

**DETERMINANT ANALYSIS OF ISLAMIC MUTUAL FUNDS
PERFORMANCE IN INDONESIA (A STUDY ON ISLAMIC EQUITY
FUNDS IN 2015-2020)**



THESIS

**SUBMITTED TO FACULTY OF ISLAMIC ECONOMICS AND
BUSINESS STATE ISLAMIC UNIVERSITY OF SUNAN KALIJAGA
YOGYAKARTA**

**AS PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE
DEGREE OF BACHELOR OF ISLAMIC ACCOUNTING**

BY:

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2021

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2021



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Nomor : B-835/Un.02/DEB/PP.00.9/08/2021

Tugas Akhir dengan judul : DETERMINANT ANALYSIS OF ISLAMIC MUTUAL FUNDS PERFORMANCE IN INDONESIA: (A STUDY ON ISLAMIC EQUITY FUNDS IN 2015-2020)

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Setelah membaca, meneliti, memberikan petunjuk dan mengoreksi serta mengadakan perbaikan seperlunya, maka kami selaku pembimbing berpendapat bahwa skripsi saudara:

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Sudah dapat diajukan kepada Fakultas Ekonomi dan Bisnis Islam Program Studi Akuntansi Syariah UIN Sunan Kalijaga Yogyakarta sebagai salah satu syarat untuk memperoleh gelar Sarjana Strata Satu dalam Ilmu Ekonomi Islam.

Dengan ini kami berharap agar skripsi saudara tersebut dapat segera dimunaqasyahkan. Untuk itu kami ucapkan terima kasih.

Wassalamu'alaikum Wr. Wb.

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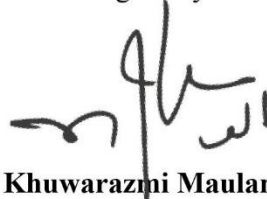
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PAGE OF MOTTO

إِنِّي رَأَيْتُ وَقُوفَ الْمَاءِ يُفْسِدُهُ # إِن سَالَ طَابَ وَإِنْ لَمْ يَجْرِ لَمْ يَطْبِ

In fact, I saw that the water's stillness had deteriorated. When water flows, it is beneficial; when it does not, it is harmful.



PAGE OF DEDICATIONS



Thank to Allah SWT who has been giving us Mercies and Blessing, and our prophet Muhammad SAW who has been guided us from the darkness to the brightness.

This research is dedicated to my loving parents, Mr. Hardi Julendra and Mrs. Tri Hamidati, who have always been a source of inspiration for me and have given me the fortitude to never give up, and who continue to support me morally, spiritually, emotionally, and financially.

To my sister and brother, Ajeng Zakia Aulana Julendra and Azfa Satria Julendra who always gave me a support and an encouragement during my study until the day when I can finish this final assignment.

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ACKNOWLEDGEMENTS

On this very special occasion, foremost I would like thank to Allah SWT, lord of the world, who always shows the best for me, and directs me how to be restraint and dealing with hurdle and difficulties. The Almighty for his blessings leading to completion of this thesis proposal, concerning on Islamic Mutual Funds. Peace and blessing be on the messenger of Allah prophet Muhammad PBUH, who has brought us in the world from the darkness till the lightness.

This study written as the partial fulfilment of the requirements for the degree of bachelors of Islamic Accounting in Faculty of Islamic Economics and Business, State Islamic University of Sunan Kalijaga Yogyakarta. I believe that I can't complete this thesis proposal without the assistance of others. Therefore, I would like to express my sincere thanks and appreciations to:

1. Mr. Prof. Dr. Phil. Al Makin, S.Ag., M.A., as the Rector of State Islamic University Sunan Kalijaga Yogyakarta.
2. Mr. Dr. Afdawaiza, S.Ag., M.Ag., as the Dean of Faculty of Islamic Economics and Business, State Islamic University Sunan Kalijaga Yogyakarta.
3. Mr. Rosyid Nur Anggara P., M.Si., and Mrs. Dwi Marlina Wijayanti, S.Pd., M.Sc., as the Head and Secretary of Islamic Accounting Department.
4. Mrs. Dwi Marlina Wijayanti, S.Pd., M.Sc., as my thesis advisor, for her patience in providing continuous and careful available guidance, insight as well as encouragements, indispensable helpful corrections and suggestions so that finally I was able to finish this study.

