Abderrazak (2008) re-investigates Elfakhani et. al's sample and finds that there is no significant performance difference between the Islamic and ethical funds and that both funds are unable to outperform the market benchmark in the study.

Hoepner, Rammal, and Rezec (2009) do a broad study on 291 Islamic unit trusts from twenty countries starting from September 1990 to April 2009. The study reveals that Islamic unit trusts appear to trail their equity market benchmark returns due to the fact that it has limited investments opportunity based on the *Shari'ah* restrictions. Consistent with Fikriyah et al. (2007), the findings also indicate that Islamic funds exhibit a hedging function during the global market crisis and are shown to be less affected by the international financial crisis due to the fact that they have *Shari'ah* law restrictions. Abdul Ghafar and Mohd Saharudin (2003) examine the relationship between return and beta for 12 Islamic unit trusts from the period of 1 May 1999 to 31 July 2001. It is reported that there is a significant positive relationship in up-markets and a significant negative relationship in down-markets. The results also reveal that beta is higher in a down-market than in an up-market based on the adjusted- R^2 and standard error of the conditional relationship between returns. A latest study on Islamic unit trust was done by Md Saad et al. (2010) on the performance of conventional vs. Islamic unit trust companies in Malaysia over the period 2002 to 2005. Using 27 unit trust companies in Malaysia of which five are Islamic unit trust companies, the results reveal that on average, some of the Islamic unit trust companies have better performance than their conventional

counterparts. Interestingly, it is also reported that an increasing size of unit trust companies leads to inefficiencies in performance.

Despite its tremendous growth and development, studies on the Islamic unit trust are still insufficient compared to its conventional counterpart. Most of the studies on the Islamic unit trust cover its performance against a selected benchmark, while others focus on its comparative performance vs. conventional unit trust or its performance among different countries. There is still lack of evidence on the factors that actually might affect the Islamic unit trust performance such as the fund size, management fees, types of manager, as well as the type of fund management companies. Therefore, this study intends to fill the gap by investigating the characteristics that might influence the performance of Islamic unit trust in Malaysia.

3. DATA AND METHODOLOGY

By focusing on the Malaysian Islamic equity unit trust funds, further categorization is made based on the funds' ultimate parent company ownership (local or international) and the funds' managers (Muslim and non-Muslim). The sample considered in the study consists of 33 Islamic unit trust funds. The selections of these funds are strictly due to data availability over the stipulated sample period.

The monthly returns of the unit trusts are adjusted for dividends and bonuses distributed to unit holders are taken from the period of January 2000 to December 2009. During this period, the Malaysian equity market has been affected by various developments in the economy. To reflect the developments and changes, the sample

period is split into three sub-periods which is the non-crisis period (January 2000-December 2004), up-market period (January 2005-June 2007), and during the crisis period (July 2007-December 2009). Apart from the Islamic unit trusts, the FTSE Bursa Malaysia EMAS Shariah Index is used as the market benchmark for the returns on the market portfolio and the three-month Malaysian Treasury bill served as the risk-free rate benchmark. This would allow for the comparison of the performance of the Islamic unit trusts against the equity market and risk-free rate performances.

3.1 Measurement of performance

The returns on the unit trust funds are obtained from income and the capital gain. The rate of returns for each fund is calculated as follows:

$$R_{i,t} = \frac{NAV_t - NAV_{t-1} + D_t}{NAV_{t-1}}$$

where: $R_{i,t}$ = Rate of return of the i unit trust at time t , NAV_t = Net Asset Value at time t ,

NAV_{t-1} = Net Asset Value one period before time t , D_t = Dividend or cash

disbursement at time t .

In this study, three standard methods namely the Sharpe's index, Treynor's index, and Jensen's Alpha index are employed to evaluate the performance of Islamic unit trust funds. However, Sharpe index was found to have some biasness and Jobson and Korkie (1981) have modified the Sharpe index to become the adjusted Sharpe's index. Therefore, this study adopts the Adjusted Sharpe Index which is as followed:

$$AS_i = \frac{S_i \times N}{N + 0.75}$$

where: AS_i = Adjusted Sharpe measure for fund i , S_i = Sharpe Index measure for fund i , N = number of observations.

Treynor (1965) developed the first measured of portfolio performance that included risk. The Treynor Index focuses on the portfolio's undiversifiable risk known as the systematic risk and measured by beta. The Treynor measure can be explained by:

$$T_i = \frac{R_i - RFR}{\beta_i}$$

where: T_i = The Treynor measure for fund i , R_i = Average return for fund i , RFR = Average return on a risk free investment, β_i = The systematic risk or beta for fund i .

The Jensen Index was developed by Jensen (1968) based on the capital asset pricing model (CAPM). Again, this measurement was modified by Jobson and Korkie (1984) due to biasness and was named the Adjusted Jensen Index which is also applied in this study:

$$AJ_i = \frac{\alpha_i}{\beta_i}$$

where: α_i = Alpha or the Jensen measure for fund i , β_i = The systematic risk or beta for fund.

