



## **Performance of Islamic and Conventional Funds: Evidence from Saudi Arabia and Malaysia**

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### **ABSTRACT**

Financial crises and the geopolitical issues around the world have caused much volatility in returns and market uncertainty. This trend of higher uncertainty in risk and return causes vast changes in stock and investment values, which caused investors scrambling to maintain the value of their wealth. It is therefore vital that investors understand and compare investment alternatives in order to maximize return. The purpose of this research is to analyze the performance of Islamic and conventional mutual funds and provide a comparison of fund performances to enable investors to make informed decisions. Mutual fund data from 2013 to 2017 for Saudi Arabia and Malaysia, the two largest Islamic fund markets are compiled and risk-adjusted performance statistics applied to arrive at measurement of performances. Although fund performance comparison is a well-researched area, this study contributes to the literature in terms of a comprehensive investigation of various types of Islamic funds with an in-depth evaluation of different investment time horizons. Empirical evidence on risk-adjusted performance comparison indicates that Malaysian conventional equity, mixed asset and money market funds for all 1, 3 and 5-year horizons outperform their Islamic counterparts. Similarly, Saudi Arabian equity and mixed asset funds also outperform their Islamic counterparts for all time horizons. On the contrary, the Saudi Islamic money market funds outperform their conventional partners. Cross country comparison confirms that Malaysian funds achieve superior performance except for money market funds which underperform their Saudi counterparts. In summary, current evidence concludes that, depending on the investment horizon and risk appetite, investors are better off investing in the appropriate fund.

**JEL Classification:** G11, G12, G15, G23

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## INTRODUCTION

The global financial crises, debt crisis, geopolitical uncertainty and pandemic have caused huge volatility in returns and market uncertainty. Counter trade strategies announced by developed countries and retaliation by others in recent time, coupled with the pandemic that drastically affect economies, sent jittering movements in the value of investments, not only in developed countries but also emerging countries. Investors thus face high uncertainty in risk and return with drastic volatility in asset prices. With improvement in the quality of life in developing and developed countries as well as the rate of increase in income which may not be in line with prices of goods and services, investors feel the anxiety towards wealth sustainability. It is vital that investors find appropriate asset alternatives not only to avoid uncertainties in investment returns, to grow their income and savings to compensate for higher prices but also to ensure sufficient resources for retirement, and one common avenue for retirement investment is mutual funds.

Investment in mutual fund allows professional fund managers to pool money from investors to invest in various securities such as bonds, money market and stocks. In the field of financial and capital markets, mutual funds play a vital role because these funds are the key financial intermediaries in the segment of institutional investors that aim to channel savings to profitable investments (Babalos et al., 2015). Mutual funds can be categorized into four major types based on their principal investment: equity fund, mixed asset fund, money market fund and bond fund. Equity fund is a type of mutual fund that invests primarily in either conventional or Islamic stocks or equity. Mixed asset fund invests in both debt and equity investments. The objective of mixed fund investments is to provide both income and capital appreciation while preventing imprudent risk. Other benefits of investing in mixed asset funds are the combination of both income and growth where diversification protects the performance during downturn of the stock market thus avoiding big losses. Mixed assets fund however, normally underperforms relative to the pure equity fund during bull market. Money market fund is a fund that invests in money market instruments or short-term securities. Debt fund generally invests in bonds under the conventional system or sukuk following the Islamic practice. These long-term debt or financing instruments are fixed income securities that provide some fixed rate of return with limited risks and can be issued by either sovereign or private corporations. In addition, all these types of funds can be invested domestically, regionally or globally.

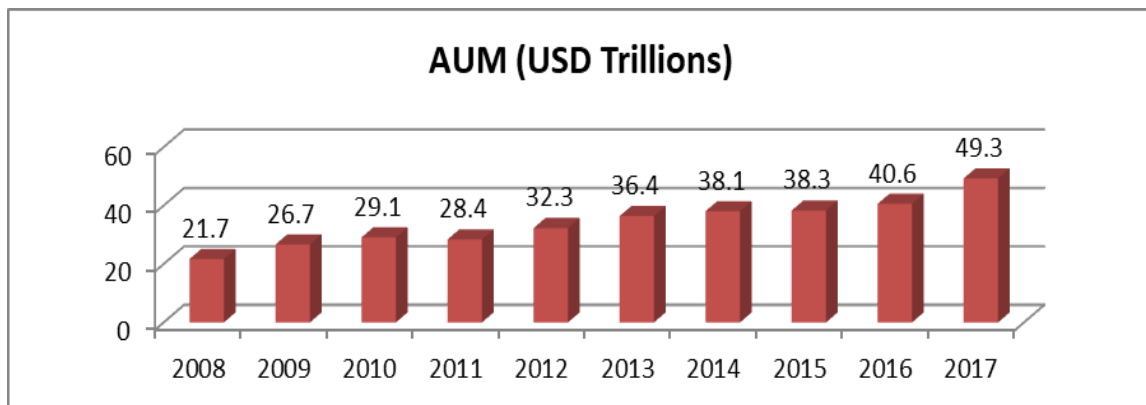
Mutual funds are normally managed by professional mutual fund managers which are investment experts and this is especially beneficial to new investors saving them time in complex investment research and diversification (Alibakshi and Moghadam, 2016). Apart from being the best choice for small investors, mutual funds are considered as one the best investment avenues because they have lower trading cost relative to investors having to purchase stocks or bonds individually according to Pal and Chandani (2014). Other advantages of mutual funds include convenience, closely monitored and regulated, diversified portfolio, liquid, easy comparison and transparent as the performance of each fund is disclosed publicly. Mutual fund investments are supported by the Modern Portfolio Theory which consists of a mathematical structure that gathers a portfolio of assets and the expected return is maximized at certain level of risk, defined as its variance (Markowitz, 1952). The theory assumes that all potential investors are risk adverse and prefer lower risk unless compensated with higher return.

With the growth in interest of equitable investment in the last two decades, it is not uncommon to find both conventional and Islamic mutual funds competing side by side for investors' money. Conventional mutual funds are funds that invest in traditional acceptable assets including interest base investments while Islamic mutual funds are funds that adhere to the principles that avoid elements of interest (*riba*), gambling (*maysir*) and uncertainty (*gharar*). It is commonly believed that Islamic funds incur higher cost of compliance with limited diversification benefit but lower leverage and volatility due to its obligation to Shariah principles and smaller asset universe. Saad et al. (2010), Boo et al. (2016) and Ho et al. (2014) observed that Islamic investments outperformed conventional ones, especially during downturn due to lower risk and gearing ratio. Other studies, on the other hand, including Hayat and Kraeussl (2011), Merdad et al. (2015) and Peillex et al. (2019) have concluded that Islamic investments underperformed their conventional benchmarks while some others found no significant differences. Empirical evidence on the performance of Islamic and conventional mutual funds has been mixed and this study intends to provide a clearer understanding of conventional and Islamic mutual fund performances in order to assist investors in making quality investment decisions. This

paper contributes to the current literature on mutual fund industry by a comprehensive empirical ranking of risk-adjusted performance of conventional and Islamic mutual funds with differing investment horizons as investment alternatives. It assists in the understanding of fund performance which provide added value to potential investors on the financial development dynamics of major emerging Islamic mutual fund markets. Similar studies that applied these risk-adjusted performance methodologies include Boo et al. (2016), Lemeshko and Rejnu (2015), Ho et al. (2014), Saad et al. (2010), and Lai and Lau (2010).

### Conventional Mutual Fund

The origin of conventional mutual funds can be traced to the late 18<sup>th</sup> century in the Netherlands. Further to that, the first closed-end investment fund pioneers are in Britain and France in the 1800s, whereas in the United States (US), the first mutual fund was only established in the 1890s (McWhinnery, 2018). Investment in mutual funds has gain popularity throughout the years and the total asset under management (AUM) of mutual funds in the world increases at an average compound annual growth rate of about 8 percent from year 2008 to 2017 (Islamic Financial Services Industry Stability Report, 2017). Figure 1 shows the world total asset under management of funds across traditional asset classes. In 2016, the global mutual fund asset increased 6 percent to USD40.6 trillion and a further rise of 20 percent to USD49.3 trillion in 2017. The largest proportion of total asset is in equity and it is considered the riskiest fund, followed by mixed asset, bond and money market funds.