5. Mr. Dr. Ibi Satibi, S.H.I., M.Si, as my academic supervisor, for his guidance, suggestion for all stuff related to my study.
6. To all my lecturers of the Islamic Accounting Department, who have given knowledge, experience, and all many things during my study.
7. All the Administration employees of Faculty of Islamic Economics and Business who have helped me during the thesis preparation process to completion.
8. My Father and my mother, Mr. Hardi Julendra and Mrs. Tri Hamidati, my beloved brothers and sister, Ajeng Zakia Aulana Julendra and Azfa Satria Julendra, my special gratitude is forwarded to you. Thank you for supporting me emotionally and materially with prayer, love, and patience.
9. For the all my companions who had involved directly in this thesis preparation. Thank you for your assistance in all many things, may Allah always bless you all.
10. For the entire members of Muhammadiyah Student Association (IMM) Faculty of Islamic Economics and Business Commissary and Sleman District Branch. Thank you for having me and showed me the guidance to be a great person in the future.
11. The entire members of my community service team (KKN) Karanganom I, Ngawis, Gunungkidul. Thank you for the sweet stories, and for being cooperative during the community dedication.

12. To all students of Islamic Accounting Department class of 2017, thank you for sharing knowledge and insight during my studies, and thank you to everyone else who I neglected to acknowledge for their unforgotten participation throughout this project's final writing process.

Finally, I realize that this final project lacks of many things, therefore I hope criticism and suggestion for its perfection. I hope this final project will be useful for the reader.

Yogyakarta, 14th of August 2021

Author,



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ABSTRACT

Investment in mutual funds related to environmental application, social responsibility restrictions, good corporate governance, and adherence to religious beliefs (Islamic, Christian, etc.) has increased extraordinarily around the world. Islamic Mutual Funds is one of nowadays kind in mutual fund investment which follows sharia guidelines, predicated on the profit-loss sharing principle (*Musharakah*) depending upon every investor's equity participation in the contract. Indonesia is home to the world biggest Muslim population, about 219,960,000 people, or 82% of the total population. This fact is equitable that the presence of Islamic Mutual Funds is a necessity for Indonesian people and should be the choice for investment by the public.

However, until the end of 2020 fiscal year, the number of investors in Islamic Mutual Funds reached 376 thousand investors or only 0.1% from total population. This fact is contrast to other country, such as Malaysia an investor of Islamic Mutual Funds reached 40% from total population. One of the issues that affects directly the growth of Islamic Mutual Funds is the intention to do investment in Islamic Mutual Funds. Specifically, financial risk tolerance is the problem that affects the intention of investor to do investment in Islamic Mutual Funds in Indonesia. While, it is a fundamental issue of financial decisions which are directly related to Islamic Mutual Fund's manager performance.

This research aims to determine and provide information about Islamic Mutual Funds performance in Indonesia. It used quantitative statistical analysis to investigate the influence of stock selection skills, market timing ability, fund size, fund age, expense ratio and turnover ratio towards the Islamic Mutual Funds performance. This study used annual data over the periods 2015-2020 which obtained from prospectus of each Islamic Mutual Funds, Central Bank Indonesia (BI), Statistics Indonesia (BPS), Pasar Dana, and data published annually by Financial Service Authority (OJK).

The result shows that stock selection skill and expense ratio have a positive significant impact on the performance of Islamic Mutual Funds, while market timing ability, fund age and fund size have not a significant impact but the result revealed positive values. Otherwise, turnover ratio has a negative significant impact on Islamic Mutual Funds performance. Hence, it can be inferred that the higher investment managers ability to select its portfolio stock, the better the return obtained and it can be inferred that the expense ratio of a mutual fund reflects how much it pays for portfolio management, administration, marketing, and distribution, among other things.

ABSTRAK

Investasi dalam reksa dana yang terkait dengan penerapan lingkungan, pembatasan tanggung jawab sosial, tata kelola perusahaan yang baik, dan kepatuhan terhadap keyakinan agama (Islam, Kristian, dll) telah meningkat dengan baik di seluruh dunia. Reksa Dana Syariah adalah salah satu jenis investasi reksa dana saat ini yang mengikuti pedoman syariah, didasarkan pada prinsip bagi hasil (Musharakah) tergantung pada penyertaan modal setiap investor dalam kontrak. Indonesia adalah negara dengan populasi Muslim terbesar di dunia, dengan jumlah 219.960.000 orang, atau 82% dari total populasi. Fakta ini wajar apabila keberadaan Reksa Dana Syariah merupakan kebutuhan masyarakat Indonesia dan harus menjadi pilihan investasi oleh masyarakat.

Namun hingga akhir tahun anggaran 2020, jumlah investor Reksa Dana Syariah mencapai 376 ribu investor atau hanya 0,1% dari total populasi. Fakta ini berbanding terbalik dengan negara lain, seperti Malaysia dimana investor Reksa Dana Syariah mencapai 40%. Salah satu masalah yang secara langsung mempengaruhi pertumbuhan Reksa Dana Syariah adalah niat investor untuk melakukan investasi pada Reksa Dana Syariah. Secara spesifik, risiko investasi merupakan masalah yang mempengaruhi niat investor untuk melakukan investasi pada Reksa Dana Syariah di Indonesia. Padahal hal tersebut merupakan isu fundamental dalam pengambilan keputusan keuangan yang berkaitan langsung dengan kinerja manajer investasi Reksa Dana Syariah.