3.2 Measurement of diversification

The R^2 coefficient of determination is used to measure the degree of diversification of the fund relative to the diversification of the market portfolio. The R^2 coefficient can be explained as follows:

$$R^2 = \frac{\text{Sum of squares regression}}{\text{Total sum of squares}} = \frac{SSR}{SST}$$

Total sum of squares SST

where: n = number of observations, \hat{y}_i = Estimated value of the dependent variable for each value of the independent variable, and \bar{y} = average value of the dependent variable.

$$SSR = \sum_{i=1}^n (\hat{y}_i - \bar{y})^2$$

$$SST = \sum_{i=1}^n (y_i - \bar{y})^2$$

where: n = number of observations, y_i = i th value of the dependent variable, \bar{y} = average value of the dependent variable.

4. FINDINGS AND ANALYSIS

4.1 Performance of Islamic Unit Trusts

The performance of the Islamic unit trusts during the specified sub-periods is assessed based on the risk-adjusted return using three performance measurements, namely the Treynor's Index, Adjusted Jensen's Alpha Index, and Adjusted Sharpe's Index. Subsequently, the performance of the individual Islamic unit trusts during the specified sub-periods is analyzed based on the Adjusted Sharpe's Index only.

Risk-adjusted Returns of Islamic Unit Trust Funds

Table 4.1 presents the comparative performance analysis between the Islamic unit trusts with the market portfolio over a 10-year period based on the Treynor's Index (TI), Adjusted Jensen's Alpha Index (AJI), and Adjusted Sharpe Index (ASI) by sub-periods. For the whole sample period, 34.72 percent of the Islamic unit trusts perform better than the market in terms of the TI and AJI. The result is higher based on the ASI as more than half of the Islamic unit trusts (51.39 percent) are able to outperform the market. Averaging across measures, for the overall sample, 40.28 percent of the Islamic unit trusts perform better than the market index.

In the non-crisis sub-period, 30 percent of the Islamic unit trusts are able to outperform the market portfolio based on the TI and ASI. A relatively lower result is seen based on the AJI as only 10 percent of the Islamic unit trusts or one Islamic unit trust is able to do well compared to the market. This brings to the lowest average of Islamic unit trust outperforming the market amongst other sub-periods since only 23.33 percent of the Islamic unit trusts perform better during this period.

The results in the up-market sub-period show that all the Islamic unit trusts outperform the market portfolio when it is measured using the ASI. However, when it is analyzed based on the AJI, none of the Islamic unit trusts seemed to perform better than the market and only 27.59 percent of the Islamic unit trusts are able to do well than the market when it is measured using the TI. Therefore, on average, 42.53 percent of the Islamic unit trusts are able to outperform the market portfolio during this sub-period.

During the crisis sub-period, it can be observed that the Islamic unit trust yielded contradictory results compared to the results that of in the up-market sub-period. Evidently, majority of the Islamic unit trusts or 72.73 percent are able to perform better

than the market during the crisis based on the AJI compared to the ASI of only 15.15 percent. The low result of the ASI could be due to the highest standard deviation obtained during this period than the rest of the sub-periods as the ASI includes the standard deviation as part of its measurement. The percentage of the Islamic unit trust outperforming the market based on the TI increases to 42.42 percent compared to only 27.59 in the up-market sub-period. It is also shown that the highest average of the Islamic unit trust outperforming the market is recorded in this sub-period with 43.43 percent of the Islamic unit trusts are able to perform better than the market portfolio.

Table 4.1

Performance of Islamic unit trusts against the market by sub-periods

Period	Treynor's Index	Adjusted Jensen's Alpha Index	Adjusted Sharpe Index
(1) Whole sample (January 2000 to December 2009)			
Total Number of Samples	72	72	72
No. of funds outperform FBMS	25	25	37
% of funds outperform FBMS	34.72	34.72	51.39
(2) Non-crisis (January 2000 to December 2004)			
Total Number of Samples	10	10	10
No. of funds outperform FBMS	3	1	3
% of funds outperform FBMS	30.00	10.00	30.00
(3) Up-market (January 2005 to June 2007)			
Total Number of Samples	29	29	29
No. of funds outperform FBMS	8	0	29
% of funds outperform FBMS	27.59	0.00	0.00
(4) During crisis (July 2007 to December 2009)			
Total Number of Samples	33	33	33
No. of funds outperform FBMS	14	24	5

% of funds outperform FBMS	42.42	72.73	15.15
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Note. FBMS = FTSE Bursa Malaysia EMAS Shariah Index

4.2 Performance of Individual Islamic Unit Trusts

Table 4.2 (i, ii, iii, iv) exhibit the findings for each of the Islamic unit trust for all sub periods. The analysis on the risk-adjusted returns of the individual Islamic unit trusts will be based on the Adjusted Sharpe Index (ASI), while the R^2 coefficients' only will be use as a measurement of the funds diversification. Any funds having R^2 more than 0.5 are funds which are well diversified while funds having R^2 less than 0.5 are concluded to be less diversified funds. In this section, we will discuss the detailed findings of each of the MIUT fund. A few abbreviations are used in this section as follows:

- i. Islamic unit trusts managed by Muslims fund managers with local ultimate parent origins (PM/LC).
- ii. Islamic unit trusts managed by non-Muslims fund managers with local ultimate parent origins (PN/LC).
- iii. Islamic unit trusts managed by Muslims fund managers with foreign ultimate parent origins (PM/FC).
- iv. Islamic unit trusts managed by non-Muslim fund managers with foreign ultimate parent (PN/FC).