Source: Worldwide Market Data (2018)

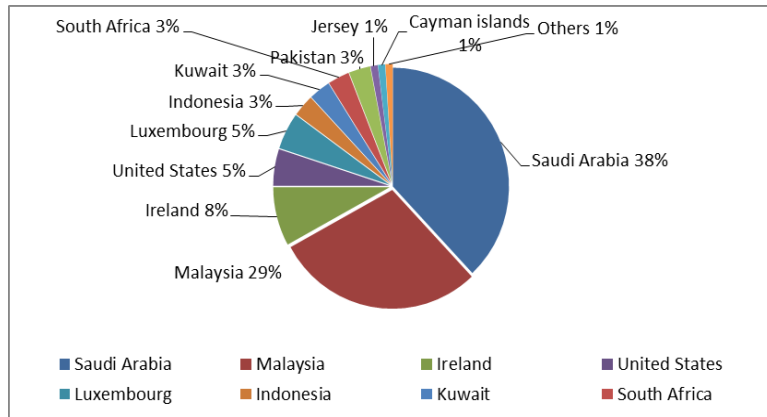
Figure 1 Global Total Asset under Management (AUM) of Funds (USD trillions)

### Islamic Mutual Fund

Islamic mutual funds are involved in investments according to the Shariah principles according to Ho et al. (2014). Islamic finance is based on five principles, mainly the prohibition of interest (*riba*), prohibition in speculation (*maysir*), avoidance of excessive uncertainty (*gharar*), investing in non-permissible activities and encouraging the sharing of risk and profits (*mudharabah*) (Abdelsalam et al., 2014). In addition, Islamic mutual funds apply the Shariah contract *wakalah istithmar*, the agency contract which combines investment purposes, where Islamic mutual fund managers act as agents for investors to invest and profit is shared among them which is permissible.

Non-permissible business activities include firms whose main operations comprise casinos, entertainment clubs, weapons, alcohol, tobacco, pork and pornography. These are considered as non-Shariah compliant and must be excluded from the investment portfolio. In Malaysia, in order for a company to qualify as Islamic, it must satisfy both quantitative and qualitative Shariah screening procedures set by the Shariah Advisory Council (SAC) of Malaysia's Securities Commission (SC). Islamic mutual funds are therefore collective faith-based investments and these funds are managed in line with Shariah teachings (Marzuki and Worthington, 2015; Ho, 2015).

The majority of worldwide Islamic mutual funds exist in Saudi Arabia and Malaysia as shown in Figure 2 and the global proportion of Islamic fund assets in these two countries are 38 percent and 29 percent, respectively.

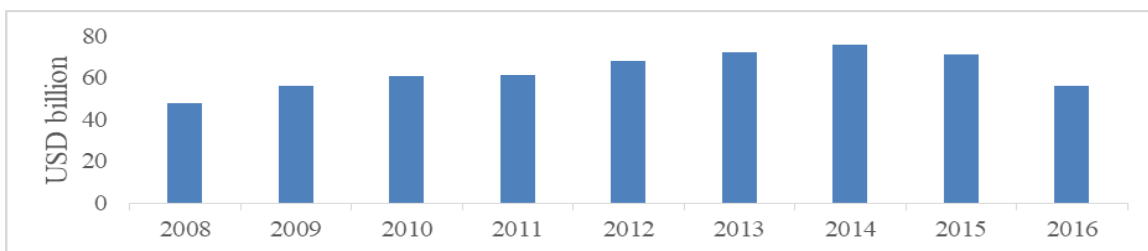


Source: Islamic Financial Services Industry Stability Report (2017)

Figure 2 Proportion of Global Islamic Fund

There has been increased demand for Islamic investment alternatives due to the large population of Muslims and the increase in income and GDP of Muslim countries in the Gulf Cooperation Council (GCC) and South-East Asia (Boukhatem and Moussa, 2018). Islamic investment funds are also one of the fastest growing sectors in the Islamic finance industry and this is expected to continue thereby increasing demand of Islamic goods and services (Lipka, 2016). Rubio and Hassan (2012) detailed that financial institutions expanded into Islamic financial services in order to match Muslims’ religious preferences thus resulting in increasing Shariah compliant assets and the development of Islamic mutual funds.

The total Islamic assets under management peaked in 2014 with a total of USD75.8 billion and decrease to USD71.3 billion in 2015 and further decrease to USD56.1 billion in 2016 as shown in Figure 3. One of the reasons is due to the currency depreciation of major countries which erodes net assets value of Islamic fund in USD terms. There are slightly over 800 world Islamic mutual funds in 2008 and this figure has grown to 1220 in 2015 but fell slightly to 1167 in 2016, as shown in Figure 4 (Islamic Financial Services Industry Stability Report, 2017). In summary, there is tremendous growth of fund invested in mutual funds, not only in conventional but also the Islamic market.



Source: Islamic Financial Services Industry Stability Report (2017)

Figure 3 Islamic Asset under Management (AUM) in billions of USD



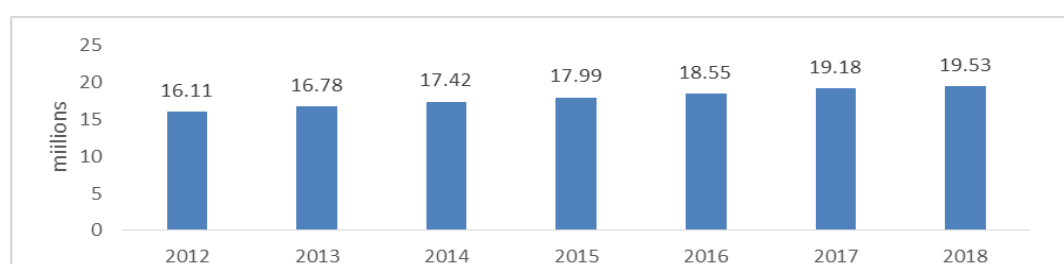
Source: Islamic Financial Services Industry Stability Report (2017)

Figure 4 Global Number of Islamic Funds

## Malaysia

Malaysia's financial system is well-regulated as its financial operation, process and procedure is governed by the central bank, Bank Negara Malaysia (BNM) and Securities Commission (SC). Financial institutions are also governed by the Financial Services Act 2013 (FSA), Islamic Financial Services Act 2013 (IFSA) and Capital Markets and Services Act 2007 (CMSA) to promote financial stability, strengthen investor protection and increase public confidence of financial institutions. Malaysia has a dual financial system where the conventional financial system operates in parallel with the Islamic financial system.

Mutual fund is more commonly known as unit trust in Malaysia, the first mutual fund company was established in 1959 and the mutual fund industry has a long history of more than half a century. There is strong and rapid growth of this industry as shown in Figure 5 (Securities Commission of Malaysia, 2017). The number of mutual fund accounts increased from 16.11 million in 2012 to 19.53 million in 2018, an increase of about 21 percent. There is a total of 642 approved funds of which 438 are conventional and 204 are Islamic at a total net asset value of RM392.48 billion according the statistics provided by Securities Commission of Malaysia in Table 1.



Source: Securities Commission of Malaysia (2018)

Figure 5 Number of Accounts in Malaysian Mutual Fund

Table 1 Mutual Fund Statistics in Malaysia as at 31 March 2017

Summary of Statistic on Mutual Fund	
No. of Management Companies	36
No. of Approved Funds	642
– Conventional	438
– Islamic-based	204
No. of Launched Funds	637
– Conventional	435
– Islamic-based	202
Units in Circulation (billion units)	517.042
– Conventional	383.502
– Islamic-based	133.54
No. of Accounts	18,671,189
– Conventional	15,822,470
– Islamic-based	2,848,719
Total NAV (RM billion)	392.487
– Conventional	325.61
– Islamic-based	66.877
% of NAV to Bursa Malaysia Market Capitalization	21.79%

Source: Securities Commission of Malaysia (2017)

## Saudi Arabia

Saudi Arabia as a part of the Gulf Community Council (GCC) countries has the largest stock market in the Middle East region and the largest number of Islamic mutual funds according to the total asset under management in the world. The first conventional mutual fund in Saudi Arabia was set up in 1979 by the National Commercial Bank (Al-Ahli) establishing a mutual fund named Al-Ahli Short Term Dollar Fund. The first Islamic mutual fund in Saudi Arabia was launched after the launch of Islamic investment funds in the U.S. and Malaysia in the early 1990s (Saudi Arabia Capital Market Authority Annual Report, 2017). Currently, most of the funds offered in Saudi Arabia are Islamic mutual funds. The national body that governs the regulatory framework for this industry is the Saudi Arabian Monetary Agency (SAMA).