Penelitian ini bertujuan untuk mengetahui dan memberikan informasi mengenai kinerja Reksa Dana Syariah di Indonesia. Analisis statistik kuantitatif digunakan untuk mengetahui pengaruh keterampilan pemilihan saham, kemampuan market timing, ukuran dana, umur dana, rasio biaya dan rasio perputaran terhadap kinerja Reksa Dana Syariah. Penelitian ini menggunakan data tahunan selama periode 2015-2020 yang diperoleh dari prospektus masing-masing Reksa Dana Syariah, Bank Indonesia (BI), Badan Pusat Statistik (BPS), Pasar Dana, dan data yang diterbitkan setiap tahun oleh Otoritas Jasa Keuangan (OJK).

Hasil penelitian menunjukkan bahwa stock selection skill dan rasio biaya berpengaruh signifikan positif terhadap kinerja Reksa Dana Syariah, sedangkan market timing ability, umur reksa dana dan ukuran dana tidak berpengaruh signifikan namun hasilnya menunjukkan nilai positif. Sedangkan rasio turnover berpengaruh negatif signifikan terhadap kinerja Reksa Dana Syariah. Oleh karena itu, dapat disimpulkan bahwa semakin tinggi kemampuan manajer investasi untuk memilih saham portofolionya, semakin baik pengembalian yang diperoleh dan dapat disimpulkan bahwa rasio biaya reksa dana mencerminkan seberapa besar pembayarannya untuk manajemen portofolio, administrasi, pemasaran, dan distribusi, dan lain sebagainya.

CHAPTER I INTRODUCTION

A. The Background of The Study

Investment in mutual funds related to environmental application, social responsibility restrictions, good corporate governance, and adherence to religious beliefs (Islamic, Christian, etc.) has increased extraordinarily around the world (Mohammad & Ashraf, 2015). Islamic Mutual Funds is one of nowadays kind in mutual fund investment which follows sharia guidelines, predicated on the profit-loss sharing principle (*Musharakah*) depending upon every investor's equity participation in the contract (Omri et al., 2019). Islamic Mutual Funds as well advocate for equitable contracts which connect funds to economic output. (*Murabahah and Ijarah*). Sharia advisory committees control it, providing oversight, and owing measures to ensure that all investments, financial products instruments, and transaction characteristics adhere to Sharia rules.

According to the Bapepam and LK No. IX.A.1 policy, Islamic Mutual Funds are specified in Law No. 8/1995 regarding Capital Market Law and its implementing rules and regulations as financial market business activities that do not contravene Islamic Principles. It is an alternative investment for investors, particularly small investors or those with limited occasion and ability to reduce the risks associated with their investments. Islamic Mutual Funds are expected to capture funds from people in society who have resources, a desire

to invest, but only a limited amount of time and expertise (Rokhim & Octaviani, 2019).

In Indonesia, Islamic Mutual Funds had been authorized in July 1997. Islamic Mutual Funds, as an investment instrument, have different criteria than conventional ones (Financial Services Authority, 2017). This divergence arises from the use of investment mechanisms and instruments that are not in accordance with Islamic Jurisprudence. It also does not invest in businesses that are against Islamic law, such as gambling and alcoholic drinks. Overall, the portfolio management procedure, screening, and cleaning of Islamic Mutual Funds are accomplished with Islamic law (Naveed, Khurshid, et al., 2020)

Islamic Mutual Funds are a form of mutual fund that allows to invest in a broad portfolio of Sharia compliant securities managed by experienced managers (Ali et al., 2015). It should be viewed as a viable option for investors who previously invested in conventional one. Many investors invest in Islamic Mutual Funds for spiritual reasons, while others regard them as socially responsible investments. Others may invest in Islamic Mutual Funds to diversify their portfolios (Zouaoui, 2019).

Islamic Mutual Funds have grown significantly in Indonesia over the last few years, as evidenced by the development of Net Asset Value, which is used to determine how much the return on investment is worth. From 2015 to 2020, The Net Asset Value has risen in tandem with the rising number of Islamic Mutual Funds listed on the stock exchange (Financial Services

Authority, 2021). The chart below depicts the advancement of the Number Asset Value of Indonesian's Islamic Mutual Funds:

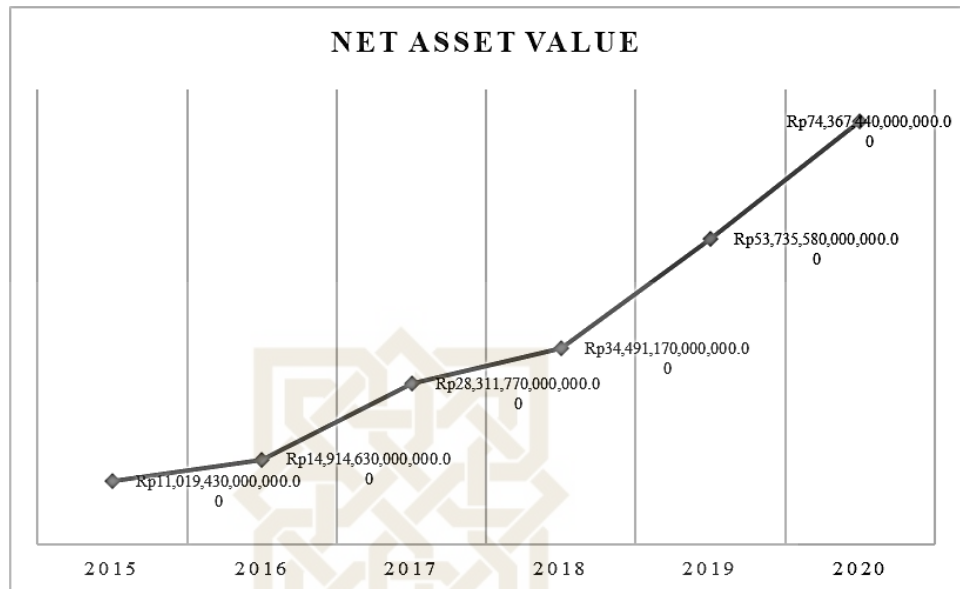


Chart 1-1 The Advancement of Net Asset Value of Islamic Mutual Funds in Indonesia

Source: Indonesian Financial Authority Services (OJK), 2021

According to chart 1-1, the number of Net Asset Value (NAV) of Islamic Mutual Funds increased per year. The amount of NAV in 2015 listed at IDR 11.019,43 billion, again in 2020 the number of NAV recorded at IDR 74.367,44 billion which is a respectable 5,7% growth rate over five years. It demonstrated the effectiveness of Indonesian investment managers in cultivating assets under management and attracting numerous investors to invest in Islamic Mutual Funds. With the increase in NAV, the number of Islamic Mutual Funds rose as well. According to figure 1.2, the number of Islamic Mutual Funds was 93 in 2015 and rose by 32% to a total of 289 in 2016. Alongside this data, it is clear that Islamic Mutual Funds are rapidly

expanding in Indonesia. The chart below shows the growth of Islamic Mutual Funds in Indonesia:

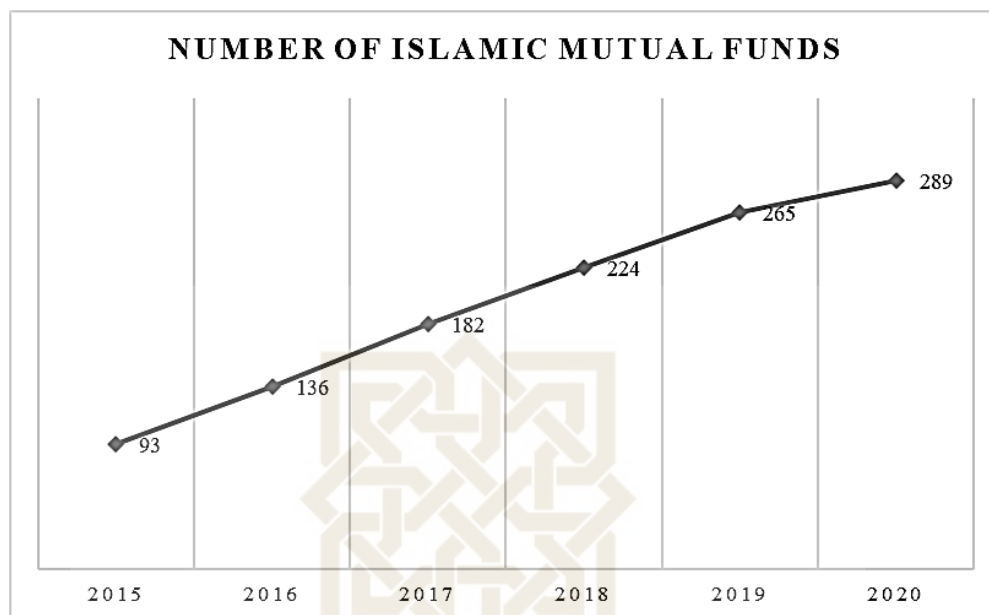


Chart 1-2 The Number of Islamic Mutual Funds in Indonesia

Source: Indonesian Financial Authority Services (OJK), 2021

According to Pew Research Center (*Pew Research Center, 2020*), Indonesia is home to the world's biggest Muslim population, about 219,960,000 people, or 82% of the total population. This fact is equitable that the presence of Islamic Mutual Funds is a necessity for Indonesian people and should be the choice for investment by the public. Nevertheless, Financial Services Authority (OJK) data shows that till the end of the 2020 fiscal year, the number of investors in Islamic Mutual Funds reached 376 thousand investors or only 0.1% from total population. In contrast to another country, Islamic Mutual Funds become most of the people's choice, such as Malaysia,

an investor in Islamic mutual funds have reached 40% from total population (Bareksa, 2019).