Risk-adjusted Returns of Individual Islamic Unit Trust Funds

On average, during the 10-year period, only the top three in the ASI ranking which are the CIMB Islamic Equity Fund, the ING Ekuiti Islam, and the MAAKL Al-Faid are able

to outperform the overall market portfolio return of 0.46 percent. The ING Ekuiti Islam managed by the non-Muslim manager with foreign ultimate parent origin seemed to have the best performance with the first ranking in ASI. Despite this, the ASM Syariah Aggressive Fund managed by the Muslim manager with local ultimate parent origin, have the worst performance with the last ranking in ASI.

In the non-crisis sub-period, the non-Muslim manager with local ultimate parent origin whom manage the Public Ittikal Fund, perform the best with the first ranking in ASI. Besides the Public Ittikal Fund, only two funds which are the ASM Syariah Aggressive Fund and the AUTB Dana Bakti managed to outperform the market portfolio return. Nevertheless, the ASBI Dana Al-Mubin managed by a Muslim manager with local ultimate parent origin BIMB Investment, become the worst performer with the highest negative return of 8.93 percent and ranked the last based on the ASI during this period.

All of the funds during up-market sub-period are reported to have positive ASI performance over the market return regardless of the fund management company and the type of management. Here, the ING Ekuiti Islam managed by the non-Muslim manager with foreign ultimate parent origin become the top performer in the ASI ranking and have the highest return as well as a huge different of almost 48 percent with the market return. The CIMB Islamic Small Cap Fund managed by the Muslim manager with foreign ultimate parent origin, is seen to have the lowest ranking in the ASI but yet is still outperforming the market portfolio return during this period.

On the contrary to the up-market sub-period, only five out of 33 MIUT funds in the during crisis sub-period which are the CIMB Islamic DALI Equity Growth Fund, the

CIMB Islamic Equity Fund, the HwangDBS AIIAMAN Growth Fund, the Public Islamic Opportunities Fund and the TA Islamic Fund are able to outperform the market return of negative 0.27 percent. TA Islamic Fund managed by the Muslim manager with foreign ultimate parent origin obtained the best performance in the ASI ranking. Surprisingly, the ASM Syariah Aggressive Fund who was one of the top three performers in the normal sub-period obtained the lowest performance in the ASI ranking with a negative return of 30 percent.

Diversification of Individual Unit Trust Funds

On average during the 10-year period, majority of the funds or almost 92 percent of the funds are shown to be well diversified with R^2 coefficients from 0.5 to 1. The highest ranking of R^2 is obtained by the Prudential Dana Al-Ilham which is managed by the non-Muslim manager with foreign ultimate parent origin having almost 98 percent of fund's diversification. On the other hand, the Amanah Saham Wanita managed by the non-Muslim manager with local ultimate parent origin has the lowest ranking of R^2 with diversification of only 37 percent.

In the non-crisis sub-period, all the Islamic unit trusts have greater than 0.5 R^2 coefficients which mean that all of them have well diversified portfolio. The first ranking of R^2 coefficient is achieved by ASM Syariah Aggressive Fund which is managed by the Muslim manager with local ultimate parent origin having funds diversification of almost 76 percent. Despite this, the CIMB Islamic DALI Equity Growth Fund managed by the Muslim manager with foreign ultimate parent origin, has the lowest diversification of

almost 54 percent. However, the diversification level is still better since the R^2 is more than 0.5 or 50 percent.

In the up-market sub-period, 25 out of the 29 funds have well diversified portfolio with the R^2 coefficients of more than 0.5. On the contrary to the normal sub-period where it became the lowest performer, the CIMB Islamic DALI Equity Growth Fund obtained the highest R^2 coefficients of almost 0.95 or 95 percent of diversification during this period. Meanwhile, the lowest R^2 coefficient is obtained by the Amanah Saham Wanita managed by the non-Muslim manager with local ultimate parent origin.

During the crisis sub-period, only two out of the 33 Islamic unit trust funds are less diversified during this period. The Prudential Dana Ilham managed by the non-Muslim manager with foreign ultimate parent origin achieved the highest fund R^2 coefficient of almost 0.98 or 98 percent of fund's diversification. Nevertheless, the PB Islamic Equity Fund managed by the non-Muslim manager with local ultimate parent origin, have the lowest R^2 ranking with 41.6 percent of fund's diversification.

