



**PORTFOLIO:
COMPARISON FOR ISLAMIC AND CONVENTIONAL UNIT
TRUST PERFORMANCE**

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1. INTRODUCTION

The Malayan Unit Trust Ltd. formerly was established which pointed as a starter for the concept of Unit Trust in Malaysia. Unit trust describes as the collective investment schemes that has been managed by the professional personnel where their objectives turn similar in order to pool all the investor funds to be invested in the portfolio of securities or other assets (FIMM, 2014).

Unit trust is seen as the alternative investment vehicle for investors. In Malaysia, there are choices of products such as Islamic Unit Trust and Conventional Unit Trust. Each product will have its own characteristics and descriptions. However, this research paper focuses on examining unit trust performance in Malaysia over the period 2005 to 2015.

Although the Islamic mutual funds industry is growing rapidly, only a few studies have investigated risk, return, and performance measures of Malaysian unit trust funds (M. Kabir Hassan Abu Nahian Faisal Khan Thiti Ngow, 2010). As per 29 February 2016, there are 36 management companies existing in Malaysia as being noted by the Security Commission 2016.

In addition, from a total of 633 funds that have been approved, 434 of them were for conventional and 199 were for Islamic based funds. Capital markets usually have been in function according to the interest rather than in Islamic law principles (Syariah compliance). In conjunction with that, Muslim investors having difficulty in order to participate in the market. For the purpose of boosting the Islamic Capital Market, the asset management company has taken a step forward by making Islamic products in various

2.3 LITERATURE REVIEW FROM INDEPENDENT VARIABLES

2.3.1 RISK-ADJUSTED RETURNS OF UNIT TRUSTS

One of the growing Unit trust funds in Malaysia is Islamic fund Unit trust. Principles of Islamic investing is rely on shariah principles which are designed to avoid risk-free return from interest (riba), risky and speculative trades, such as derivatives products (gharar), and gambling (maysir) (**Hassan and Soumare, 2006**). Usually investors especially the Muslim's investor prefer to invest based on their interest compared to the value of Islamic principles. Thus, it is not surprising if the capital market in Malaysia was not fully follow to Islamic law as revealed in the Al-Quran and As-Sunnah.

However, currently the alternatives investment that comply with Shariah principle recently has been went to preferences. In conjunction with that, the Islamic capital market (ICM) was being introduce by Government of Malaysia with the objectives to boost Malaysian Islamic capital market performance. According to the **Elfakhani et al** on his previous research, the Islamic fund's Unit Trust was not seen in difference in between the conventional fund's Unit Trust.

Fikriyah Abdullah, Taufiq Hassan and Syamseer Mohd however, in their research indicates, at pre crisis economic performance, conventional funds have seen performed better than Islamic funds by using all of the Adjusted Sharpe Index, Treynor Index, Adjusted Jensen Index. The researched was taken by the period of 1992 to 2001 by using 65 funds sample.

Different from the method was being applied by **Norma Md. Saad, M. Shabri Abd. Majid, Salina Kassim, Zarinah Hamid and Rosylin Mohd Yusof (2010)** in their