

The performance of Islamic mutual funds: The Malaysian Case



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Plan of Presentation

1. Introduction
2. Literature Reviews
3. Research Methodology and The Data
4. Results and Discussion
5. Concluding Remarks
6. Q & A Session



1. Introduction

Why Malaysia as a case?

Why Malaysia?

- ✧ **A second biggest hub of the world Islamic banking and finance (Khan and Bhatti, 2008c) -parallel to Bahrain, Dubai, London and Singapore.**
- ✧ **Acknowledged for establishing two international prominent boards,**
 - **the Islamic Financial Services Board in 2002, and**
 - **the Malaysia International Islamic Financial Centre (MIFC) in August 2006.**
- ✧ **Relatively liberal in global Islamic finance among the Organization of Islamic Conference (OIC) countries**
 - **increased foreign equity limit and**
 - **opened licenses to international banks to operate in Malaysia.**
- ✧ **The mutual funds industry in Malaysia, has grown much faster than in other countries. Existing available studies are about Malaysia as an example for comparison purposes (Nathie, 2009, 2008; Lewis, 2009; Fikriyah et al.,2007; Ghafar & Shaharudin, 2003; and Ramasamy & Mathew,2003)**
- ✧ **With more than 400 Islamic mutual funds worldwide, Malaysia alone dominated 149 (37%) funds as at December 2008 (Securities Commission, 2009). Out of 232 world Islamic equity funds, Malaysia posses 68 (29%) funds (Failaka Database, 2009)**

Research Objectives

- ⌘ Focuses on the performance of the Islamic mutual funds (IMF) and the conventional mutual funds (CMF) in Malaysia.
 - n Basis analysis (statistical analysis)

2. Literature Review

Section in Literature Review;

Section A: Explain the differences between Islamic finance (IF) and conventional finance (CF) and between Islamic mutual fund (IMF) and conventional mutual fund (CMF)

Section B: Describe the category of the previous studies on mutual funds performance

Section C: Indicate the models used in examining the mutual funds performance

Section D: Analyze the inputs and the outputs of the mutual funds previous studies

Literature Review (Section A) – Islamic finance versus conventional finance

	Islamic Finance	Conventional Finance
The contract	<ul style="list-style-type: none"> • Asset based <ul style="list-style-type: none"> ○ Investments legally tied to projects ○ Risk and returns shared equitably as agreed 	<ul style="list-style-type: none"> • Debt based <ul style="list-style-type: none"> ○ Investments not legally tied to projects ○ Risk and returns Not equitably shared
Investment objectives	<p>Behavioral objectives:</p> <ul style="list-style-type: none"> • Primarily profit maximization but able to sacrifice profits when social priorities so require and when affordable to do so. • Maximize the stake-holders welfare (stakeholders include shareholders as well as others) • Maximize investors expected utility and to find the optimal portfolio. 	<ul style="list-style-type: none"> • Profit maximization <ul style="list-style-type: none"> • maximize profit and to increase the shareholders' wealth (Bodie et al, 2007). • maximize investor's expected utility and to find the optimal portfolio for the investors (Sharpe, 2007).
Shari`ah Supervisory Board (to supervise Shari`ah compliancy) (DeLorenzo, 2000; Khir et al., 2008)	All Islamic financial products offered in the market must be approved by Shari`ah Supervisory Board (Bhatti, 2009).	This requirement is not applied to the conventional financial products (Securities Commissions, 2009).

Investment activities of Islamic finance versus conventional finance – Con't

	Islamic Finance	Conventional Finance
Investment activities	<p>Islamic finance limits its investments to Shari'ah-compliant products only, and prohibited on short selling and harmful investments (Bhatti,2009).</p> <ul style="list-style-type: none"> • Prohibits the activities involved in cigarette, prostitution, drugs and weaponry are prohibited. • No <i>riba</i> (includes banks interest) • Banned investments (alcohol for consumption, pornography, gambling etc) <p>The principles of Islamic investment consist of the following (AbMumin, 1999; Algaoud and Lewis 2007,p. 38; Lewis, 2009; Bhatti, 2009) :</p> <ol style="list-style-type: none"> a. The prohibition of <i>riba</i> in all transactions; b. The business and investment transactions are undertaken on the basis of <i>halal</i> (legal, permitted) activities; c. The prohibition of <i>Maysir</i> (gambling); d. The avoidance of <i>gharar</i> and all transactions should be free from <i>gharar</i> (speculation or unreasonable uncertainty) e. The application of <i>Zakat</i> (obligatory social tax), to be paid by the Islamic institutions to benefit society. <p>All activities in Islamic finance should be in line with Shari'ah principles, with a special shari'ah board to supervise and advise the bank on the propriety of transactions.</p>	<p>It includes all activities which involved gaming, speculation, short-selling, and high risk (like collateralised debt obligations (CDOs) and swaps).</p> <p>Conventional finance allows any investments generally without reference to any legal supervision (Bhatti, 2009) or any cleansing screening process, as long as it could provide above average returns.</p>

Islamic finance versus conventional finance – Con't

How does the systems make profit?