Table 4.2 (i)

Summary of Results for Individual Islamic Unit Trust for Whole Sample Data (January 2000 to December 2009)

Fund Mgt	Type Of Mgt	Period	Unit Trust Fund	Average Monthly Return	R ²	R ² Ranking	Sharpe Index	Adjusted Sharpe Index	Unit Trust Ranking
Alliance Investment	PM/LC	2	Alliance Dana Adib	0.0160	0.8621	20	0.3897	0.3893	5
	PM/LC	3	Alliance Dana Adib	-0.0022	0.9466	5	-0.1130	-0.1129	63
Amanah Mutual	PM/LC	2	AMB Dana Yakin	0.0087	0.8436	25	0.2471	0.2468	16
	PM/LC	3	AMB Dana Yakin	-0.0036	0.9368	7	-0.1531	-0.1529	66
AmInvestment	PM/LC	1	AmIttikal	-0.0016	0.5808	61	-0.0742	-0.0741	56
	PM/LC	2	AmIttikal	0.0072	0.8877	16	0.1371	0.1370	27
	PM/LC	3	AmIttikal	0.0010	0.8647	19	-0.0311	-0.0311	47
Apex Investment	PM/FC	2	Apex Dana Al-Sofi-I	0.0132	0.8310	27	0.2943	0.2940	11
	PM/FC	3	Apex Dana Al-Sofi-I	0.0009	0.7981	29	-0.0358	-0.0358	49
Asia Unit Trust	PM/LC	1	AUTB Dana Bakti	0.0025	0.7131	45	0.0075	0.0075	36
	PM/LC	2	AUTB Dana Bakti	0.0076	0.8384	26	0.1818	0.1817	22
	PM/LC	3	AUTB Dana Bakti	-0.0061	0.9303	9	-0.2225	-0.2223	69
Market Portfolio			FTSE Bursa Malaysia EMAS Shariah Index (FBMS)	0.0046					

Note. Mgt = Management, R²=R-squared coefficients, 1 = Normal sub-period, 2 = Up-market sub-period, 3 = During crisis sub-period

Table 4.2 (i)- Continued

Fund Mgt	Type Of Mgt	Period	Unit Trust Fund	Average Monthly Return	R²	R² Ranking	Sharpe Index	Adjusted Sharpe Index	Unit Trust Ranking
Asia Unit Trust	PM/LC	1	AUTB Dana Bakti	0.0025	0.7131	45	0.0075	0.0075	36
	PM/LC	2	AUTB Dana Bakti	0.0076	0.8384	26	0.1818	0.1817	22
	PM/LC	3	AUTB Dana Bakti	-0.0061	0.9303	9	-0.2225	-0.2223	69
ASM Investment	PM/LC	1	Dana Bestari	-0.0013	0.6770	47	-0.0764	-0.0763	57
	PM/LC	1	Dana Al Aiman	0.0014	0.6740	49	-0.0189	-0.0188	42
	PM/LC	1	ASM Syariah Aggresive Fund	0.0031	0.7573	35	0.0187	0.0186	32
	PM/LC	1	ASM Dana Mutiara	0.0021	0.7547	37	-0.0020	-0.0020	38
	PM/LC	2	Dana Bestari	0.0065	0.4019	71	0.1269	0.1268	28
	PM/LC	2	Dana Al Aiman	0.0077	0.5812	60	0.1699	0.1697	24
	PM/LC	2	ASM Syariah Aggresive Fund	0.0074	0.7640	34	0.1724	0.1723	23
	PM/LC	2	ASM Dana Mutiara	0.0097	0.8845	18	0.2458	0.2456	17
	PM/LC	3	Dana Bestari	-0.0038	0.7454	40	-0.1490	-0.1489	64
	PM/LC	3	Dana Al Aiman	-0.0009	0.7255	42	-0.0982	-0.0981	62
	PM/LC	3	ASM Syariah Aggresive Fund	-0.0126	0.9109	11	-0.3018	-0.3016	72
	PM/LC	3	ASM Dana Mutiara	-0.0090	0.8851	17	-0.2645	-0.2643	70
Avenue Invest	PN/LC	2	Amanah Saham Wanita	0.0122	0.3714	72	0.0742	0.0742	29
	PN/LC	3	Amanah Saham Wanita	-0.0033	0.5849	59	-0.1508	-0.1507	65
Market Portfolio			FTSE Bursa Malaysia						
			EMAS Shariah Index (FBMS)	0.0046					

Note. Mgt = Management, R²=R-squared coefficients, 1 = Normal sub-period, 2 = Up-market sub-period, 3 = During crisis sub-period