One of the issues that affects directly the growth of Islamic Mutual Funds is the intention to do investment in Islamic Mutual Funds (Ali et al., 2015). Specifically, financial risk tolerance is the problem that affects the intention of investor to do investment in Islamic Mutual Funds in Indonesia (Widyastuti et al., 2019). It is a fundamental issue of financial decisions which are directly related to Islamic Mutual Fund's manager performance (Aljaed et al., 2019). If investment managers perform better to cultivate Islamic Mutual Funds, then the intention in investing within Islamic Mutual Funds will be increased along with investment manager's good performance.

Several studies found that Islamic Mutual Funds in foreign countries, perform better than traditional counterparts Boo et al., (2017) & Zouaoui (2019). The performance of Islamic Mutual Funds is critical in explaining how investment managers should select and develop their investment strategies (Zouaoui, 2019). Therefore, this research aims to determine and provide information about Islamic Mutual Funds performance in Indonesia.

Tan (2015), Papadamou et al., (2017), Rao et al., (2017) and Zouaoui (2019) determined that the effectiveness of investment managers is measured by two abilities: stock selection skill and market timing ability. According to several research, mutual funds can succeed if managers develop both selectivity and market timing methods (Zouaoui, 2019). Therefore, to

determine Islamic Equity Funds performance, certain variables can be considered.

The first is Stock Selection Skill, which is the capacity of investment managers to select the appropriate portfolio, The manager's ability to forecast the price fluctuations of specific stocks is referred to as stock selection expertise (Kabir Biplob, 2017; Low, 2012; Omri et al., 2019). Stock selection is described as mutual fund managers' ability to choose the best assets with the same risk profile, as well as their ability to outperform benchmarks in terms of risk-adjusted returns (Ginancar & Kurniasih, 2021). It also known by the realization of market portfolio future projections. If the investment manager feels that it can outperform the average anticipated market return, they should modify the degree of portfolio risk to account for market fluctuations (Ariswati et al., 2021).

The second is market timing ability, which refers to an investment manager's ability to accurately allocate stocks at the right time (Rao et al., 2017). Market timing refers to the distribution of money among various forms of assets, which is typically confined to stocks and short-term government debt, the effective market timing ability increases the length of equities in the portfolio before the market rises and lowers the weight before the market goes down (Pilbeam & Preston, 2019).

Hence to accord the empirical work, this research used a measure elaborate by Treynoy-Mazuy and applied different information variables. The Treynor-Mazuy method has several advantages, including (1) the ability to

articulate mutual fund performance instead of market performance as the benchmark. (2) Proficient in assessing investment stock selection skills and market timing abilities of investment managers (Paramita et al., 2018). The Treynor-Mazuy method was used in research conducted by Boo et al., (2017) and Pilbeam & Preston (2019) to demonstrate the market timing ability and stock selection skill of investment managers.

The third is fund age of the Islamic Mutual Funds. The fund's age is the number of years since its inception (Amman et al., 2018). The longer mutual funds investment managers have been established, the better its efficiency (Bai et al., 2019). Furthermore, the period of a mutual fund will provide investors with a clear image of mutual fund success, has a longer lifespan, a proven track record, and provide investors with a better overview of results (Kiymaz, 2018). This is due to the investment managers who have prior experience in handling mutual funds (Satrio & Mahfud, 2016).

Kiymaz (2018) investigated the correlation among fund age and fund performance. Using the Sharpe ratio calculation process, the result showed that fund age has an effect on mutual fund performance. Also, Nguyen et al., (2018) indicate that older mutual funds outperform newer mutual funds. The age of mutual fund has been postulated as a factor of many distinctive features and influences mutual fund management effectiveness, which in turn influences mutual fund performance.

The fourth factor is the size of Islamic Mutual Funds, which is determined by their total net assets. The size of assets will provide versatility,

enhance bargaining leverage, and lead to the creation of economic ladder, all of which will have a significant effect on performance (Nguyen et al., 2018). When the fund manager is unable to maintain the investment strategy and deliver returns equivalent to its previous record, the fund has gotten too large, it is inconvenient for investors because management fees tend to rise as the fund's assets expand (Chou & Hardin, 2014).