How the system makes profit?	Islamic Finance	Conventional Finance
Debt financing	<p>The Islamic finance uses the profit rate, which includes the profit margin in the selling price. The profit is fixed and it is determined during the contract agreement. The purchaser (borrower) needs to pay the whole selling price at the end of the time contract, without any extra cost.</p>	<p>The conventional finance uses the interest rate, which excludes from the selling price. This interest rate is variable based on the current economic situation. At the end of the period, the borrower needs to pay to the lender, the selling price and the nominal rate, which is the BLR and the actual rate.</p>
Equity financing	<p>The Islamic finance applies profit sharing or profit-loss sharing (PLS), which refer to mudharabah and musharakah respectively. Only the proportion of profit is determined during the contract, but the actual return is unknown, depends on the actual gain or loss from the project. It means the profit is not fixed.</p>	<p>The conventional finance also uses the interest rate to calculate the profit (rate of return). The rate of return is predetermined during the contract and it is not changed either the project would incur more profit or loss.</p>

ISLAMIC MUTUAL FUNDS VERSUS CONVENTIONAL MUTUAL FUNDS

features

	Islamic Mutual Funds	Conventional Mutual Funds
The contract	It is based on the profit-loss sharing (PLS). Basically according to the Musyarakah and Mudharabah principles. The Islamic financial system facilitates lending, borrowing and investments contracts based on risk-sharing basis or profit-loss sharing (Khan and Bhatti, 2008a).	It is also based commercial contract, according to the lender and borrower contract. The investor is a lender, who lends the money in order to get high rate of return and the dividend.
Shari`ah-compliant portfolios	It is part of legal requirement. The fund managers need to appoint the Shari`ah supervisory board.	It is not a legal requirement.
Investments activities	Involved in limited to certain activities which are comply with the Shari`ah principles and Islamic jurisprudence. The activities should not involve in short selling and harmful investments, gambling, alcoholic beverages, non-halal products, cigarette, prostitution, drugs, weaponry and pornography. It is also not involve in interest-bearing deposits and interest-based banking and finance (Alhabshi, 1995; Bhatti, 2009).	Involved in all activities, which can provide the required above rate of return.

Islamic mutual funds versus conventional mutual funds features (Cont.)

	Islamic Mutual Funds	Conventional Mutual Funds
Objectives	Profit maximization is allowed but according to the Islamic jurisdiction.	Profit maximization without any restriction.
Rate of Return	Based on profit rate. In Islamic equity financing, profit cannot be predetermined, but the proportion of the profit can be predetermined based on the capital ratio.	Based on interest rate. It is predetermined and stated in the contract.
Riba element	It is not allowed, according to the Shari'ah Law and the legal requirement. It is because riba is fixed and predetermined (Rahman,1964).	It is accepted under the legal requirement.

Literature Review (Section B)

Studies on Mutual funds performance

Category	Author (Date)	Description of the Research/Techniques
1	Grinblatt & Titman (1992); Brown & Goetzman (1995); Malkiel (1995)	OLS estimation on the factor model regressions.
2	Jensen (1968, 1969); Black, Jensen & Scholes (1972); Grinblatt & Titman (1993); Goldreyer et. al (1999); Lau (2007); Low (2007); Fauziah & Mansor (2007); Renneboog et. al (2007)	Single factor CAPM model.
3	Fama (1972); Merton (1981); Jegadesh & Titman (1993); Ferson & Schadt (1996)	Multi factor CAPM model.
4	Henriksson & Merton (1981); Grinblatt & Titman (1989); Carhart (1997); Busse (1999); James & Karceski (2006); Giambona et. al (2009)	Single and Multi factor CAPM model.
5	Busse and Irvine (2006)	The Bayesian approach.
6	Abderrazak (2008); Nathie (2008); Elfakhani et. al. (2007, 2005); Fikriyah et. al. (2007); Girard & Hassan (2005); Ghafar & Shaharudin (2003); DeLorenzo (2000)	Comparative approach
7	Ramasamy & Matthew (2003); Nathie (2009)	Survey method
8	Nguyen and Bhatti (2009); Luo (2009)	Copula approach

Literature Review (Section C)

Models in examining the Mutual funds performance

Author (Date)	Methods/Models	Market	No. of Samples/ Data sets	Data Frequencies
Nathie (2009)	<ul style="list-style-type: none">• Survey• Theoretical research model• Structural equation modelling	Malaysia	1000 respondents	-
Abdul Razak (2008)	<ul style="list-style-type: none">• CAPM• Jensen alpha• Multifactor• Sharpe Ratio• Fama's Measure (Diversification & selectivity)	Global & US	46 Islamic funds & US ethical funds	Monthly
Elfakhani et. al. (2007)	<ul style="list-style-type: none">• Sharpe (1966), Treynor (1965) & Jensen (1968)• Fama (1972)• Treynor.Mazury Model	Global	46 Islamic funds	Monthly
Fikriyah et. al. (2007)	<ul style="list-style-type: none">• Regression analysis• Jensen alpha• Adjusted Sharpe Index	Malaysia	65 funds (14 Islamic funds & others conventional funds)	Monthly
Elfakhani et. al. (2005)	<ul style="list-style-type: none">• Comparative performance• Regression analysis• ANOVA	Global	46 Islamic funds	Monthly

Literature Review (Section C) – Con't

Models in examining the Mutual funds performance- Con't

Author (Date)	Methods/Models	Market	No. of Samples/ Data sets	Data Frequencies
Luo (2009)	<ul style="list-style-type: none"> Copula approach 	Global	129 funds (Shari'ah Islamic equity funds and index)	Weekly
Girard & Hassan (2005)	<ul style="list-style-type: none"> CAPM Multifactor Jensen and Fama Selectivity Carhart (1997) model 	Global	118 data points	Monthly
Ramasamy & Matthew (2003)	<ul style="list-style-type: none"> Survey Conjoint analysis 	Malaysia	75 respondents	-
Ghafar & Shahrudin (2003)	<ul style="list-style-type: none"> Conditional CAPM Single factor 	Malaysia	12 Islamic funds	Weekly
Busse (1999)	<ul style="list-style-type: none"> CAPM Mixed approach 	US	230 domestic equity funds	Daily
Malkiel (1995)	<ul style="list-style-type: none"> CAPM Single factor 	Global	239 equity funds	Yearly