Table 4.2 (i) - Continued

Fund Mgt	Type Of Mgt	Period	Unit Trust Fund	Average Monthly Return	R²	R² Ranking	Sharpe Index	Adjusted Sharpe Index	Unit Trust Ranking
BIMB Investment	PM/LC	1	ASBI Dana Al-Mubin	-0.0015	0.6691	50	-0.0894	-0.0893	60
	PM/LC	2	ASBI Dana Al-Mubin	0.0086	0.9100	12	0.1856	0.1855	20
	PM/LC	2	ASBI Dana Al-Falah	0.0130	0.4796	68	0.2506	0.2504	14
	PM/LC	3	ASBI Dana Al-Mubin	0.0008	0.7915	30	-0.0419	-0.0419	53
	PM/LC	3	ASBI Dana Al-Falah	0.0019	0.5255	66	-0.0177	-0.0177	41
CIMB-Principal Asset	PM/FC	1	CIMB Islamic DALI Equity Growth Fund	0.0016	0.5395	64	-0.0140	-0.0140	39
	PM/FC	1	CIMB Islamic Equity Aggressive Fund	0.0004	0.7251	43	-0.0376	-0.0375	50
	PM/FC	2	CIMB Islamic DALI Equity Growth Fund	0.0141	0.9491	4	0.3250	0.3247	9
	PM/FC	2	CIMB Islamic Equity Aggressive Fund	0.0128	0.5429	63	0.2587	0.2585	13
	PM/FC	2	CIMB Islamic DALI Equity Fund	0.0179	0.8580	21	0.4429	0.4425	4
	PM/FC	2	CIMB Islamic Small Cap Fund	0.0038	0.6132	57	0.0373	0.0373	31
	PN/FC	2	CIMB Islamic Equity Fund	0.0171	0.9153	10	0.4727	0.4723	3
	PM/FC	3	CIMB Islamic DALI Equity Growth Fund	0.0032	0.9619	2	0.0159	0.0159	33
	PM/FC	3	CIMB Islamic Equity Aggressive Fund	-0.0021	0.6632	52	-0.0710	-0.0709	55
	PM/FC	3	CIMB Islamic DALI Equity Fund	0.0015	0.7704	33	-0.0159	-0.0159	40
	PM/FC	3	CIMB Islamic Small Cap Fund	-0.0023	0.7767	32	-0.0777	-0.0776	58
	PN/FC	3	CIMB Islamic Equity Fund	0.0029	0.7780	31	0.0078	0.0078	35
	PM/FC	3	CIMB Islamic Asia Pacific Equity Fund	0.0011	0.5797	62	-0.0190	-0.0190	43
Market Portfolio			FTSE Bursa Malaysia EMAS Shariah Index (FBMS)	0.0046					

Note. Mgt = Management, R²=R-squared coefficients, 1 = Normal sub-period, 2 = Up-market sub-period, 3 = During crisis sub-period

Table 4.2 (i) - Continued

Fund Mgt	Type Of Mgt	Period	Unit Trust Fund	Average Monthly Return	R²	R² Ranking	Sharpe Index	Adjusted Sharpe Index	Unit Trust Ranking
CMS Trust	PN/LC	2	CMS Islamic Fund	0.0257	0.8457	24	0.3734	0.3731	6
	PN/LC	3	CMS Islamic Fund	-0.0146	0.7152	44	-0.2911	-0.2909	71
HLG Unit Trust	PN/LC	2	HLG Dana Makmur	0.0104	0.6287	54	0.2254	0.2252	18
	PN/LC	3	HLG Dana Makmur	-0.0023	0.6640	51	-0.0936	-0.0936	61
HwangDBS Investment	PN/LC	2	HwangDBS AIIMAN Growth Fund	0.0102	0.7562	36	0.1902	0.1901	19
	PN/LC	3	HwangDBS AIIMAN Growth Fund	0.0027	0.7513	39	0.0065	0.0064	37
ING Funds	PN/FC	2	ING Ekuiti Islam	0.0193	0.8554	22	0.4913	0.4909	1
	PN/FC	3	ING Ekuiti Islam	-0.0055	0.8998	14	-0.1721	-0.1720	68
MAAKL Mutual	PN/LC	2	MAAKL Al-Faid	0.0176	0.8005	28	0.4810	0.4806	2
	PN/LC	3	MAAKL Al-Faid	0.0004	0.6983	46	-0.0380	-0.0380	51
OSK-UOB Unit Trust	PN/LC	2	OSK-UOB Dana Islam	0.0137	0.8542	23	0.2804	0.2802	12
	PN/LC	3	OSK-UOB Dana Islam	-0.0040	0.8997	15	-0.1576	-0.1575	67
Market Portfolio			FTSE Bursa Malaysia EMAS Shariah Index (FBMS)	0.0046					

Note. Mgt = Management, R²=R-squared coefficients, 1 = Normal sub-period, 2 = Up-market sub-period, 3 = During crisis sub-period

Table 4.2 (i) - Continued

Fund Mgt	Type Of Mgt	Period	Unit Trust Fund	Average Monthly Return	R²	R² Ranking	Sharpe Index	Adjusted Sharpe Index	Unit Trust Ranking
Prudential Fund	PN/FC	2	Prudential Dana Al-Ilham	0.0135	0.6754	48	0.2506	0.2503	15
	PN/FC	2	Prudential Dana Dinamik	0.0117	0.9405	6	0.3509	0.3506	8
	PN/FC	3	Prudential Dana Al-Ilham	0.0013	0.9773	1	-0.0207	-0.0207	44
	PN/FC	3	Prudential Dana Dinamik	0.0008	0.6099	58	-0.0443	-0.0443	54
Public Mutual	PN/LC	1	Public Ittikal Fund	0.0072	0.6275	56	0.1377	0.1376	26
	PN/LC	2	Public Ittikal Fund	0.0176	0.7521	38	0.3543	0.3540	7
	PN/LC	2	Public Islamic Equity Fund	0.0164	0.4471	69	0.3030	0.3028	10
	PN/LC	3	Public Ittikal Fund	0.0002	0.9003	13	-0.0389	-0.0388	52
	PN/LC	3	Public Islamic Equity Fund	0.0006	0.5296	65	-0.0305	-0.0304	46
	PN/LC	3	PB Islamic Equity Fund	-0.0005	0.4160	70	-0.0336	-0.0335	48
	PN/LC	3	Public Islamic Opportunities Fund	0.0034	0.4796	67	0.0146	0.0146	34
	PN/LC	3	Public Islamic Dividend Fund	0.0012	0.7389	41	-0.0288	-0.0288	45
RHB Investment	PM/FC	2	RHB Islamic Growth Fund	0.0086	0.9306	8	0.1606	0.1605	25
	PM/FC	3	RHB Islamic Growth Fund	-0.0013	0.9611	3	-0.0782	-0.0782	59
TA Investment	PM/FC	2	TA Islamic Fund	0.0108	0.6285	55	0.1826	0.1825	21
	PM/FC	3	TA Islamic Fund	0.0046	0.6398	53	0.0487	0.0486	30
Market Portfolio			FTSE Bursa Malaysia EMAS Shariah Index (FBMS)	0.0046					