Kaur (2018) examine the relationship respectively mutual fund performance and fund size, and the findings showed fund size had a negative effect on mutual fund performance. Consistent with Galagedera et al., (2018) and Phillips et al., (2018), those studies discovered a negative connection among fund size and fund performance. On the contrary to research conducted by Basso & Funari (2017), there is no association among performance and fund size in the collection of European equity mutual funds, and though large funds have a slightly higher performance score on average than smaller ones, indicating the existence of a positive size effect. Nonetheless, it shows the gap research among researcher, also the indication of a maximum size which describe a negative impact on the fund size's results may occur.

The fifth is the expense ratio. The expense ratio is a comparison of one year's operating expenses to one year's average net asset value (Deb, 2019; Nguyen et al., 2018; Z. Rao et al., 2017). Deb (2019) divided expense ratio of mutual funds into three categories: high, median, and low expense ratio. Similarly, even if there is not much of a difference between high and median

expense ratio funds, mutual funds with higher cost ratios should respect their high equity ratio competitors.

The last variable which settled to determine Islamic Mutual Funds performance is the turnover ratio. However, investment managers encounter some difficulties to assemble these metrics and would be unable to precisely assess the level of active management competence in a fund's portfolio (Kaur, 2018). Although, mutual funds with more active strategies compared to mutual funds with low turnover rates or relatively passive strategies, high turnover ratios have significantly larger performance diffusion (Livingston et al., 2019).

Investment managers can use turnover ratio as an easy measurement of trading activity in mutual funds. Assuming that the greater the ratio, the higher the volume of transactions accomplished by the fund managers (Satrio & Mahfud, 2016). As a result, investment managers may perceive a high turnover ratio as an effort to add value to the fund portfolio by spotting undervalued or overpriced assets and making purchase and sell choices to timing the market (Mingo-lópez & Matallín-sáez, 2013).

The high turnover ratio shows investment managers carry out activities of buying and selling portfolios with high frequency. It shows the high trading activity of the mutual fund, the greater the portfolio turnover rate, the greater the potential return (Rehan, 2020). Also, Satrio & Mahfud (2016) and Sukmaningrum et al., (2016) argue that the portfolio turnover ratio has a significant influence towards mutual fund performance. Then there is

possibility that mutual funds with a high turnover rate outperform their peers, while those with a low turnover rate underperform.

Also, investment managers are anticipating market changes such as various existing issues, as well as economic conditions then will affect the price of the asset in its portfolio (Livingston et al., 2019). High trading activity refers to an investment manager's efforts to maximize profits by making deals at the proper time (Cai & Lu, 2019). Investment manager with an active investment style defines the performance of a mutual fund better than managers with a passive investment style (Kaur, 2018).

Research carried out by Merdad et al., (2010) and Zouaoui (2019) did not include Islamic Mutual Funds performance as a dependent variable which scaled by using the Sharpe ratio. Mohamad and Ashraf (2015) investigated Islamic Mutual Funds performance using the Treynor ratio and compared them to their conventional counterparts in various countries. Omri et al., (2019) demonstrated that Islamic Mutual Funds outperform conventional mutual funds over time due to lower global market risk, fewer capital withdrawals, lower volatility, and investor commitment. Hence, the majority of research on Islamic Mutual Funds compares Islamic and conventional counterparts.

Referring to the preceding discussion, analysis of the Islamic Mutual Funds performance examined by another method is necessary. Unlike previous research, to fill the gap, this study examines the influence of stock selection skills (Kabir Biplob, 2017), market timing ability (Pilbeam & Preston, 2019), fund size (Basso & Funari, 2017), fund age (Kaur, 2018), expense ratio

(Hoepner et al., 2011) and turnover ratio (Rusmita et al., 2019) towards the Islamic Mutual Funds performance. Expected by both Islamic Mutual Funds investors and investment managers, so the variable is determined based on later condition.

B. The Formulations of the Problem

1. How does the impact of stock selection skills on Islamic Mutual Funds performance?
2. How does the impact of market timing ability towards Islamic Mutual Funds performance?
3. How does the impact of fund age towards Islamic Mutual Funds performance?
4. How does the impact of fund size on Islamic Mutual Funds performance?
5. How does the impact of expense ratio on Islamic Mutual Funds performance?
6. How does the impact of turnover ratio towards Islamic Mutual Funds performance?

C. The Objectives of the Study

1. To determine the Impact of stock selection skills on Islamic Mutual Funds performance.
2. To determine the Impact of market timing ability on Islamic Mutual Funds performance.
3. To determine the Impact of Islamic Equity Funds size on Islamic Mutual Funds performance.

4. To determine the Impact of Islamic Equity Funds age on Islamic Mutual Funds performance.
5. To determine the Impact of expense ratio on Islamic Mutual Funds performance.
6. To determine the Impact of turnover ratio on Islamic Mutual Funds performance.

