A COMPARISON OF ISLAMIC AND CONVENTIONAL UNIT TRUST FUNDS' PERFORMANCE IN MALAYSIA

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ABSTRAK

ABSTRACT

The growths of demand for Islamic products lead to a growth of unit trust, or funds, based on Islamic principles. The main aim of this research is to observe the differences in performance between Islamic and conventional funds in the context of Malaysian capital market. This study uses 94 funds as the sample, which is made up of 44 Islamic funds and 50 conventional funds. To achieve the major objectives of this paper, Sharpe ratio, Treynor index and Jensen alpha are used to evaluate the mutual funds performance. To examine whether the differences in performance are influenced by the choice of market benchmarks, this study uses both KLCI and EMAS indexes. This study finds that, the differences between Islamic funds and conventional funds are not significant based on t-tests and the locations of both type of funds according to Mann-Whitney tests. The use of either KLCI Index or EMAS as a market benchmark does not influence the result.
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Unit trust is an investment product that enables small investors to pool their funds and invest in financial markets to earn same returns. The risks are lower than of individual investment as a unit trust could diversify more efficiently. The investors hold units which may fluctuate in value depending on the market performances of the underlying assets. The three components of a unit trust are firstly the investment choices, secondly the trustee or custodian, which is the organization that holds, manages and invests assets for the benefit of the investors and lastly the unit holders, mean individuals who invest money in the unit trust funds.

Through unit trusts, investors can diversify their investment. As such the risks involved are less than the investment done directly in the stock market at Bursa Malaysia. The diversification of the unit trust portfolios will be arranged by Professional Unit Trust Managers who will make sure that the investments are allocated in good companies and also give good returns to the investors.

The demand for unit trusts which comply with the shari'ah principles has been increasing over time. Islamic banking was introduced in 1983. With Islamic banking
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REFERENCES


