



**THE PERFORMANCE OF THE ISLAMIC BALANCED FUND IN MALAYSIA**

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## **ABSTRACT**

This study is concerned about the Performance of Islamic Balanced Fund in Malaysia which covers the period of 2004 until 2010. In this study consists of ten companies of balanced fund which is Affin Dana Islamiah, Alliance Dana Alif, AMB Dana Ikhlas, CIMB Islamic Balanced, Avenue Syariah Extra, Hong Leong Dana Maa'rof, Apex Dana Al-Faiz-I, Prudential Dana Al-Islah, RHB Mudharabah, and ASBI Dana Al-Munsif. The objectives of this study are to determine the performance among ten companies by using three methods which is Sharpe, Treynor, and Jensen Performance. This done by measuring the performance of balanced fund, that is the quarterly return of ten balanced fund and also quarterly return of FTSE Bursa Malaysia Emas Shariah Index. According to the result performance of balanced fund, the risk and return each of fund can be identified from this measurement. In time series of regression will be used to determine whether each of balanced funds has a significant and positively related with FTSE Bursa Malaysia Emas Shariah Index.

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## CHAPTER 1

### INTRODUCTION

#### 1.1 HISTORY OF ISLAMIC MUTUAL FUND IN MALAYSIA

The Islamic mutual funds market is one of the fastest growing sectors within the Islamic financial system. They 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 17th 1999 was replaced by FTSE Bursa Malaysia EMAS *Shariah* on November 1st 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.

Indeed, Bursa Malaysia provides considerable opportunity for those investors seeking Islamic-based investment products. In the equity market, from the total 980 securities listed on Bursa Malaysia Securities Berhad, 855 securities or 87.2 per cent are approved as *halal* (permissible for investment) or *Shariah*-compliant by the *Shariah* Advisory Council (SAC) of the SC as at 28th November 2008. Collectively, the market capitalization of the *halal*-approved