D. The Significance of the Study

1. The findings of this study can provide academics and researchers with a new and deeper understanding of the performance of Islamic Mutual Funds especially the performance of Islamic Equity Funds. This study is also expected to fill a research gap on the research regarding stock selection skills and market timing ability through the Treynor-Mazuy model in several studies related to the performance of Islamic Mutual Funds.
2. For the investment managers, the findings of this study should provide some perspective into the performance of Islamic Equity Funds in terms of the most appropriate instrument for measuring the performance of mutual funds in Indonesia. This result also suggests investment managers and other stakeholder authority to develop Islamic Mutual Funds in Indonesia
3. For the investors, the result of this study hopefully provides the basic substantial information of Islamic Mutual Funds performance, especially

at Islamic Equity Funds to attain higher intention in investing for Islamic Mutual Funds.

4. For the authors, the outcome can provide an unrivaled opportunity to reveal an idea in the form of a scientific study. The writing of this study should encourage the author to learn more deeply about Islamic Mutual Funds and other Islamic economics, financial and accounting issues.

E. The Outline

This study is divided into five chapters, each of which covers a different topic. The first chapter begins with background information and concludes with a conclusion and suggestion in the final chapter. The study coverage is as follows for more information:

Chapter I contains an introduction that includes background information that enunciates the primary issues of this study in detail, problem formulation, objectives, and the significance of the study.

Chapter II provide the theoretical base and explanation of the conceived hypotheses. The theoretical base was derived from a variety of sources, including books, working papers, proceedings of conference, articles and annual financial reports.

Chapter III provides a thorough explanation of the research methodology. It comprehensively covers data and research types, employed models, data collection methods, operational definitions of variables, and data analysis methods.

Chapter IV contains data analyses and a discussion of the results. This section will provide objective responses to the previously constructed background and problem formulation.

Chapter V presents the conclusion as well as a limitations and suggestion for the next study.



CHAPTER V

CONCLUSIONS

A. Conclusions

According to the overall result of this study, it can be concluded that every investor has a similar objective of investment such as maximum returns, risk exposure, return on investment, and the capital cost. As a result, the return on investment can differ significantly from the return in the market and can differ based on the investor's area. The investment managers always covering some decision in managing their funds that affects simultaneously towards investors' behavior to do an investment in Islamic Mutual Funds.

The diversity of financial assets in a portfolio is referred to as portfolio diversification (bank deposits, savings certificates, treasury bills, stocks, bonds, mutual funds). Then, it can be concluded that Islamic Mutual Funds is a diversified portfolio of financial assets. Islamic Mutual Funds with a considerably greater portfolio concentration, both across and within industries, tend to have a lot higher portfolio concentration.

Investment managers managing client funds to invest in portfolios need to know the risks and returns of their clients. Diversifying the portfolio of a mutual fund will reduce risk because the investment managers must deviate Net Asset Value (NAV) in various types of securities. A systematic approach is required to reduce risk and, to the greatest extent possible, eliminate the negative impact that emotion, behavior, and excessive fees and taxes have on

overall investment performance, while also defining how investment opportunities and investment managers will be identified.

Capital Asset Pricing Model (CAPM) is related to the Treynor-Mazuy ratio. Whereas Treynor-Mazuy model needs Exceed Portfolio Return (EPR) and Excess Market Return (ERM) which adopted from CAPM. Also, CAPM has a relationship in terms of Sharpe ratio which describes the relationship between systematic risk and expected return for assets, particularly stocks. CAPM is widely used throughout finance for pricing risky securities and generating expected returns for assets given the risk of those assets and cost of capital. In case, the Sharpe ratio is similar to the Treynor ratio that calculates the risk premium per unit of total risk. However, it employs portfolio total risk instead of systematic risk.

The Treynor-Mazuy ratio was used in this study to assess stock selection ability and market timing ability. Refers to a number of previously estimated approaches, the performance of Islamic Mutual Funds was influenced by stock selection skills, which is the capacity of investment managers to select the appropriate portfolio. Hence, it can be inferred that the higher investment managers ability to select its portfolio stock, the better the return obtained.

Market timing ability affect the performance of Islamic Equity Funds because it is a direct way to find out what portfolio strategies are being applied by investment managers. This irrelevance of investment managers' timing abilities may be ascribed to the fact that the flow of funds to Islamic Mutual

Funds is consistent, since investors are less sensitive to market performance and selection skills of investment managers with a long-term perspective.

Mutual funds with a longer lifespan will have a longer track record, then it will be able to give a better performance for its investors. The longer age of a mutual funds, the more experienced investment manager in managing portfolio. Fund age are indeed important, however, it does not mean that mutual funds which have a long life will always be better than new mutual funds.