According to Saudi Arabia Capital Market Authority Annual Report (2017), the size of the mutual fund market in Saudi Arabia is SAR110.2 billion and it has a total of 273 mutual funds with 238,445 accounts and the funds are either based in USD or Saudi Riyal (SAR). Saudi Arabia is the country that has the largest total asset in Islamic mutual funds at a total of more than USD19 billion which is more than sixty percent of total asset value in the country (Saudi Arabia Mutual Fund Market Opportunity Outlook, 2017). Table 2 provides some statistics on the mutual fund industry in Saudi Arabia.

The total value of mutual fund assets is SAR110.23 billion and the highest is in money market at SAR72,651.5 million, followed by equity funds at SAR20,980 million and real estate funds at SAR8,811.9 million. The total number of mutual funds in Saudi Arabia is 273 with the highest of 161 equity funds, followed by 44 in money market, and 32 in mixed asset funds. The highest number of subscriber accounts is in equities, followed by money market and real estate.

Table 2 Mutual Funds Statistic in Saudi Arabia

Type of Mutual Fund	Values of Mutual Fund Assets (Million Riyals)	Number of Mutual Funds	Number of Subscribers in Mutual Funds
Equities	20,980.1	161	162,697
Debt Instruments	754.1	8	181
Money Markets	72,651.5	44	39,817
Real Estates	8,811.9	11	8,088
Mixed Assets	2,887.7	32	4,784
Others	4,147.5	17	22,878
Total	110,232.8	273	238,445

Source: Saudi Arabia Capital Market Authority Annual Report (2017)

In summary, the two largest Islamic fund countries in the world are Saudi Arabia and Malaysia, together they account for more than 60% of the global Islamic fund market. There are a variety of different fund types available in these countries and this study therefore focuses on the novelty of differing investment horizons and fund types in these two major countries as the sample of investigation. Section two of the paper provides a review of existing literature on mutual fund performance. The data collection and methodologies are explained in section three of the paper. Section four contains the presentation of findings and section five summarizes and concludes this research.

## LITERATURE REVIEW

The review of current literature has not found consistent evidence for the superior performance of either conventional or Islamic funds. Some recent studies have found contradictory evidence especially across major countries that provide both Shariah and non-Shariah compliant funds. It would be beneficial to investors if empirical evidence is provided in order to make quality investment decisions. Finance research perception is dubious on the ability of Islamic investments to outperform conventional assets. It has been debated that if there is less opportunity to reap benefits of diversification due to the limited volume of Islamic assets relative to conventional ones, it is therefore a disadvantage to Islamic fund managers in maximizing their returns (Merdad et al., 2015; Ho, 2014). On the other hand, with more stringent selection of quality and lower leverage assets, Islamic funds may provide superior returns relative to their conventional counterparts especially in volatile markets (El-Masry et al., 2016).

The Modern Portfolio Theory by Markowitz (1952) explained that an investor can minimize risk and maximize return by investing in an appropriate basket of financial instruments through diversification. This theory provides the major theoretical support for studies on mutual funds. Additionally, diversification is a risk management strategy that enable investors to avoid exposure to any single asset or risk by investing in a variety of asset and smoothing out unsystematic risks. By diversifying into different asset classes, most risk averse investors would maximize their investment return and assume a certain level acceptable risks. A study by Hayat and Kraeusl (2011) found that Islamic mutual funds underperformed the Islamic and conventional benchmark. Their study also found that Islamic equity fund managers are bad market timers as they

underperformed during financial crisis. Incidentally, Kamil et al. (2014) found that Malaysian Islamic equity fund underperformed the market benchmark and their performance is unfortunately attributed to luck and not because of managers' skill. In a recent study by Makni et al. (2016), it is reported that there is negative persistence in Islamic fund performance and investors should invest in larger and more experienced older funds. In addition, Merdad et al. (2015) found that Islamic funds performed worse than conventional portfolio using various measurements. The study justified that Islamic mutual fund is costlier because there is additional cost involved in adhering to Shariah law even though some researchers argue that there is no extra cost when engaging in Islamic finance. Their opinion is most likely based on financial theories that Islamic products have lower risk exposure thus generate lower return compared to conventional investments. Peillex et al. (2019) discovered Islamic equity funds underperformed during September 2007 to November 2016 across regions. This may be due to less efficient managers in active portfolio.

On the contrary, Saad et al. (2010) found that Malaysian Islamic funds performed better than conventional funds and similar results are obtained by Rubio and Hassan (2012) who confirmed that Islamic funds are highly efficient and outperform conventional funds. In addition, Boo et al. (2016) also found that Malaysian Islamic mutual funds performed better than conventional mutual funds, and similarly El-Masry et al. (2016) found that during financial crisis, Islamic mutual funds achieved superior performance and these funds are less risky than their conventional peers in the GCC region. Similarly, Abdelsalam et al. (2014) concluded that conventional funds underperformed the Islamic funds during bear market and conventional funds outperformed Islamic funds during bull market. Another study by Ashraf and Mohammad (2014) also found that Islamic funds in Saudi Arabia from 2007 to 2011 achieved superior performance compared to conventional funds especially during economic downturn. In addition, in a recent global index performance comparison study, Ho et al. (2014) confirmed that Islamic equity indices performed better than their conventional indices during crisis periods, but conventional indices outperformed their Islamic peers during non-crisis periods. The research posits that the superior performance of Islamic investments is due to the Shariah screening criteria that exclude investments in companies which faced excessively leverage and companies that engage in interest-based lending activities. Nainggolan et al. (2016) found Islamic funds performed better than conventional ones during subprime crisis. The Islamic funds record returns of about 50-90 basis points higher than conventional counterparts on a monthly basis. This is due to the exclusion of companies that are exposed to greater impact of financial crisis. Abu-Alkheil et al. (2017) discovered conventional funds showed better performance during pre-crisis and during crisis as compared to Islamic counterparts. This argument is in line with Hammami and Oueslati (2017) which indicated that Islamic mutual funds are a way of hedging against the downturn of an economy. This indirectly implies the resiliency of Islamic mutual funds during financial crises.

There is evidence that Islamic funds from the six large Islamic financial centers of the GCC countries and Malaysia performed competitively and even outperformed international equity market benchmarks according to Hoepner et al. (2011). Even though conventional funds performed better than Islamic funds in the MENA region but in GCC countries, Islamic funds outperformed their conventional counterparts as most Islamic funds are in the GCC as stated by El-Masry et al. (2016). On the other hand, Bauer et al. (2005), Hassan et al. (2010) and Lai and Lau (2010) found no significant difference in the performance of Islamic and conventional mutual funds. Dah et al. (2015) uncovered that Islamic mutual funds did not have significant inferior performance to market index benchmark. Another recent study by Naqvi et al. (2018) on Malaysia and Pakistan provided no significant difference in performance between Shariah and conventional funds. In addition, Mansor et al. (2015) also disclosed no significant difference of performance between Islamic and conventional mutual funds in Malaysia. This showed that investors could consider both types of mutual funds in investment decisions with similar risks and returns.

In summary, there is a lack of consensus on the performance of conventional and Islamic mutual funds with limited comprehensive comparisons especially across different categories of fund and countries. This study thus aims to investigate the various categories of fund performances from both conventional and Islamic mutual funds within and between the two largest global Islamic fund markets. In addition, this study differs from the many other existing studies in that it provides an extensive broad base investigation of different Islamic fund types with various investment horizons.

## DATA AND METHOD

This section describes the data and risk-adjusted methods applied to compare the performances of conventional and Islamic mutual funds. Since Modern Portfolio Theory suggests that risk-averse investors can optimize expected return from investment on a given level of market risk, it is therefore vital to create an efficient frontier of optimal portfolios, which provides the highest expected return for a designate level of risk. In order to adjust for investment risks, this study has applied several risk-adjusted return statistics derived from the Capital Asset Pricing Model (CAPM) which includes Sharpe ratio (Sharpe, 1964), Treynor index (Treynor, 1965) and Jensen's Alpha (Jensen, 1968) as measurements of performance. Research work that has applied these measures where expected return depends on the covariance of the security with the market portfolio includes Sharpe (1964), Lintner (1965), Mossin (1966), Ho et al. (2014) and Agarwal and Mirza (2017).