Note. Mgt = Management, R²=R-squared coefficients, 1 = Normal sub-period, 2 = Up-market sub-period, 3 = During crisis sub-period

Table 4.2 (ii)

Summary of Results for Individual Islamic Unit Trust for Normal Sub-period (January 2000 to December 2004)

Fund Mgt	Type Of Mgt	Unit Trust Fund	Average Monthly Return	R²	R² Ranking	Sharpe Index	Adjusted Sharpe Index	Unit Trust Ranking
AmInvestment	PM/LC	AmIttikal	-0.0016	0.5808	9	-0.0742	-0.0741	8
Asia Unit Trust	PM/LC	AUTB Dana Bakti	0.0025	0.7131	4	0.0075	0.0075	3
ASM Investment	PM/LC	Dana Bestari	-0.0013	0.6770	5	-0.0764	-0.0763	9
	PM/LC	Dana Al Aiman	0.0014	0.6740	6	-0.0189	-0.0188	6
	PM/LC	ASM Syariah Aggresive Fund	0.0031	0.7573	1	0.0187	0.0186	2
	PM/LC	ASM Dana Mutiara	0.0021	0.7547	2	-0.0020	-0.0020	4
BIMB Investment	PM/LC	ASBI Dana Al-Mubin	-0.0015	0.6691	7	-0.0894	-0.0893	10
CIMB-Principal Asset	PM/FC	CIMB Islamic DALI Equity Growth Fund	0.0016	0.5395	10	-0.0140	-0.0140	5
	PM/FC	CIMB Islamic Equity Aggressive Fund	0.0004	0.7251	3	-0.0376	-0.0375	7
Public Mutual	PN/LC	Public Ittikal Fund	0.0072	0.6275	8	0.1377	0.1376	1
Market Portfolio		FTSE Bursa Malaysia EMAS Shariah Index (FBMS)	0.0000					

Note. Mgt=Management, R²=R-squared coefficients

Table 4.2 (iii)

Summary of Results for Individual Islamic Unit Trust for Up-market Sub-period (January 2005 to June 2007)

Fund Mgt	Type Of Mgt	Unit Trust Fund	Average Monthly Return	R²	R² Ranking	Sharpe Index	Adjusted Sharpe Index	Unit Trust Ranking
Alliance Investment	PM/LC	Alliance Dana Adib	0.0160	0.8621	8	0.3897	0.3893	5
Amanah Mutual	PM/LC	AMB Dana Yakin	0.0087	0.8436	13	0.2471	0.2468	16
AmInvestment	PM/LC	AmIttikal	0.0072	0.8877	6	0.1371	0.1370	26
Apex Investment	PM/FC	Apex Dana Al-Sofi-I	0.0132	0.8310	15	0.2943	0.2940	11
Asia Unit Trust	PM/LC	AUTB Dana Bakti	0.0076	0.8384	14	0.1818	0.1817	22
ASM Investment	PM/LC	Dana Bestari	0.0065	0.4019	28	0.1269	0.1268	27
	PM/LC	Dana Al Aiman	0.0077	0.5812	24	0.1699	0.1697	24
	PM/LC	ASM Syariah Aggresive Fund	0.0074	0.7640	17	0.1724	0.1723	23
	PM/LC	ASM Dana Mutiara	0.0097	0.8845	7	0.2458	0.2456	17
Market Portfolio		FTSE Bursa Malaysia EMAS Shariah Index (FBMS)	0.0146					

