



COMPARATIVE STUDY ON SELECTED ISLAMIC
EQUITY UNIT TRUST FUNDS IN MALAYSIA: RISK
AND RETURN ANALYSIS

MOHD KHAIRUL WAFI BIN CHE COB

2010900003

BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE

FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
KAMPUS KOTA BHARU

JANUARY 2013

LETTER OF SUBMISSION

BBA (Hons) Finance
Faculty of Business Management,
University Technology Mara,
Kampus Kota Bharu,
Jalan Sultan Ibrahim,
15050 Kota Bharu,
Kelantan.

December 2012

The Head of Program,
BBA (Hons) Finance
Faculty of Business Management,
Universiti Teknologi Mara,
Kampus Kota Bharu,
Jalan Sultan Ibrahim,
15050 Kota Bharu,

Dear Sir,

SUBMISSION ON PROJECT PAPER (FIN 667)

It is with great pleasure that I present you my final year thesis entitled 'COMPARATIVE STUDY ON SELECTED ISLAMIC EQUITY UNIT TRUST FUNDS IN MALAYSIA: RISK AND RETURN ANALYSIS' for your kind evaluation as required by the faculty of Business Management, Universiti Teknologi MARA.

Your kindness in accepting the unbounded project is very much appreciated.

Thank you.

Yours faithfully,

MOHD KHAIRUL WAFI BIN CHE COB

ACKNOWLEDGEMENT

First and foremost, I would like to express my utmost gratitude and thank to Allah The Almighty for giving me good health, insights and strengths that I need, during the course of completing this thesis as a required partial requirement to complete my degree in Bachelor of Business Administration (Hons) Finance from Universiti Teknologi Mara. I also would like to thank Mr. Mohammad Ikram Ramzi, for all his advices, guidance, full supports and commitments in assisting me to complete this thesis. I could not have imagined having a better advisor and mentor for my degree thesis. I would like thank my second examiner, Madam Mursyida Mahshar for the encouragement and support given to ensure that I be able to finish this within the given time period. Not to forget, a big thanks to Madam Noor Rose Mona Aziz, Manager at BIMB Investment Management Berhad for giving me the historical prices for BIMB i Growth. My sincere appreciation to my brother, Mohd Subki Che Cob, for the access of Bloomberg Terminal. Last but not least, to my loving parents, Dr. Che Cob Che Mat and Niziah Zakaria, and my entire family who never give up on me and always give me support on every obstacle that I had to encounter throughout my journey in completing my degree.

May Allah SWT bless each and every one of you.

TABLE OF CONTENTS

Title Page	i
Declaration of Work	ii
Letter of Submission	iii
Acknowledgement	iv
Tables of Content	v
List of Tables	ix
List of Equations	x
List of Figure	xi
Abstract	xii

Chapter One: Introduction

1.0 Background of the Study	1
1.1 Problem Statement	3
1.2 Research Objectives	4
1.3 Scope of the Study	4
1.4 Limitation of the Study	5
1.5 Significance of the Study	5
1.6 Research Hypotheses	6
1.7 Definition of Terms	7

Chapter Two: Literature Review

2.0 Performance of Individual Unit Trust	9
2.1 Performance of Unit Trust In Response To Market Benchmark	11
2.2 Theoretical Framework	12

ABSTRACT

Malaysian Islamic unit trust funds grew significantly over the last few years. The main objectives of this paper are to evaluate and compare the return performance and risk difference between the selected Islamic equity trust funds in Malaysia for 1235 trading days beginning July 2007 until June 2012. The unit trust funds are selected based on the performance website Morningstar Asia and data availability. Investment performance measurements, Sharpe's Index and Treynor's Index, are used to measure their return performances and rank them in descending order. Risk differences among the funds are calculated using standard deviation and beta regression. Risk to return diversification is determined by using coefficient of variation. The average return of unit trust funds are regressed with the Kuala Lumpur Composite Index (KLCI) as the market index individually and T-test, F-test and coefficient of determination (R Square) are interpreted. Correlation analysis between the variables is further developed to detect the movement of each variable with respect to another. The results suggest that the return performances using the two different indexes shows inconsistency due to difference in risk associated in each equation. Risk also noted to be different due to the same reasons. Correlation analysis results suggest there are positive but insignificant movement of unit trust fund with respect to other funds and the market index.

Key words: *Unit trust fund, Islamic Equity unit trust, Sharpe's Index, Treynor's Index*