The details on the number of mutual funds in Malaysia and Saudi Arabia as at February 2017 from Thomson Reuters Eikon are provided in Table 3. The sample is chosen from these two countries due to them having the largest Islamic mutual fund market worldwide. Pairs of funds are matched where only selected funds that have both counterparts in conventional as well as Islamic practice are utilized in order to ensure adequate comparisons. Due to data availability for the 1 to 5-year comparison and the matched pairs of Islamic and conventional active funds criteria, the final sample is shown in Table 4 with three sets of mutual funds from equity, mixed assets and money market with a total sample of seventy-six funds from these two countries.

Table 3 Malaysia and Saudi Arabia Mutual Funds

Fund Type	Malaysia		Saudi Arabia	
	Islamic	Conventional	Islamic	Conventional
Equity	79	188	109	52
Mixed Assets	32	82	23	9
Money Market	51	58	35	9
Real Estate	4	10	11	0
Debt	35	94	5	3
Others	0	4	0	0

Table 4 Malaysia and Saudi Arabia Mutual Fund Pairs

Fund Type	Malaysia		Saudi Arabia	
	Initial	Final Sample	Initial	Final Sample
Equity	29	<b>19</b>	14	<b>11</b>
Mixed Assets	15	<b>13</b>	6	<b>6</b>
Money Market	33	<b>20</b>	8	<b>7</b>
Real Estate	0	0	0	0
Debt	17	8	0	0

The data for all funds' Sharpe ratio, Treynor index and Jensen's Alpha for 1, 3 and 5-year horizons are gathered from Thomson Reuters Eikon as at 28 February 2017. The information on fund establishment, matching of the type of funds in terms of the categories, as well as Shariah compliance or non-compliance is gathered from Thomson Datastream. Lastly, the funds are ranked based on the highest measurement value indicating superior performance. The first performance measure is Sharpe ratio (SR) which reveals if an investment's extraordinary return is a result of excessive risk. It measures the performance of a fund by dividing the amount of excess return to total risk, measured by standard deviation. This approach for analyzing the performance of mutual fund is when higher ratio indicates better performance and vice versa. The higher the SR is consistent with a higher probability that the fund return exceed the risk-free return. The SR is calculated as in Equation 1 where  $AR_i$  is the average return for the fund over the period,  $ARFR$  is average of the risk free rate and  $\sigma_i$  is standard deviation of fund return.

$$SI_{it} = [(AR_{it} - ARFR)] / \sigma_i \quad (1)$$



The second performance measure is Treynor index (TI) which measures the fund performance for its given level of market risk (CAPM) and is associated with the general market fluctuations as in equation 2. This performance measure differs from SR because it applies beta or systematic risk, whereas Sharpe ratio utilizes standard deviation of returns as a measure of total risk in examining fund performance. The higher the SR and TI the more superior the performance and both of these measures produce relative performance rankings. For TI calculation, AR is the average return of the fund, ARFR is the average risk free rate and  $\beta$  is the beta coefficient computed using market model.

$$TI_{it} = (AR_{it} - ARFR) / \beta \quad (2)$$

The third performance measure is the adjusted Jensen's Alpha (JA), which denotes the average return of a fund on top of that forecasted by the CAPM according to the portfolio's beta and the average market return (Sawicki and Ong, 2000). This measure is attained by running a regression of the excess return of the fund over the excess return of the market. The intercept of the regression (alpha) is then the performance measure. It represents the average fund return adjusted for risk and is expressed in Equation 3, where  $\alpha_i$  is the fund alpha, AR is the average return of the fund, ARFR is the average risk-free rate,  $R_m$  is the market return and  $\beta_i$  is the beta coefficient. A positive alpha means that the fund achieves excess return relative to the market, negative alpha means underperformance.

$$\alpha_i = AR_{it} - [ARFR_{it} + \beta_i (R_m - ARFR)] \quad (3)$$

The full sample of the study on the comparison of mutual fund performance for both Malaysia and Saudi Arabia with a list of nineteen pairs of equity funds, thirteen pairs of mixed asset funds and twenty pairs of money market funds for Malaysia are listed from Tables 5 to 7. While the full sample of eleven pairs of equity funds, six pairs of mixed asset funds and seven pairs of money market funds for Saudi Arabia are listed from Tables 8 to 10.

Table 5 Malaysian Equity Fund

Islamic Fund	Conventional Fund
1 Affin Hwang Aiiman Equity	Affin Hwang Equity
2 Affin Hwang Aiiman Growth	Affin Hwang Growth
3 AMB Dana Yakin	AMB Unit Trust
4 AMB Shariah Value Plus A-MYR	AMB Value Trust A-MYR
5 AmIslamic Growth	AmCumulative Growth
6 CIMB Islamic Greater China Equity	CIMB-Principal Greater China Equity
7 CIMB Islamic Small Cap	CIMB-Principal Small Cap
8 Kenanga Syariah Growth	Kenanga Growth
9 Kenanga OA Inv-Kenanga Shariah Growth Opps	Kenanga OA Inv-Kenanga Growth Opps
10 Manulife Investment Shariah Asia-Pacific	Manulife Investment Pacific
11 Manulife Investment Shariah Progress	Manulife Investment Progress
12 Manulife Shariah-Dana Ekuiti	Manulife Equity Plus
13 MIDF Amanah Islamic	MIDF Amanah Dynamic
14 PB Islamic Asia Equity	PB Asia Equity
15 PB Islamic Equity	PB Global Equity
16 Pheim Asia Ex-Japan Islamic	Pheim Asia Ex-Japan
17 Public Islamic Equity	Public Equity
18 Public Islamic Optimal Growth	Public Optimal Growth
19 RHB Islamic Emerging Opportunity	RHB Emerging Opportunity

Table 6 Malaysian Mixed Assets Fund

Islamic Fund	Conventional Fund
1 Affin Hwang Aiiman Balanced	Affin Hwang Select Balanced
2 Affin Hwang Aiiman Select Income	Affin Hwang Select Income
3 AmIslamic Balanced	AmBalanced
4 CIMB Islamic Balanced	CIMB-Principal Balanced
5 Eastspring Investments Dana Dinamik	Eastspring Investments Dynamic
6 Kenanga Islamic Balanced	Kenanga Balanced
7 Manulife Investment-CM Shariah Flexi	Manulife Investment-CM Flexi
8 Manulife Investment-HW Shariah Flexi	Manulife Investment-HW Flexi
9 Public Ehsan Mixed Asset Conservative	Public Select Mixed Asset Conservative
10 Public Ehsan Mixed Asset Growth	Public Select Mixed Asset Growth
11 Public Islamic Asia Tactical Allocation	Public Tactical Allocation
12 Public Islamic Enhanced Bond	Public Enhanced Bond
13 Public Islamic Growth Balanced	Public Growth Balanced

Table 7 Malaysian Money Market Fund

	Islamic Fund	Conventional Fund
1	Affin Hwang Aiiman Wholesale	Affin Hwang Wholesale
2	Amanah Raya Islamic Cash Management	Amanah Raya Cash Management
3	CIMB Islamic Deposit	CIMB-Principal Deposit
4	CIMB Islamic Wholesale Deposit	CIMB-Principal Wholesale Deposit
5	Eastspring Investments Islamic Income	Eastspring Investments Institutional Income
6	Hong Leong Islamic Income Management	Hong Leong Income Management
7	Kenanga Islamic Income	Kenanga Income
8	Manulife Investment Al-Ma'mun	Manulife Investment Money Market
9	Maybank Shariah Enhanced Cash	Maybank Enhanced Cash
10	Maybank Shariah Institutional Cash	Maybank Institutional Cash
11	MIDF Amanah Shariah Money Market	MIDF Amanah Money Market
12	Opus Shariah Cash Management	Opus Cash Management
13	PB Islamic Cash Management	PB Cash Management
14	PB Islamic Cash Plus	PB Cash Plus
15	Public e-Islamic Cash Deposit	Public e-Cash Deposit
16	Public Islamic Money Market	Public Money Market
17	RHB Institutional Islamic Money Market	RHB Money Market
18	RHB Islamic Cash Management	RHB Cash Management
19	RHB Islamic Income Plus	RHB Income Plus
20	TA Islamic Cash PLUS	TA Cash PLUS