Note. Mgt=Management, R²=R-squared coefficients

Table 4.2 (iii) - Continued

Fund Mgt	Type Of Mgt	Unit Trust Fund	Average Monthly Return	R²	R² Ranking	Sharpe Index	Adjusted Sharpe Index	Unit Trust Ranking
Avenue Invest	PN/LC	Amanah Saham Wanita	0.0122	0.3714	29	0.0742	0.0742	28
BIMB Investment	PM/LC	ASBI Dana Al-Mubin	0.0086	0.9100	5	0.1856	0.1855	20
	PM/LC	ASBI Dana Al-Falah	0.0130	0.4796	26	0.2506	0.2504	14
CIMB-Principal Asset	PM/FC	CIMB Islamic DALI Equity Growth Fund	0.0141	0.9491	1	0.3250	0.3247	9
	PM/FC	CIMB Islamic Equity Aggressive Fund	0.0128	0.5429	25	0.2587	0.2585	13
	PM/FC	CIMB Islamic DALI Equity Fund	0.0179	0.8580	9	0.4429	0.4425	4
	PM/FC	CIMB Islamic Small Cap Fund	0.0038	0.6132	23	0.0373	0.0373	29
	PN/FC	CIMB Islamic Equity Fund	0.0171	0.9153	4	0.4727	0.4723	3
CMS Trust	PN/LC	CMS Islamic Fund	0.0257	0.8457	12	0.3734	0.3731	6
HLG Unit Trust	PN/LC	HLG Dana Makmur	0.0104	0.6287	21	0.2254	0.2252	18
HwangDBS Investment	PN/LC	HwangDBS AIIMAN Growth Fund	0.0102	0.7562	18	0.1902	0.1901	19
ING Funds	PN/FC	ING Ekuiti Islam	0.0193	0.8554	10	0.4913	0.4909	1
Market Portfolio		FTSE Bursa Malaysia EMAS Shariah Index (FBMS)	0.0146					

Note. Mgt=Management, R²=R-squared coefficients

Table 4.2 (iii) - Continued

Fund Mgt	Type Of Mgt	Unit Trust Fund	Average Monthly Return	R²	R² Ranking	Sharpe Index	Adjusted Sharpe Index	Unit Trust Ranking
MAAKL Mutual	PN/LC	MAAKL Al-Faid	1.76%	0.800519	16	0.4810	0.4806	2
OSK-UOB Unit Trust	PN/LC	OSK-UOB Dana Islam	1.37%	0.854188	11	0.2804	0.2802	12
Prudential Fund	PN/FC	Prudential Dana Al-Ilham	1.35%	0.675376	20	0.2506	0.2503	15
	PN/FC	Prudential Dana Dinamik	1.17%	0.940459	2	0.3509	0.3506	8
Public Mutual	PN/LC	Public Ittikal Fund	1.76%	0.752103	19	0.3543	0.3540	7
	PN/LC	Public Islamic Equity Fund	1.64%	0.447104	27	0.3030	0.3028	10
RHB Investment	PM/FC	RHB Islamic Growth Fund	0.86%	0.930573	3	0.1606	0.1605	25
TA Investment	PM/FC	TA Islamic Fund	1.08%	0.628492	22	0.1826	0.1825	21
Market Portfolio		FTSE Bursa Malaysia EMAS Shariah Index (FBMS)	0.0146					

Note. Mgt=Management, R²=R-squared coefficients

Table 4.2 (iv)

Summary of Results for Individual Islamic Unit Trust for During Crisis Sub-period (July 2007 to December 2009)

Fund Mgt	Type Of Mgt	Unit Trust Fund	Average Monthly Return	R²	R² Ranking	Sharpe Index	Adjusted Sharpe Index	Unit Trust Ranking
Alliance Investment	PM/LC	Alliance Dana Adib	-0.0022	0.9466	4	-0.1130	-0.1129	24
Amanah Mutual	PM/LC	AMB Dana Yakin	-0.0036	0.9368	5	-0.1531	-0.1529	27
AmInvestment	PM/LC	AmIttikal	0.0010	0.8647	12	-0.0311	-0.0311	12
Apex Investment	PM/FC	Apex Dana Al-Sofi-I	0.0009	0.7981	13	-0.0358	-0.0358	14
Asia Unit Trust	PM/LC	AUTB Dana Bakti	-0.0061	0.9303	6	-0.2225	-0.2223	30
ASM Investment	PM/LC	Dana Bestari	-0.0038	0.7454	19	-0.1490	-0.1489	25
	PM/LC	Dana Al Aiman	-0.0009	0.7255	21	-0.0982	-0.0981	23
	PM/LC	ASM Syariah Aggresive Fund	-0.0126	0.9109	7	-0.3018	-0.3016	33
	PM/LC	ASM Dana Mutiara	-0.0090	0.8851	11	-0.2645	-0.2643	31
Avenue Invest	PN/LC	Amanah Saham Wanita	-0.0033	0.5849	28	-0.1508	-0.1507	26
Market Portfolio		FTSE Bursa Malaysia EMAS Shariah Index (FBMS)	-0.0027					