Literature Review (Section D)

Inputs and Outputs from the of the mutual funds studies

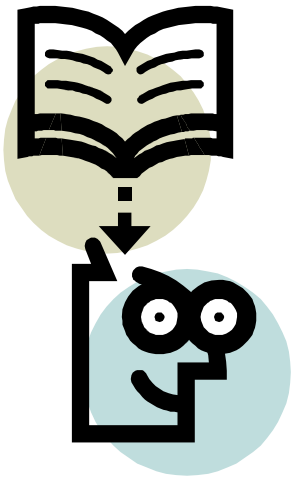
Author (Date)	Country	Sources of Data	Type of data (Period of the Study)	Inputs (Attributes/ Characteristics)	Outputs (Findings)
Nguyen (2004)	Global	Morningstar database	Yearly (1995-2003)	<ul style="list-style-type: none"> • Management tenure • Fund size • Fund turnover • Fund expenses 	<ul style="list-style-type: none"> • All the attributes affected the mutual fund performance but in different degree of influence.
Ghfar & Shaharudin (2003)	Malaysia	Daily newspaper	Weekly (May 1999-July 2001)	<ul style="list-style-type: none"> • Portfolio beta • Portfolio return 	<ul style="list-style-type: none"> • The adjusted-R^2 and standard error of the conditional relationship is higher in down-markets than in up-markets. • Beta has a role to play in explaining cross-sectional differences in Islamic Unit Trusts' returns
Goldreyer et. al (1999)	Global	Lipper analytical services	Monthly	<ul style="list-style-type: none"> • Socially-responsible (SR) funds • Conventional funds 	<ul style="list-style-type: none"> • The conventional funds appear to out perform SR funds in a larger number of circumstances,
Elfakhani et.al (2007)	Global	Failaka Database	Monthly (Jan 1997-August 2002)	<ul style="list-style-type: none"> • Net asset values (NAV) 	<ul style="list-style-type: none"> • The results of the Transformed Sharpe model showed that the performance of Islamic mutual funds compared to both benchmarks (S&P 500 Index and FTSE Islamic Indices), during the second period dominated by recession is better than that during the first (booming) sub-period.

(Section D) – Con't

Inputs and Outputs from the of the mutual funds studies – Con't

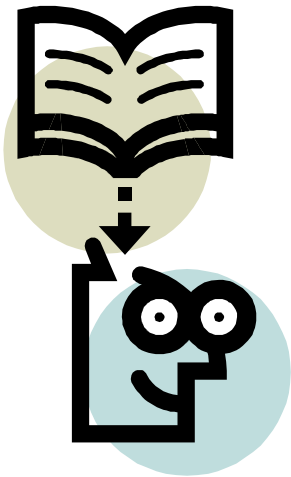
Author (Date)	Country	Sources of Data	Type of data (Period of the Study)	Inputs (Attributes/ Characteristics)	Outputs (Findings)
Fikriyah et. al. (2007)	Malaysia	Daily Newspaper	Monthly (1992-2001)	<ul style="list-style-type: none"> • Net asset values (NAV) • Islamic funds • Conventional funds 	<ul style="list-style-type: none"> • The Islamic funds performed better than the conventional funds during bearish economic trends. • While, conventional funds showed better performance than Islamic funds during bullish economic conditions. • The study implied that Islamic funds can be used as a hedging instrument during any financial meltdown or economic slowdown.
Girard & Kabir (2005)	Global	Reuters and Datastream	Monthly (Jan 1996–Nov 2005)	<ul style="list-style-type: none"> • Dow Jones Islamic index • Non-Islamic indices 	<ul style="list-style-type: none"> • There is no difference between Islamic and non-Islamic indices. The Islamic indices outperform from 1996 to 2000 and underperform from 2001 to 2005 their conventional counterparts. • The similar reward to risk and diversification benefits exist for both Islamic and conventional indices.
Ramasamy & Matthew (2003)	Emerging market/ Malaysia	Survey	2003	<ul style="list-style-type: none"> • emerging market • past performance • size of funds • costs of transaction • experienced fund managers 	<ul style="list-style-type: none"> • The three important factors which dominate the choice of mutual funds in emerging market are consistent past performance; size of funds and costs of transaction. • The most important factors that matter much to the investors is the final performance of the funds. Then it was followed by the matter on how the performance is achieved, either by experienced or educated fund managers.

3. Research Methodology and The Data



1. **Statistical Analysis**
2. **Descriptive Statistics**

Research Methodology and The Data – Con't



✧ The Data:

- A) The yearly data of the Malaysian mutual fund industry, from 1999 – March, 2009
- B) The daily return of the Malaysian mutual fund from 1st July 2008 to 10th May 2009, consist of 535 funds.