Table 8 Saudi Arabian Equity Fund

	Islamic Fund	Conventional Fund
1	Alawwal Invest AlYusr Saudi Equity	Alawwal Invest Saudi Equity
2	Alawwal Invest AlYusr Tamoh Multi Asset	SHC Tamoh Multi Asset Fund
3	Aloula Geogit - Al Johar Saudi Equity Sharia	Aloula Geogit - Al Johar Saudi Equity Fund
4	ANBI - Al-Mubarak Saudi Equity Fund	ANBI - Al-Arabi Saudi Equity Fund
5	EFG Hermes Hasaad Freestyle Saudi Equity Fund	EFG Hermes Saudi Arabia Equity Fund
6	HSBC Saudi Freestyle Equity Fund	HSBC Saudi Equity Fund
7	Riyad Al Shamekh Sharia Compliant Fund	Riyad Al Shamekh Fund
8	Riyad Equity Fund 2	Riyad Equity Fund 3
9	Riyad Income Fund	Riyad Global Income Fund
10	Samba Capital Al Raed GCC Fund	Samba Capital Al Musahem GCC Fund
11	Saudi Fransi Al Saffa Saudi Equity Trading Fund	Saudi Fransi Saudi Istithmar Equity Fund

Table 9 Saudi Arabian Mixed Assets Fund

	Islamic Fund	Conventional Fund
1	Alawwal Invest AlYusr Aman Multi Asset	Alawwal Invest Aman Multi Asset
2	Alawwal Invest AlYusr Mizan Multi Asset	Alawwal Invest Mizan Multi Asset
3	ANBI - Al-Mubarak Balanced Fund	ANBI - Al-Arabi Balanced Fund
4	Riyad Al Hadi Islamic Fund	Riyad Al Hadi Fund
5	Riyad Al Mokdam Sharia Compliant Fund	Riyad Al Mokdam Fund
6	Riyad Al Shuja'a Sharia Compliant Fund	Riyad Al Shuja'a Fund

Table 10 Saudi Arabian Money Market Fund

	Islamic Fund	Conventional Fund
1	Alawwal Invest AlYusr Saudi Riyal Morabaha	Alawwal Invest SAR Money Market
2	ANBI - Al-Mubarak SAR Trade Fund	ANBI - Al-Arabi SAR Money Market Fund
3	Riyad Commodity Trading Fund SAR	Riyad Money Fund SAR
4	Riyad Commodity Trading Fund USD	Riyad Money Fund USD
5	Samba Capital Intl Trade Finance Fd AlSunbullahSAR	Samba Capital Saudi Riyal Liquidity Fd AlRazeenSAR
6	Samba Capital Intl Trade Finance Fd AlSunbullahUSD	Samba Capital US Dollar Liquidity Fd Al Razeen USD
7	Saudi Fransi Al Badr Murabaha Fund (USD)	Saudi Fransi US Dollar Money Market Fund

## FINDINGS

The study analyzes and compares the performances between conventional and Islamic funds for short-term (1-year), medium-term (3-year) and long-term (5-year) within and between the countries. Three risk-adjusted return measurements are applied, and the results address the objectives of the study. It is important to note that results are ranked according to their superior performance from the three measures. Only the top ten performers are listed in the result due to space constraints in the tables (full table is available upon request). This study focuses on presenting the comparison results in a clear and precise manner, and those not listed are underperformers.

### Comparisons of Equity Funds

Empirical evidence from Table 11 confirms that Malaysian equity fund pairs have superior 1-year performance relative to Saudi Arabian equity fund pairs. A total of eight out of the top ten funds are from Malaysia. Malaysian top equity funds for 1-year period include Manulife Investment Pacific; CIMB-Principal Greater China Equity; PB Asia Equity; AmCummulative Growth; PB Global Equity; Pheim Asia Ex-Japan Islamic; Kenanga Growth; and Affin Hwang Growth funds. The Saudi Arabia top fund performers are Riyadh Al Shamekh and Saudi Fransi Saudi Istithmar Equity funds.

It is also evident that the majority of conventional mutual funds in Malaysia performed better than their Islamic counterparts and this indicates that overall, conventional funds are far superior in performance than Islamic funds. Similarly, the two top performing Saudi Arabian equity funds are also conventional. It is interesting to note that only Pheim Asia Ex-Japan Islamic fund in Malaysia outperformed its conventional partner.

Table 11 1-year Comparison of Equity Funds

<b>Islamic</b>	<b>C</b>	<b>Sharpe</b>	<b>Treynor</b>	<b>Jensen</b>	<b>Conventional</b>	<b>Sharpe</b>	<b>Treynor</b>	<b>Jensen</b>
Manulife Investment Shariah Asia-Pacific	M	0.02	1.84	0.01	Manulife Investment Pacific	<b>0.79</b>	<b>2.26</b>	<b>0.34</b>
CIMB Islamic Greater China Equity	M	0.44	1.56	-0.25	CIMB-Principal Greater China Equity	<b>0.64</b>	<b>2.02</b>	<b>0.20</b>
PB Islamic Asia Equity	M	0.24	1.65	-0.01	PB Asia Equity	<b>0.64</b>	<b>1.80</b>	<b>0.09</b>
AmIslamic Growth	M	0.03	-0.10	<b>-0.14</b>	AmCummulative Growth	<b>0.58</b>	<b>1.52</b>	<b>-0.26</b>
PB Islamic Equity	M	0.04	-0.15	-0.16	PB Global Equity	<b>0.56</b>	<b>1.76</b>	<b>0.27</b>
Riyad Al Shamekh Sharia Compliant Fund	S	0.35	1.30	0.10	Riyad Al Shamekh Fund	<b>0.51</b>	<b>1.45</b>	<b>0.22</b>
Pheim Asia Ex-Japan Islamic	M	0.01	<b>1.68</b>	<b>-0.05</b>	Pheim Asia Ex-Japan	<b>0.46</b>	1.65	-0.09
Kenanga Syariah Growth	M	0.00	0.00	-0.07	Kenanga Growth	<b>0.31</b>	<b>0.58</b>	<b>0.53</b>
Saudi Fransi Al Saffa Saudi Equity Trading Fund	S	0.20	1.16	0.66	Saudi Fransi Saudi Istithmar Equity Fund	<b>0.24</b>	<b>1.30</b>	<b>0.87</b>
Affin Hwang Aiiman Growth	M	<b>0.64</b>	0.28	0.18	Affin Hwang Growth	0.23	<b>0.40</b>	<b>0.38</b>

The 3-year medium term performance results in Table 12 consistently show that the majority of Malaysian equity mutual funds outperformed Saudi funds. The top performers in Malaysia are PB Asia Equity; CIMB-Principal Greater China Equity; Manulife Investment Pacific; Kenanga Growth; Manulife Investment Progress; AmCummulative Growth; MIDF Amanah Dynamic; Pheim Asia Ex- Japan and Manulife Shariah-Dana Ekuiti funds.

The results also confirmed that the top 1-year and 3-year funds are similar, and it shows that these funds have consistently performed above others. It must be highlighted that performance of conventional funds outshined Islamic ones both in the short and the medium term. Only Manulife Shariah-Dana Ekuiti fund in Malaysia achieved superior performance relative to its conventional partner. The conventional equity fund in Saudi Arabia also outperformed their Islamic partner. The only Saudi Arabian fund included in the top ten in this category is Riyadh Al Shamekh Fund and it is also the top performer in the 1-year short term. Similar 1 and 3-year evidence confirmed that the overall performance of conventional funds outshined Islamic ones during this period.

