



UNIVERSITI TEKNOLOGI MARA

**IMPACT OF COVID-19 ON ISLAMIC UNIT TRUST
FUND AND CONVENTIONAL UNIT TRUST FUND
PERFORMANCE: A COMPARATIVE ANALYSIS IN
MALAYSIA**

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ABSTRACT

During the Covid-19 epidemic, this study compares the performance of Islamic and conventional unit trust funds. The data used in this study was collected on a monthly basis from January 2018 to December 2021. For the study, a total of 40 unit trust funds were chosen, with 11 Islamic unit trust funds and 29 conventional unit trust funds. Standard methods for measuring mutual fund performance, such as the Sharpe index and adjusted Sharpe index, Jensen Alpha, timing, and selectivity ability, were employed to meet the key objectives of this paper. The purpose of this study is to compare the quantitative performance of funds managed using two data collection method. The findings of this research suggest a mixed result of performance, where some funds outperformed the market benchmark while others underperformed it. Furthermore, Jensen's alpha statistics show that just a few unit trust funds have a positive alpha, indicating that some of the fund managers are adept at market timing or selecting unit trust funds. During this pivotal time, this research can assist investors and fund managers in making decisions on how to improve the performance of their portfolios. This research will also give a broad overview of Malaysian unit trust funds' behaviour and performance over the course of the COVID-19 issue. As the end of the results, Islamic funds have a lower average return than the market portfolio during the full study period, whereas conventional funds have a higher average return than the market portfolio over the same time period. This conclude that Conventional funds has good performance than Islamic funds during Covid-19.

Keywords: Comparative analysis, Islamic Unit Trust Funds, Conventional Unit Trust Funds, unit trust performance.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

A unit trust fund is an investment programme in Malaysia that collects money from many people with similar financial goals, investing strategies, and risk tolerance. The money is subsequently pooled and invested in a broad portfolio of Securities Commission (SC) approved allowed investments. In this world situation hit by covid-19, many sectors in this world are affected by this pandemic. as well as the banking and financial sectors. The question here is whether the performance of unit trust funds is also affected by the Covid-19 pandemic in Malaysia? Islamic unit trust or conventional unit trust which is more impressed? So in this writing will be explain.

The structure of this chapter is deconstructed in the following. Section 1.2 provides an overview/background of the study, which is followed by a statement of the problem in Section 1.3. The research questions are outlined in Section 1.4, and the results lead to study objectives in Section 1.5. Section 1.6 discusses the significance of the study, whereas Section 1.7 discusses the scope of the investigation. Continue with the study's limitations in Section 1.8 and a list of essential term definitions in Section 1.9. Finally, Section 1.10 provides a summary/conclusion for a simple comprehension of the issue by providing a brief explanation of this chapter.

1.2 Background of the study

Unit trust investors are offered a variety of benefits from investing in unit trust funds, including diversification, liquidity, professional management, and risk reduction. Unit trust funds industry in Malaysia has seen a rapidly growth in the last 62 years ever since they were first introduced in 1959. Due to the lack of a formal structure to encourage the trading of this product in the early years, growth was quite sluggish. The business began to pick up when the Securities Commission (SC) was established on 1 March 1993 and the Securities Commission (Unit Trust Scheme) Regulation was implemented in 1996. From 18 funds in 1979 to 696 unit trust funds as of December 31, 2020, the number has more than doubled. With a total NAV of RM519.53 billion, unit trust funds remained the largest component of Malaysia's Collective Investment Schemes (CIS) business. Unit trust fund that are available in Malaysia is Islamic unit trust fund and conventional unit trust fund.

COVID-19 is a coronavirus-related infection. Covid-19 is an infectious disease that causes a respiratory illness indicated by coughing, fever, and, in more severe cases, breathing difficulties (Department of Statistics Malaysia Official Portal, 2020). There were 254,847,065 confirmed cases of Covid-19 as of 17 November 2021 (World Health Organization, 2020). Based on this crisis of Covid-19, unit trust fund performance is affected. Furthermore, when there is a difference between the development and profitability of the unit trust fund business, particularly in Malaysia, especially during the COVID-19 epidemic, it is always a question of whether it is appropriate to engage in this market. From this writing, we will compare the