In this study, the Net Asset Value of a fund is used to determine the fund size. of Islamic Mutual Funds. It will provide flexibility, increase bargaining power and facilitate the creation of economic scale which can impact on reducing costs in case impact positively on mutual funds' performance. According to the findings of this study, the performance of Islamic Mutual Funds is unaffected by fund size. A great performance does not always mean that the Islamic Mutual Funds must have a large size, but it could be the result of a well plan activity and execution by the investment managers. As a result, there is a chance that mutual funds with a low net asset value can outperform.

Based on the result of this study, expense ratio affects Islamic Mutual Funds performance. It can be inferred that the expense ratio of a mutual fund reflects how much it pays for portfolio management, administration, marketing, and distribution, among other things. The lower expense ratio, the more efficient and effective the Investment Manager in carrying out its duties as an investment manager of mutual funds.

Islamic Mutual Funds with more active strategies and greater turnover ratios have significantly wider performance than mutual funds with lower turnover ratios. The high turnover ratio might be regarded by investment managers as a sign of their efforts to add value to the funds portfolio. The more investment managers turnover the transactions, the higher the turnover fee will appear. In the end, turnover fee will have a negative significant effect on the potential profit of the funds invested.

B. Limitations

Researchers recognize that there are still many limitations in this study, particularly with regard to the variables which influence the performance of Islamic Mutual Funds. Because the primary objective of this research is to identify which variables can affect the performance of Islamic Mutual Funds in Indonesia. To obtain more comprehensive results, the author should employ a variety of theories as a measuring tool for each variable such as Jensen's Alpha, Treynor Ratio, Henriksson ratio, and so on. It is possible to obtain different results and find a wider discussion by using different measuring tools.

C. Suggestions

Some insights that are useful for further study, as well as recommendations for investment managers, are listed below:

1. For the Islamic Mutual Funds investment managers, this study's conclusions can be mentioned in scholarly evaluations on the elements impacting the performance of Islamic Mutual Funds. This study can provide a result for stock selection skills and market timing ability using

the Treynor-Mazuy ratio, but there is still room for improvement and deepening.

2. Hopefully, further study can examine the determinant analysis of Islamic Mutual Funds performance using Jensen's Alpha ratio and Treynor ratio. In order to provide another result of determinant analysis of Islamic Mutual Funds, measuring stock selection skill and market timing ability can be used Henriksson model (1984). Able to try measure turnover ratio using Modified Portfolio Turnover ratio (MT) and capable of doing research on other forms of Islamic Mutual Funds such as Islamic Money Market Funds, Fixed Income Islamic Mutual Funds, Mixed Islamic Mutual Funds, Islamic Indexed Funds, Sukuk Mutual Funds, Protected Islamic Mutual Funds, Islamic Mutual Funds based on foreign Islamic securities etc.
3. It is expected of the authors to continue conducting scientific research and publishing it in reputable journals.

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ATTACHMENT

Attachment 1: List of Islamic Mutual Funds Sample

No	Islamic Mutual Funds	Investment Managers	Custodian Bank
1	Avrist Equity 'Amar Syariah	PT. Avrist Asset Management	Deutsche Bank AG
2	Bahana Icon Syariah	PT. Bahana TCW Investment Management	Citibank NA
3	Batavia Dana Saham Syariah	PT. Batavia Prosperindo Aset Manajemen	Deutsche Bank AG
4	CIMB-Principal Islamic Equity Growth Syariah	PT. CIMB-Principal Asset Management	Deutsche Bank AG
5	Cipta Syariah Equity	PT. Ciptadana Asset Management	Deutsche Bank AG
6	Lautandhana Saham Syariah	PT. Lautandhana Investment Management	PT. Bank CIMB Niaga, Tbk.
7	Mandiri Investa Atraktif Syariah	PT. Mandiri Manajemen Investasi	Deutsche Bank AG
8	Mandiri Investa Ekuitas Syariah	PT. Mandiri Manajemen Investasi	Deutsche Bank AG
9	Manulife Syariah Sektoral Amanah	PT. Manulife Aset Manajemen Indonesia	HSBC
10	MNC Dana Syariah Ekuitas	PT. MNC Asset Management	PT. BRI (Persero), Tbk.
11	Panin Dana Syariah Saham	PT. Panin Asset Management	Deutsche Bank AG
12	PNM Ekuitas Syariah	PT. PNM Investment Management	HSBC
13	Sucorinvest Sharia Equity Fund	PT. Sucorinvest Asset Management	Deutsche Bank AG
14	Syariah BNP Paribas Pesona Syariah	PT BNP Paribas Asset Management	HSBC
15	TRIM Syariah Saham	PT. Trimegah Asset Management	Deutsche Bank AG