Table 12 3-year Comparison of Equity Funds

Islamic	C	Sharpe	Treynor	Jensen	Conventional	Sharpe	Treynor	Jensen
PB Islamic Asia Equity	M	0.04	0.60	-0.06	PB Asia Equity	<b>0.25</b>	<b>0.82</b>	<b>0.12</b>
CIMB Islamic Greater China Equity	M	-0.06	0.65	-0.06	CIMB-Principal Greater China Equity	<b>0.25</b>	<b>1.21</b>	<b>0.42</b>
Manulife Investment Shariah Asia-Pacific	M	0.07	0.35	-0.30	Manulife Investment Pacific	<b>0.23</b>	<b>0.77</b>	<b>0.08</b>
Kenanga Syariah Growth	M	-0.05	-0.11	0.10	Kenanga Growth	<b>0.21</b>	<b>0.48</b>	<b>0.87</b>
Manulife Investment Shariah Progress	M	0.01	-0.03	0.12	Manulife Investment Progress	<b>0.13</b>	<b>0.42</b>	<b>0.44</b>
Amlslamic Growth	M	-0.06	-0.19	<b>0.01</b>	AmCummulative Growth	<b>0.11</b>	<b>0.37</b>	-0.30
MIDF Amanah Islamic	M	-0.05	0.03	0.30	MIDF Amanah Dynamic	<b>0.07</b>	<b>0.16</b>	<b>0.56</b>
Pheim Asia Ex-Japan Islamic	M	-0.10	0.18	<b>-0.30</b>	Pheim Asia Ex-Japan	<b>0.05</b>	<b>0.22</b>	-0.37
Manulife Shariah-Dana Ekuiti	M	<b>0.07</b>	<b>0.17</b>	<b>0.33</b>	Manulife Equity Plus	0.04	0.11	0.29
Riyad Al Shamekh Sharia Compliant Fund	S	-0.04	-0.15	-0.11	Riyad Al Shamekh Fund	<b>0.03</b>	<b>0.09</b>	<b>0.10</b>

Findings for the 5-year performance are listed in Table 13 where the top six funds are from Malaysia (Kenanga Growth; Manulife Investment Progress; CIMB-Principal Greater China Equity; Manulife Investment Pacific; CIMB-Principal Small Cap; and PB Asia Equity funds) followed by two equity funds from Saudi Arabia (Riyad Al Shamekh and Samba Capital Al Musahem GCC funds) and they are again conventional funds. Conventional equity funds consistently outperformed their Islamic counterpart in the shorter and longer term. It should be noted again that only one longer term Shariah equity fund outperformed their conventional counterpart, which is AMB Dana Yakin fund from Malaysia. It is also reported by Babbar and Sehgal (2018) that investors should invest in older equity funds that can provide the best returns especially those with historical records.

Table 13 5-year Comparison of Equity Funds

Islamic	C	Sharpe	Treynor	Jensen	Conventional	Sharpe	Treynor	Jensen
Kenanga Syariah Growth	M	0.12	0.28	0.16	Kenanga Growth	<b>0.30</b>	<b>0.73</b>	<b>0.71</b>
Manulife Investment Shariah Progress	M	0.19	0.47	<b>0.41</b>	Manulife Investment Progress	<b>0.22</b>	<b>0.75</b>	0.29
CIMB Islamic Greater China Equity	M	0.09	0.46	-0.14	CIMB-Principal Greater China Equity	<b>0.20</b>	<b>0.86</b>	<b>0.18</b>
Manulife Investment Shariah Asia-Pacific	M	0.01	0.05	-0.41	Manulife Investment Pacific	<b>0.16</b>	<b>0.50</b>	<b>-0.07</b>
CIMB Islamic Small Cap	M	0.10	0.35	-0.19	CIMB-Principal Small Cap	<b>0.15</b>	<b>0.50</b>	<b>0.00</b>
PB Islamic Asia Equity	M	0.15	0.56	-0.03	PB Asia Equity	<b>0.15</b>	<b>0.60</b>	<b>-0.01</b>
Riyad Al Shamekh Sharia Compliant Fund	S	0.10	0.41	0.07	Riyad Al Shamekh Fund	<b>0.13</b>	<b>0.47</b>	<b>0.13</b>
Samba Capital Al Raed GCC Fund	S	0.10	0.40	0.20	Samba Capital Al Musahem GCC Fund	<b>0.13</b>	<b>0.49</b>	<b>0.32</b>
Kenanga OA Inv-Kenanga Shariah Growth Opps	M	0.07	0.16	0.05	Kenanga OA Inv-Kenanga Growth Opportunities	<b>0.11</b>	<b>0.28</b>	<b>0.11</b>
AMB Dana Yakin	M	<b>0.10</b>	<b>0.23</b>	<b>0.13</b>	AMB Unit Trust	0.09	0.22	0.11

In summary, findings from the comparison of performance in equity funds indicates that (a) conventional funds achieved superior performance relative to their Islamic counterparts and (b) Malaysian funds outperformed Saudi funds at all-time horizons during this period. In addition, conventional return is higher than Islamic return during this period of tranquility, similar to Ho et al. (2014) but results may differ during turbulent time. Investors should therefore place their investment in the appropriate funds accordingly.

### Comparisons of Mixed Asset Funds

The comparison findings for 1-year mixed asset funds are shown in Table 14 and the top performer is Islamic Public Islamic Asia Tactical Allocation fund from Malaysia. Others include Affin Hwang Select Income; Affin Hwang Select Balanced; Kenanga Balanced; Eastspring Investments Dynamic; and Manulife Investment-HW Flexi funds. In this mixed asset category, four out of ten top performers that produced

superior returns are from Saudi Arabia. These funds include Riyadh Al Mokdam; Riyadh Al Shuja'a; Riyadh Al Hadi; and ANBI-Al-Arabi Balanced funds.

The short-term results indicate that other than the top performer who is from the Islamic list, the majority of superior performed funds are from the conventional side. Mixed asset funds generally have lower risks relative to equity and this fund may have been more efficient than the others. The Malaysian mixed asset funds continue to achieve superior performance relative to Saudi Arabian funds as evidenced from Table 14 with the top three performers from Malaysia and a total of six in the top ten for the shorter term.

Table 14 1-year Comparison of Mixed Asset Funds

Islamic	C	Sharpe	Treynor	Jensen	Conventional	Sharpe	Treynor	Jensen
Public Islamic Asia Tactical Allocation	M	<b>0.55</b>	<b>1.14</b>	1.01	Public Tactical Allocation	0.47	1.05	<b>1.03</b>
Affin Hwang Aiiman Select Income	M	0.36	0.24	0.15	Affin Hwang Select Income	<b>0.53</b>	<b>0.95</b>	<b>0.40</b>
Affin Hwang Aiiman Balanced	M	0.34	0.51	<b>0.52</b>	Affin Hwang Select Balanced	<b>0.48</b>	<b>0.52</b>	0.13
Riyad Al Mokdam Sharia Compliant Fund	S	0.39	1.16	0.24	Riyad Al Mokdam Fund	<b>0.46</b>	<b>1.24</b>	<b>0.33</b>
Riyad Al Shuja'a Sharia Compliant Fund	S	0.38	<b>1.59</b>	0.37	Riyad Al Shuja'a Fund	<b>0.45</b>	1.41	<b>0.40</b>
Kenanga Islamic Balanced	M	-0.12	-0.14	-0.17	Kenanga Balanced	<b>0.34</b>	<b>0.41</b>	<b>0.42</b>
Riyad Al Hadi Islamic Fund	S	0.20	0.63	0.04	Riyad Al Hadi Fund	<b>0.33</b>	<b>0.96</b>	<b>0.05</b>
ANBI - Al-Mubarak Balanced Fund	S	0.29	7.15	0.56	ANBI - Al-Arabi Balanced Fund	<b>0.30</b>	<b>9.23</b>	<b>0.73</b>
Eastspring Investments Dana Dinamik	M	0.01	0.04	-0.06	Eastspring Investments Dynamic	<b>0.19</b>	<b>0.44</b>	<b>0.24</b>
Manulife Investment-HW Shariah Flexi	M	0.12	0.33	0.16	Manulife Investment -HW Flexi	<b>0.17</b>	<b>0.46</b>	<b>0.26</b>

Performance of mixed asset funds for the 3-year horizon in Table 15 also indicates that conventional funds who possess a longer historical experience outperformed their Islamic partners. The top seven out of ten funds are from Malaysia and they are Affin Hwang Select Income; Public Tactical Allocation; Eastspring Investment Dynamic; Public Islamic Enhanced Bond; Affin Hwang Select Balanced; Kenanga Balanced; and Manulife Investment-HW Shariah Flexi funds. Out of these top performers, two top funds are Islamic. The Saudi Arabian top mixed asset funds are Riyadh Al Mokdam; Riyadh Al Shuja's and Riyadh Al Hadi funds. All of them are conventional funds. Malaysia mixed asset funds outperformed Saudi Arabia funds in the short and medium term. Nevertheless, there has been an improvement in the performance of Islamic mixed asset relative to equity funds.