Note. Mgt=Management, R²=R-squared coefficients

Table 4.2 (iv) - Continued

Fund Mgt	Type Of Mgt	Unit Trust Fund	Average Monthly Return	R²	R² Ranking	Sharpe Index	Adjusted Sharpe Index	Unit Trust Ranking
BIMB Investment	PM/LC	ASBI Dana Al-Mubin	0.0008	0.7915	14	-0.0419	-0.0419	17
	PM/LC	ASBI Dana Al-Falah	0.0019	0.5255	31	-0.0177	-0.0177	7
CIMB-Principal Asset	PM/FC	CIMB Islamic DALI Equity Growth Fund	0.0032	0.9619	2	0.0159	0.0159	2
	PM/FC	CIMB Islamic Equity Aggressive Fund	-0.0021	0.6632	25	-0.0710	-0.0709	19
	PM/FC	CIMB Islamic DALI Equity Fund	0.0015	0.7704	17	-0.0159	-0.0159	6
	PM/FC	CIMB Islamic Small Cap Fund	-0.0023	0.7767	16	-0.0777	-0.0776	20
	PM/FC	CIMB Islamic Asia Pacific Equity Fund	0.0011	0.5797	29	-0.0190	-0.0190	8
	PN/FC	CIMB Islamic Equity Fund	0.0029	0.7780	15	0.0078	0.0078	4
CMS Trust	PN/LC	CMS Islamic Fund	-0.0146	0.7152	22	-0.2911	-0.2909	32
HLG Unit Trust	PN/LC	HLG Dana Makmur	-0.0023	0.6640	24	-0.0936	-0.0936	22
HwangDBS Investment	PN/LC	HwangDBS AIIAMAN Growth Fund	0.0027	0.7513	18	0.0065	0.0064	5
ING Funds	PN/FC	ING Ekuiti Islam	-0.0055	0.8998	9	-0.1721	-0.1720	29
Market Portfolio		FTSE Bursa Malaysia EMAS Shariah Index (FBMS)	-0.0027					

Note. Mgt=Management, R²=R-squared coefficients

Table 4.2 (iv) - Continued

Fund Mgt	Type Of Mgt	Unit Trust Fund	Average Monthly Return	R²	R² Ranking	Sharpe Index	Adjusted Sharpe Index	Unit Trust Ranking
MAAKL Mutual	PN/LC	MAAKL Al-Faid	0.0004	0.6983	23	-0.0380	-0.0380	15
OSK-UOB Unit Trust	PN/LC	OSK-UOB Dana Islam	-0.0040	0.8997	10	-0.1576	-0.1575	28
Prudential Fund	PN/FC	Prudential Dana Al-Ilham	0.0013	0.9773	1	-0.0207	-0.0207	9
	PN/FC	Prudential Dana Dinamik	0.0008	0.6099	27	-0.0443	-0.0443	18
Public Mutual	PN/LC	Public Ittikal Fund	0.0002	0.9003	8	-0.0389	-0.0388	16
	PN/LC	Public Islamic Equity Fund	0.0006	0.5296	30	-0.0305	-0.0304	11
	PN/LC	PB Islamic Equity Fund	-0.0005	0.4160	33	-0.0336	-0.0335	13
	PN/LC	Public Islamic Opportunities Fund	0.0034	0.4796	32	0.0146	0.0146	3
	PN/LC	Public Islamic Dividend Fund	0.0012	0.7389	20	-0.0288	-0.0288	10
RHB Investment	PM/FC	RHB Islamic Growth Fund	-0.0013	0.9611	3	-0.0782	-0.0782	21
TA Investment	PM/FC	TA Islamic Fund	0.0046	0.6398	26	0.0487	0.0486	1
Market Portfolio		FTSE Bursa Malaysia EMAS Shariah Index (FBMS)	-0.0027					

Note. Mgt=Management, R²=R-squared coefficients

5. CONCLUSION AND IMPLICATIONS

The primary focus of this study is to ascertain the relative performance of Islamic unit trust funds across three different economic sub periods namely the non-crisis period, up-market and during crisis as well as whole sample data. This study employed four different performance measures that include the raw return, Treynor's Index, Adjusted Jensen's Alpha Index, and Adjusted Sharpe Index. In order to see the effect of both of the categories to the fund performance, the study further divides the Islamic unit trust funds into two categories which are the Islamic unit trust funds which are managed by the Muslim and non-Muslim managers, and the Islamic unit trust funds which are managed by fund management companies whose ultimate parent company are local and international companies.

The findings of the study reveal that the Islamic unit trusts are comparable to that of the market. Nevertheless, major findings of the study reveal that the Islamic unit trust perform better during the crisis period than the rest of the sub-periods and whole sample period. Therefore, the Islamic unit trust funds can be recommended as the hedging instruments during the crisis period due to the highest average outperforming achievement of Islamic unit trust during this period. It can also be seen that on average, the Islamic unit trust funds are well diversified due to the achievement of more than 0.50 for all average R^2 coefficients in all of the sub-periods. Our result also indicate that the fund management companies having foreign ultimate parent origins perform better than the fund management companies having local ultimate parent origins over the period of study. Over the 10-year period, the results of the study also reveal that the Islamic unit

trusts managed by the non-Muslim managers have better performance than those managed by the Muslim managers.

The findings of this study have important implications for investors, fund managers and regulatory agencies of the unit trust industry to further enhance the Islamic capital market in Malaysia. It is suggested that in the future, the performance studies can be expanded up to the Islamic unit trusts around the world and also to other types of Islamic unit trusts. Future study could also consider some details on the Islamic unit trusts such as the sizes and the categories of the Islamic unit trust as well as other characteristics such as the fund managers serving term, fund managers are foreign or local, as well as fund managers' gender as it might also affect the performance.

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