The Malaysian Mutual Fund Industry and KLSE, from 1999 to 2009 (Data A)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	March-2009
Mutual Fund Industry											
No of Companies	34	34	37	39	36	36	36	38	39	39	39
No. of Companies managed Islamic funds	13	15	23	27	27	36	36	38	39	39	39
Units in Circulation (billion units)	52.63	63.85	71.39	84.53	97.39	118.63	139.39	154.07	208.34	241.06	243.66
Islamic	2.12	3.13	4.26	5.76	8.59	13.16	18.62	18.55	36.35	49.93	50.80
Conventional	50.52	60.71	67.13	78.78	88.80	105.47	120.76	135.52	171.99	191.12	192.86
No. of accounts (billion units)	8.91	9.58	9.99	10.18	10.22	10.43	10.86	11.16	12.28	13.05	13.15
Islamic	0.21	0.24	0.27	0.30	0.35	0.43	0.64	0.77	1.25	1.64	1.67
Conventional	8.70	9.35	9.72	9.87	9.88	10.00	10.22	10.40	11.03	11.41	11.48
No. of approved funds	107	127	164	188	226	291	340	416	521	579	552
Islamic	13	17	15	44	55	71	83	100	134	149	141
Conventional	94	110	149	144	171	220	257	316	387	430	411
NAV (RM billion)	43.26	43.30	47.35	53.70	70.08	87.38	98.49	121.76	169.41	134.41	137.75
Islamic	1.39	1.68	2.42	3.21	4.75	6.77	8.49	9.17	16.86	17.19	16.99
Conventional	41.87	41.62	44.93	50.49	65.33	80.61	90.00	112.59	152.55	117.22	120.76
KLSE											
Market Capitalization (RM billion)	552.69	444.35	465.00	481.62	640.28	722.04	695.27	848.70	1106.15	663.82	662.07
KLSE Composite Index	812.33	679.64	696.09	646.32	793.94	907.02	899.79	1096.24	1447.04	894.36	885.43
NAV (mutual funds) to Market Capitalization (%)	7.83	9.74	9.76	11.15	10.95	12.10	11.00	14.35	15.32	20.25	20.81
Islamic	0.25	0.38	0.50	0.67	0.74	0.94	0.95	1.08	1.52	2.59	2.57
Conventional	7.58	9.37	9.26	10.48	10.20	11.16	10.05	13.27	13.79	17.66	18.24

The Data on the Islamic and Conventional mutual funds in Malaysia.

Year on Year Changes in the Islamic Mutual Fund (IMF) and Conventional Mutual Fund (CMF) Attributes in Malaysia, From 1999 to March 2009

Year	No of Cos manage the IMF (%)	IMF fund approved IMF (%)	CMF fund approved (%)	IMF accounts (%)	CMF accounts (%)	IMF fund size (%)	CMF fund size (%)	IMF NAV to total industry NAV (%)	CMF NAV to total industry NAV (%)	IMF NAV to KLSE market capitalizati-on (%)	CMF NAV to KLSE market capitalizati-on (%)	Total industry NAV to KLSE market capitalization (%)
1999	38.24	12.15	87.85	2.33	97.67	4.02	95.98	3.21	96.79	0.25	7.58	7.83
2000	44.12	13.39	86.61	2.47	97.53	4.91	95.09	3.88	96.12	0.38	9.37	9.74
2001	62.16	9.15	90.85	2.67	97.33	5.97	94.03	5.11	94.89	0.50	9.26	9.76
2002	69.23	23.40	76.60	2.98	97.02	6.81	93.19	5.98	94.02	0.67	10.48	11.15
2003	75.00	24.34	75.66	3.39	96.61	8.82	91.18	6.78	93.22	0.74	10.20	10.95
2004	100.00	24.40	75.60	4.10	95.90	11.09	88.91	7.75	92.25	0.94	11.16	12.10
2005	100.00	24.41	75.59	5.89	94.11	13.36	86.64	8.62	91.38	0.95	10.05	11.00
2006	100.00	24.04	75.96	6.86	93.14	12.04	87.96	7.53	92.47	1.08	13.27	14.35
2007	100.00	25.72	74.28	10.19	89.81	17.45	82.55	9.95	90.05	1.52	13.79	15.32
2008	100.00	25.73	74.27	12.54	87.46	20.71	79.29	12.79	87.21	2.59	17.66	20.25
March 2009	100.00	25.54	74.46	12.67	87.33	20.85	79.15	12.33	87.67	2.57	18.24	20.81
Average	- *	21.12	78.88	6.01	93.99	11.46	88.54	7.63	92.37	1.11	11.96	13.02