Table 15 3-year Comparison of Mixed Asset Funds

Islamic	C	Sharpe	Treynor	Jensen	Conventional	Sharpe	Treynor	Jensen
Affin Hwang Aiiman Select Income	M	0.02	0.02	-0.03	Affin Hwang Select Income	<b>0.31</b>	<b>0.48</b>	<b>0.27</b>
Public Islamic Asia Tactical Allocation	M	0.18	0.53	0.54	Public Tactical Allocation	<b>0.26</b>	<b>0.92</b>	<b>0.74</b>
Eastspring Investments Dana Dinamik	M	0.05	0.12	0.22	Eastspring Investments Dynamic	<b>0.17</b>	<b>0.48</b>	<b>0.70</b>
Public Islamic Enhanced Bond	M	<b>0.12</b>	<b>0.09</b>	<b>0.03</b>	Public Enhanced Bond	0.04	0.03	-0.01
Affin Hwang Aiiman Balanced	M	-0.04	-0.07	<b>0.07</b>	Affin Hwang Select Balanced	<b>0.03</b>	<b>0.04</b>	-0.09
Kenanga Islamic Balanced	M	-0.11	-0.17	-0.03	Kenanga Balanced	<b>0.03</b>	<b>0.04</b>	<b>0.20</b>
Riyad Al Mokdam Sharia Compliant Fund	S	0.01	0.05	0.12	Riyad Al Mokdam Fund	<b>0.01</b>	<b>0.05</b>	<b>0.14</b>
Riyad Al Shuja'a Sharia Compliant Fund	S	-0.02	-0.07	0.20	Riyad Al Shuja'a Fund	<b>0.00</b>	<b>-0.01</b>	<b>0.29</b>
Manulife Investment-HW Shariah Flexi	M	<b>-0.05</b>	<b>-0.12</b>	<b>-0.04</b>	Manulife Investment-HW Flexi	-0.06	-0.14	-0.05
Riyad Al Hadi Islamic Fund	S	-0.09	-0.21	0.02	Riyad Al Hadi Fund	<b>-0.07</b>	<b>-0.15</b>	<b>0.03</b>

The findings for 5-year performance of mixed asset funds in Table 16 confirms the excellent performance of conventional mixed asset funds. The superior performance of the Malaysian mixed assets funds is from Eastspring Investments Dynamic; Public Tactical Allocation; Affin Hwang Select Balanced; Public Enhanced Bond; Kenanga Balanced; and Manulife Investment-CM Shariah Flexi funds. Out of the six top performers in Malaysia, five are from conventional funds. Malaysia's funds dominate in terms of performance in both equity and mixed asset categories and the conventional funds consistently outperformed their Islamic counterparts.

There are also four mixed asset funds from Saudi Arabia included in the list: Riyadh Al Mokdam; Riyadh Al Shuja'a; Riyadh Al Hadi; and ANBI-Al-Arabi Balanced funds. These Saudi top performers are also from conventional funds. It is interesting to note that even though the Malaysian mixed assets funds outperformed the Saudi Arabian funds for all three time-horizons, with longer time horizon, there are more Saudi funds included in the list of top ten performers. This indicates that Saudi mixed asset funds are achieving better performance in the longer term.

Table 16 5-year Comparison of Mixed Asset Fund

Islamic		Sharpe	Treynor	Jensen	Conventional	Sharpe	Treynor	Jensen
Eastspring Investments Dana Dinamik	M	0.19	0.41	0.35	Eastspring Investments Dynamic	<b>0.24</b>	<b>0.64</b>	<b>0.61</b>
Public Islamic Asia Tactical Allocation	M	0.17	0.49	0.31	Public Tactical Allocation	<b>0.21</b>	<b>0.76</b>	<b>0.44</b>
Affin Hwang Aiiman Balanced	M	-0.02	-0.03	-0.1	Affin Hwang Select Balanced	<b>0.18</b>	<b>0.33</b>	<b>0.14</b>
Riyadh Al Mokdam Sharia Compliant Fund	S	0.12	0.37	0.23	Riyadh Al Mokdam Fund	<b>0.13</b>	<b>0.37</b>	<b>0.26</b>
Public Islamic Enhanced Bond	M	0.08	0.06	0.01	Public Enhanced Bond	<b>0.12</b>	<b>0.08</b>	<b>0.02</b>
Riyadh Al Shuja'a Sharia Compliant Fund	S	0.10	<b>0.36</b>	0.34	Riyadh Al Shuja'a Fund	<b>0.11</b>	0.34	<b>0.39</b>
Riyadh Al Hadi Islamic Fund	S	0.04	0.09	0.03	Riyadh Al Hadi Fund	<b>0.08</b>	<b>0.19</b>	<b>0.04</b>
Kenanga Islamic Balanced	M	0.02	0.02	-0.05	Kenanga Balanced	<b>0.08</b>	<b>0.12</b>	<b>0.05</b>
ANBI - Al-Mubarak Balanced Fund	S	-0.07	-0.23	-0.28	ANBI - Al-Arabi Balanced Fund	<b>0.06</b>	<b>0.16</b>	<b>-0.03</b>
Manulife Investment-CM Shariah Flexi	M	<b>0.07</b>	<b>0.15</b>	<b>0.06</b>	Manulife Investment-CM Flexi	0.04	0.09	-0.02

In summary, findings from the performance comparison of mixed asset funds indicate that: (a) conventional funds outperformed their Islamic counterparts and (b) Malaysian funds performed relatively better than Saudi funds during this period. The results are also similar to equity funds and this may be due to this period of less volatility and higher economic growth. Risk adverse investors who prefer to balance risk and income should possess the latest information and invest appropriately.

### Comparisons of Money Market Funds

There are more Saudi Arabian funds included in this top performing money market list relative to equity and mixed asset categories and the comparison results for 1-year money market funds are listed in Table 17. The top two performers are Samba Capital Intl Trade Finance Fd Al Sunbullah USD; ANBI-Al-Mubarak SAR Trade funds from Saudi Arabia who achieved superior return performance leading the group of money market funds. More specifically, both of these funds are from Islamic funds. The other top performers are Samba Capital Saudi Riyal Liquidity Fd AlRazeen SAR; Alawwal Invest SAR Money Market; and Saudi Fransi US Dollar Money Market funds from conventional Saudi funds.

Performance of Islamic and Conventional Funds

Table 17 1-year Comparison of Money Market Funds

Islamic		Sharpe	Treynor	Jensen	Conventional	Sharpe	Treynor	Jensen
Samba Capital Intl Trade Finance Fd Al Sunbullah USD	S	<b>3.19</b>	2.26	<b>0.06</b>	Samba Capital US Dollar Liquidity Fd Al Razeen USD	2.09	<b>3.31</b>	0.04
ANBI - Al-Mubarak SAR Trade Fund	S	<b>2.88</b>	<b>0.15</b>	<b>0.05</b>	ANBI - Al-Arabi SAR Money Market Fund	2.05	0.15	0.05
Maybank Shariah Enhanced Cash	M	2.04	0.12	0.01	Maybank Enhanced Cash	<b>2.84</b>	<b>0.28</b>	<b>0.02</b>
Samba Capital Intl Trade Finance Fd AlSunbullah SAR	S	1.36	0.10	<b>0.05</b>	Samba Capital Saudi Riyal Liquidity Fd AlRazeen SAR	<b>2.04</b>	<b>0.14</b>	0.04
Kenanga Islamic Income	M	0.29	-0.10	<b>0.04</b>	Kenanga Income	<b>1.13</b>	<b>0.05</b>	0.02
Alawwal Invest AlYusr Saudi Riyal Morabaha	S	0.75	-0.21	0.02	Alawwal Invest SAR Money Market	<b>0.93</b>	<b>0.29</b>	<b>0.03</b>
Hong Leong Islamic Income Management	M	-0.11	-0.01	<b>0.16</b>	Hong Leong Income Management	<b>0.76</b>	<b>1.81</b>	0.01
Saudi Fransi Al Badr Murabaha Fund (USD)	S	0.15	<b>-0.05</b>	0.00	Saudi Fransi US Dollar Money Market Fund	<b>0.58</b>	-0.08	<b>0.01</b>
RHB Islamic Cash Management	M	-0.25	-0.01	0.01	RHB Cash Management	<b>0.27</b>	<b>0.01</b>	<b>0.01</b>
Affin Hwang Aiiman Wholesale	M	-0.72	-0.06	-0.01	Affin Hwang Wholesale	<b>0.25</b>	<b>0.01</b>	<b>0.35</b>

The five top performing Malaysian money market funds are Maybank Enhanced Cash; Kenanga Income; Hong Leong Income Management; RHB Cash Management; and Affin Hwang Wholesale funds. It is fascinating to notice that there are an equal number of top funds from either country. This may be due to the short-term nature of these funds and the limited availability of liquidity and returns from the money market. It is noteworthy to state that Islamic money market funds in Saudi Arabia provided better returns than their Malaysian counterpart relative to equity and mixed asset funds. One of the reasons may be due to the larger amount of total assets in money market funds in Saudi Arabia.