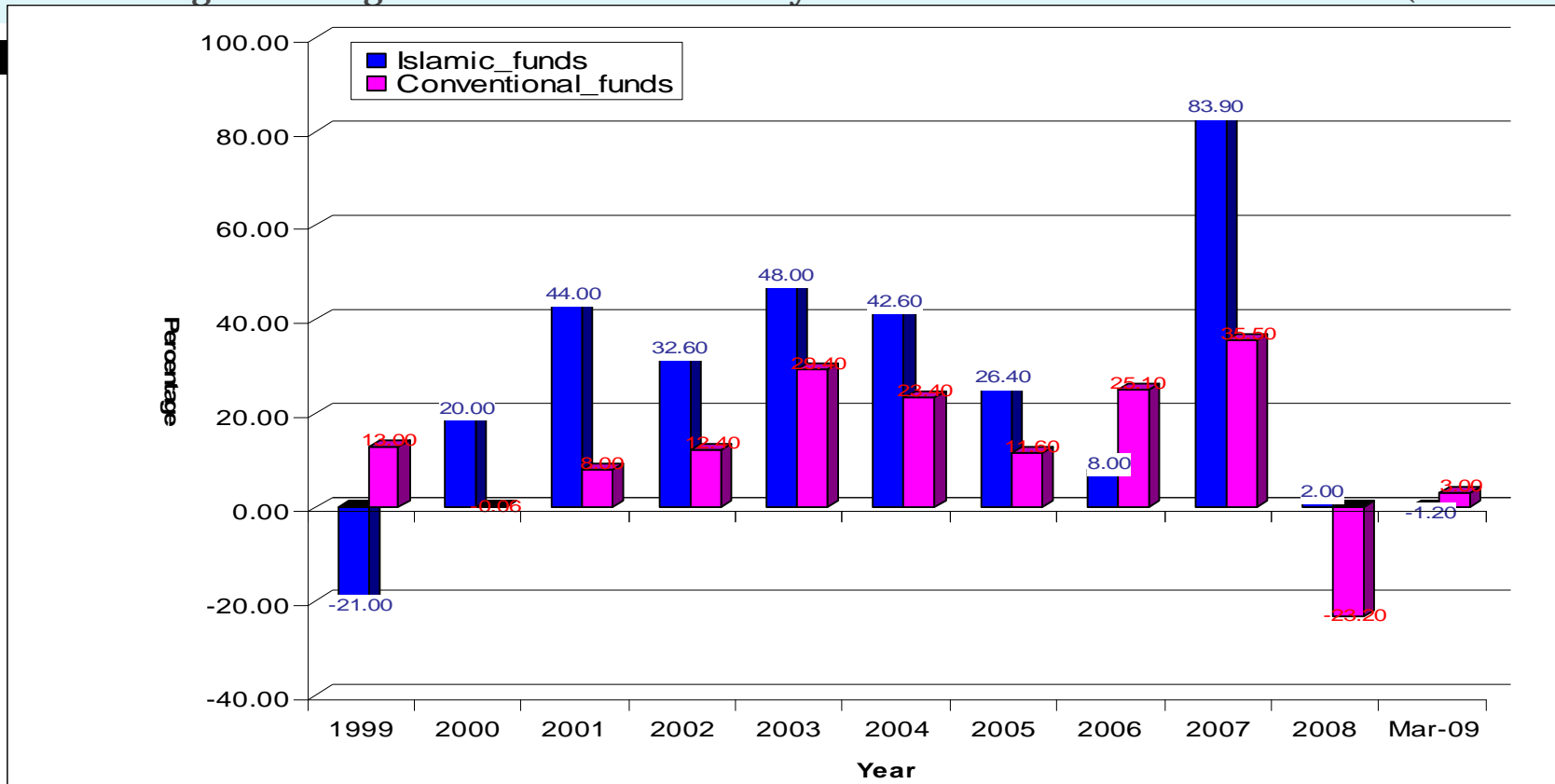
Note: * cumulative

The Annual Percentages of Changes on the Islamic and Conventional mutual funds in Malaysia and their NAV to the KLSE market capitalization

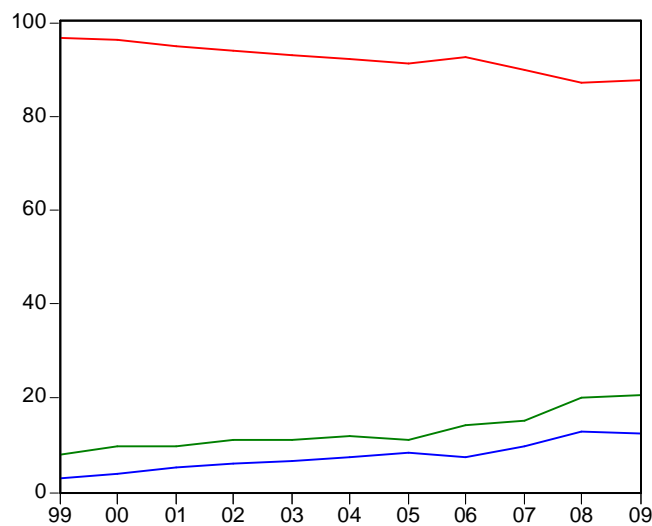
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	March -2009
Mutual Fund Industry											
NAV (RM billion)	43.26	43.30	47.35	53.70	70.08	87.38	98.49	121.76	169.41	134.41	137.75
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Conventional	41.87	41.62	44.93	50.49	65.33	80.61	90.00	112.59	152.55	117.22	120.76
Annual percentage of Change of the NAV											
Islamic (%)	-21.0	20.0	44.0	32.6	48.0	42.6	26.4	8.0	83.9	2.0	-1.2
Conventional (%)	13.0	-0.06	8.0	12.4	29.4	23.4	11.6	25.1	35.5	-23.2	3.0
KLSE											
Market Capitalization (RM billion)	552.69	444.35	465.00	481.62	640.28	722.04	695.27	848.70	1106.15	663.82	662.07
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NAV (mutual funds) to Market Capitalization (%)											
Islamic	0.25	0.38	0.50	0.67	0.74	0.94	0.95	1.08	1.52	2.59	2.57
Conventional	7.58	9.37	9.26	10.48	10.20	11.16	10.05	13.27	13.79	17.66	18.24

4. Results and Discussions

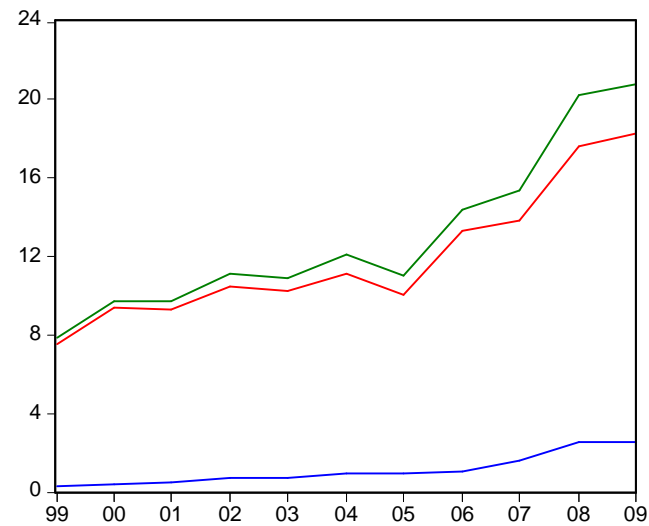
Annual Percentage of Change on the NAV of the Malaysian Islamic and Conventional funds (from Data A)



relative to the total industry and the KLSE mc



— NAVIMF to total
— NAVCMF to total
— TOTALNAVTKLSE



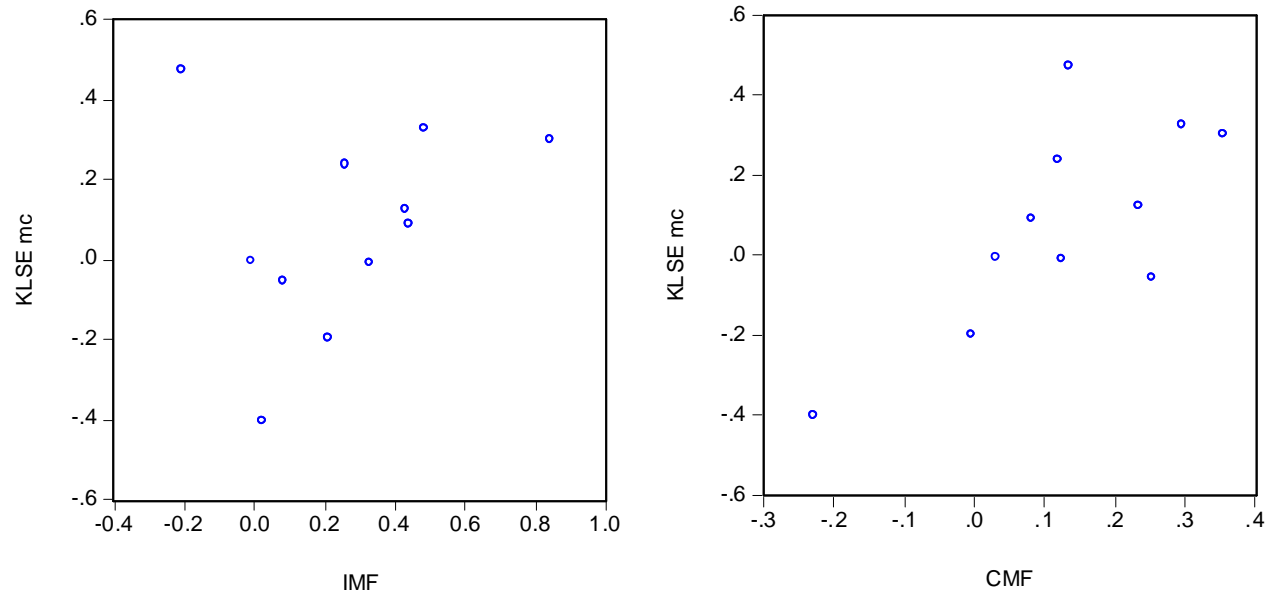
— IMFTOKLSE
— CMFTOKLSE
— TOTALNAVTKLSE

Correlation

Descriptive Statistics between the percentage of the Malaysian Islamic and Conventional mutual funds in relative to KLSE market capitalization towards total KLSE market capitalization

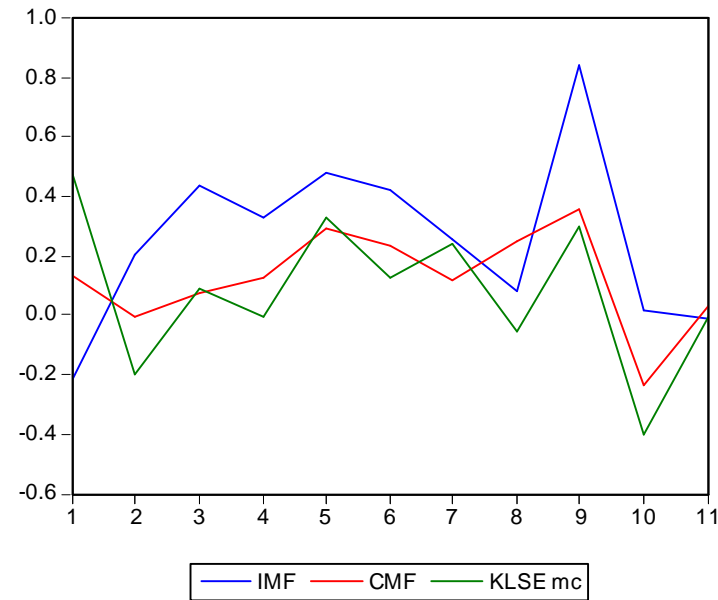
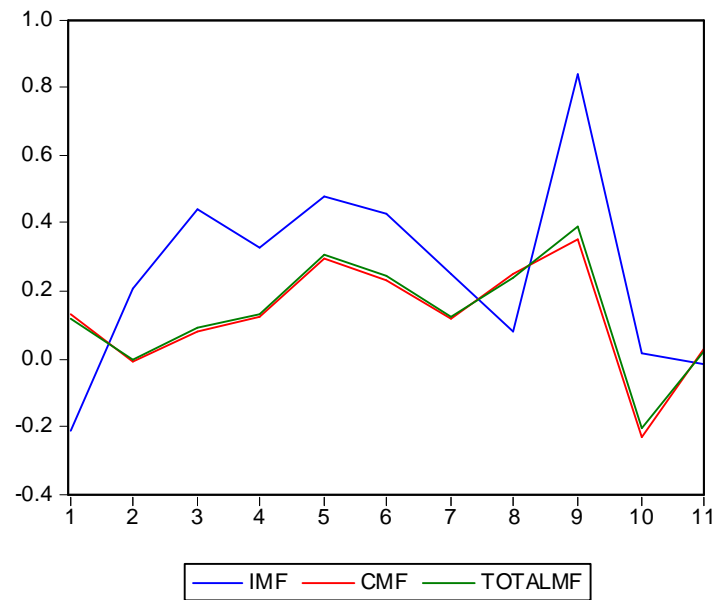
Variables	Mean	Standard deviation	Skewness	Kurtosis	Correlation coefficients between the two variables		
					IMF return	CMF return	KLSE return
IMF	0.26	0.29	0.32	2.76	1.000	0.578	0.243
CMF	0.13	0.16	-0.69	3.23	0.578	1.000	0.728
KLSE	0.08	0.25	-0.31	2.49	0.243	0.728	1.000

Scatter Plot of Islamic and Conventional growth rate in relative to the KLSE market capitalization from 1999 to March-2009



The data plotted shows a fairly strong relationship with a positive correlation between Islamic and conventional mutual funds in Malaysia.

The comparison of IMF and CMF growth rate relative to the total industry (totalIMF) and the market (KLSE_mc)



Descriptive Statistics of the Average Daily Return for all categories of the IMF funds (from Data B)

Mean, standard deviation, correlation coefficients between the average returns of the Malaysian Islamic mutual fund category

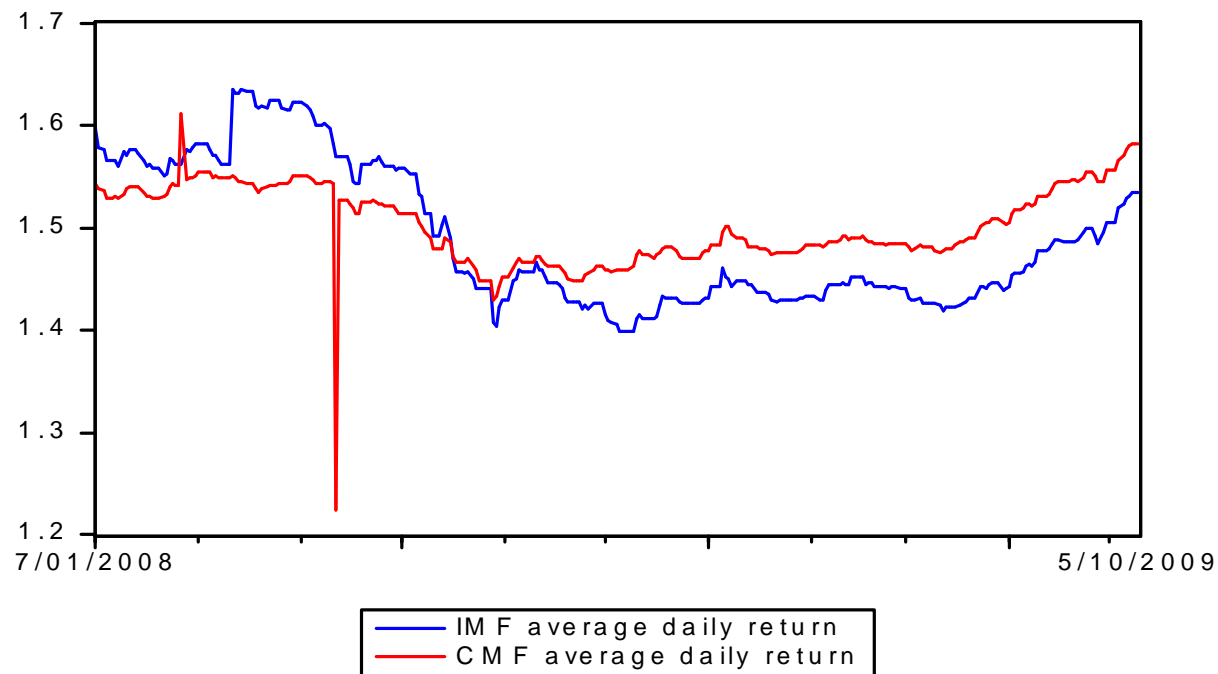
Category of Fund	Mean	Median	Standard deviation	Skewness	Kurtosis	Correlation coefficients between the returns of fund category					
						Allocation	Alternative	Equity	Fixed Income	Money Market	Total Funds
Allocation	0.574516	0.534590	0.292484	1.576599	6.328564	1.00	0.34	-0.05	-0.19	0.32	1.00
Alternative	0.835697	0.958692	0.239684	-0.694791	1.603823	0.34	1.00	0.27	-0.54	0.21	0.34
Equity	1.819971	0.470659	8.587416	7.476026	57.81203	-0.05	0.27	1.00	0.46	-0.12	-0.05
Fixed Income	0.823222	0.638939	0.355638	0.486766	1.786241	-0.19	-0.54	0.46	1.00	-0.27	-0.19
Money Market	3.238067	1.007560	9.895856	3.744280	15.03588	0.32	0.21	-0.12	-0.27	1.00	0.32
Total funds	1.501825	0.568257	6.661913	8.675870	80.29571	1.00	0.34	-0.05	-0.19	0.32	1.00
Observations						32	9	62	20	17	140
<i>Jarque-Bera</i>						28.02933	1.455093	8338.800	2.017482	142.3331	36608.31

Descriptive Statistics of the Average Daily Return for all categories of the CMF funds

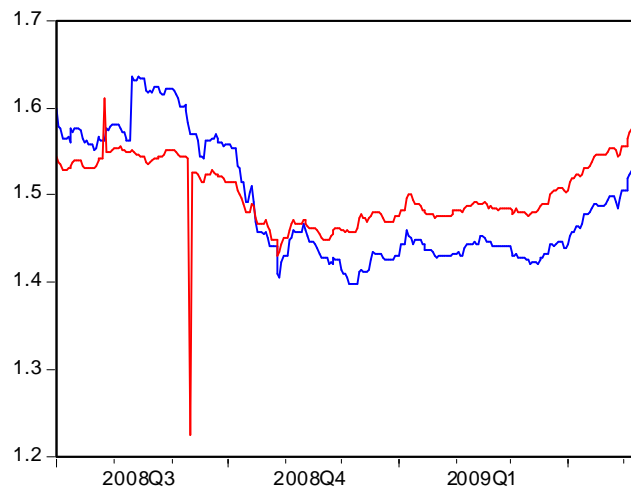
Mean, standard deviation, correlation coefficients between the average returns of the Malaysian Conventional mutual fund category

Category of Fund	Mean	Median	Standard deviation	Skewness	Kurtosis	Correlation coefficients between the returns of fund category						
						Allocation	Alternative	Equity	Fixed Income	Money Market	Others	Total Funds
Allocation	1.850939	0.595384	10.65540	8.749028	77.70182	1.00	-0.56	-0.19	-0.07	-0.40	-0.23	1.00
Alternative	0.823205	0.977449	0.262927	-0.601264	1.736223	-0.56	1.00	-0.26	0.02	0.56	-0.56	-0.56
Equity	0.686886	0.469103	0.831137	5.376735	39.68566	-0.19	-0.26	1.00	0.47	-0.39	0.49	-0.19
Fixed Income	2.762250	0.885850	13.96636	7.340209	54.92644	-0.07	0.03	0.47	1.00	-0.33	-0.04	-0.07
Money Market	4.096820	1.025798	17.67777	5.466522	30.93342	-0.40	0.55	-0.39	-0.32	1.00	-0.32	-0.40
Others	0.413609	0.337345	0.172314	0.802081	1.867328	-0.23	-0.56	0.49	-0.04	-0.32	1.00	-0.23
Total funds	1.519179	0.610568	8.829642	11.23554	128.1592	1.00	-0.56	-0.19	-0.07	-0.40	-0.23	1.00
Observations						80	37	175	57	33	10	392
Jarque-Bera						19621.81	4.691609	10656.59	6915.690	1237.235	1.606783	264106.1

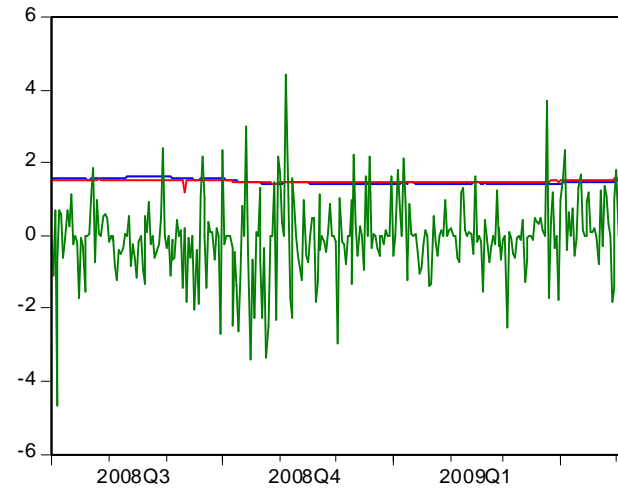
The comparison of average daily return between Islamic and Conventional funds



The comparison of average daily return between Islamic and Conventional funds and Market return



— IMF average daily return
— CMF average daily return



— IMF average daily return
— CMF average daily return
— KLSE Return

5. Concluding Remarks

1. In conclusion, there is a strong correlation between the IMF and CMF. They are moving together as proportion of the total industry.
2. IMF to CMF ratio is increasing implying that IMF is becoming increasingly important.
3. Growth rates in term of NAV for the IMF are higher than the CMF.
4. Recently: High IMF growth rates with relatively lower than CMF returns indicates that apart from returns, there are other determinant factors, which contribute to the increasing demand of the Islamic funds globally.
 - Stability Expectations (stable alternative)
 - Higher growth rates
 - Resilience during crisis
5. However, in real world, the size of Islamic funds is lesser than the conventional funds. It is therefore, the higher growth in the Islamic funds could encourage the future fund managers and investors towards choosing the funds.

6. Q & A Session

Thanks to everyone

THE END