Saudi Arabia money market funds outshined the Malaysian funds in the 3-year horizon too as shown in Table 18. The Saudi funds dominated the top of the list again with their top five funds outperforming Malaysian funds. It is also essential to note that the majority of the top five funds are Islamic. The top Saudi funds are Saudi Fransi US Dollar Money Market; Samba Capital Intl Trade Finance Fd Al Sunbullah USD; Alawwal Invest SAR Money Market; ANBI - Al-Mubarak SAR Trade; and Samba Capital Intl Trade Finance Fd Al Sunbullah SAR funds. This indicates that in the money market category, Saudi funds achieved superior returns.

Table 18 3-year Comparison of Money Market Funds

Islamic	C	Sharpe	Treynor	Jensen	Conventional	Sharpe	Treynor	Jensen
Saudi Fransi Al Badr Murabaha Fund (USD)	S	0.45	0.13	0.03	Saudi Fransi US Dollar Money Market Fund	<b>1.07</b>	<b>0.67</b>	<b>0.03</b>
Samba Capital Intl Trade Finance Fd AlSunbullahUSD	S	<b>1.04</b>	-0.37	<b>0.02</b>	Samba Capital US Dollar Liquidity Fd Al Razeen USD	0.67	<b>-0.14</b>	0.01
Alawwal Invest AlYusr Saudi Riyal Morabaha	S	0.41	-0.06	0.01	Alawwal Invest SAR Money Market	<b>0.90</b>	<b>0.16</b>	<b>0.02</b>
ANBI - Al-Mubarak SAR Trade Fund	S	<b>0.57</b>	<b>0.05</b>	<b>0.02</b>	ANBI - Al-Arabi SAR Money Market Fund	0.44	0.03	0.01
Samba Capital Intl Trade Finance Fd AlSunbullahSAR	S	<b>0.36</b>	<b>0.03</b>	<b>0.01</b>	Samba Capital Saudi Riyal Liquidity Fd AlRazeenSAR	0.31	0.03	0.01
RHB Islamic Income Plus Fund	M	-0.81	-0.67	-0.02	RHB Income Plus	<b>0.14</b>	<b>0.08</b>	<b>0.01</b>
Maybank Shariah Enhanced Cash	M	-0.40	-0.13	0.00	Maybank Enhanced Cash	<b>-0.11</b>	<b>-0.04</b>	<b>0.00</b>
Affin Hwang Aiiman Wholesale	M	-0.36	<b>0.78</b>	-0.07	Affin Hwang Wholesale	<b>-0.22</b>	-0.02	<b>7.27</b>
Hong Leong Islamic Income Management	M	<b>-0.19</b>	<b>-0.28</b>	-0.02	Hong Leong Income Management	-0.34	-0.44	<b>-0.01</b>
RHB Islamic Cash Management	M	-0.67	-0.27	-0.01	RHB Cash Management	<b>-0.34</b>	<b>-0.15</b>	<b>0.00</b>

After the five Saudi funds, the top Malaysian money market funds are RHB Income Plus; Maybank Enhanced Cash; Affin Hwang Wholesale; Hong Leong Islamic Income Management; and RHB Cash Management funds. Out of the five, four are conventional funds but most of these funds experienced negative returns. It can be concluded that relative to other categories, Islamic money market funds achieved

performance which is better or at least at par with their conventional counterparts which is evident in this set of results for the 3-year horizon.

Lastly, Table 19 provides the summary findings for 5-year money market funds and evidence confirmed that Saudi Arabian money market funds consistently outperformed Malaysian funds. Seven out of ten top performers in this category are from Saudi Arabia in the longer term. In addition, it must be highlighted that Islamic funds achieved superior performance relative to their conventional counterparts in this category. The top five performers from Saudi Arabia are Samba Capital Intl Trade Finance Fd AlSunbullah USD; Saudi Fransi US Dollar Money Market; ANBI-Al-Mubarak SAR Trade; Samba Capital Intl Trade Finance Fd AlSunbullah SAR; and Allawwal Invest SAR Money Market funds, all achieved positive returns. The majority of these funds are also consistently the top performers for the 1-year to 5-year horizons in this category.

Table 19 5-year Comparison of Money Market Funds

Islamic	C	Sharpe	Treynor	Jensen	Conventional	Sharpe	Treynor	Jensen
Samba Capital Intl Trade Finance Fd AlSunbullah USD	S	<b>1.23</b>	<b>3.76</b>	<b>0.03</b>	Samba Capital US Dollar Liquidity Fd Al Razeen USD	0.86	-1.69	0.02
Saudi Fransi Al Badr Murabaha Fund (USD)	S	0.72	<b>0.20</b>	0.03	Saudi Fransi US Dollar Money Market Fund	<b>1.23</b>	0.18	<b>0.04</b>
ANBI - Al-Mubarak SAR Trade Fund	S	<b>0.53</b>	<b>0.05</b>	<b>0.01</b>	ANBI - Al-Arabi SAR Money Market Fund	0.52	0.04	0.01
Samba Capital Intl Trade Finance Fd AlSunbullah SAR	S	<b>0.48</b>	<b>0.08</b>	<b>0.01</b>	Samba Capital Saudi Riyal Liquidity Fd AlRazeen SAR	0.37	0.05	0.01
Alawwal Invest AlYusr Saudi Riyal Morabaha	S	0.01	-0.03	0.00	Alawwal Invest SAR Money Market	<b>0.17</b>	<b>0.05</b>	<b>0.00</b>
RHB Islamic Income Plus Fund	M	-0.84	-0.34	-0.01	RHB Income Plus	<b>0.01</b>	<b>0.00</b>	<b>0.00</b>
Maybank Shariah Enhanced Cash	M	-0.81	-0.35	-0.01	Maybank Enhanced Cash	<b>-0.33</b>	<b>-0.13</b>	<b>0.00</b>
AmanahRaya Islamic Cash Management	M	-1.28	<b>-0.50</b>	<b>-0.03</b>	AmanahRaya Cash Management	<b>-0.37</b>	-3.72	-0.06
Riyad Commodity Trading Fund SAR	S	<b>-0.34</b>	<b>-0.03</b>	<b>-0.01</b>	Riyad Money Fund SAR	-0.39	-0.03	-0.01
Riyad Commodity Trading Fund USD	S	<b>-0.10</b>	<b>-0.08</b>	<b>0.00</b>	Riyad Money Fund USD	-0.54	-0.08	0.00

Only three of the Malaysian money market funds for the 5-year period made it into the top-ten list relative to equity and mixed asset funds. It is also disappointing to note that most of them achieved negative returns: RHB Income Plus and Maybank Enhanced Cash funds, both are conventional funds, and AmanahRaya Islamic Cash Management is an Islamic fund. In this category of money market funds, the returns from Malaysia are discouraging and this may be due to the lack of availability of Islamic short-term money market investments relative to Saudi Arabia.

In summary, the Islamic money market funds in Saudi Arabia outperformed Malaysian funds. In addition, the conventional money market funds did not perform as well as the Islamic funds in the money market. Islamic short-term money market returns are superior relative to their conventional counterparts, especially in Saudi Arabia. Investors must make well-informed and cautious investment decisions in the selection of mutual funds.

## CONCLUSION

The top equity mutual fund performers in Malaysia are Manulife Investment Pacific and Manulife Investment Shariah Asia-Pacific; CIMB-Principal Greater China Equity and CIMB Islamic Greater China Equity; as well as PB Asia Equity and PB Islamic Asia Equity funds. For the mixed asset funds, Affin Hwang Select Income and Affin Hang Aiman Select Income; Public Tactical Allocation and Public Islamic Asia Tactical Allocation as well as Eastspring Investment Dynamic and Eastspring Investment Dana Dinamik funds have consistently performed well. Unfortunately, the Malaysian money market funds did not perform well but Maybank Enhanced Cash and Maybank Shariah Enhanced Cash; as well as RHB Income Plus and RHB Islamic Income Plus funds are listed as two of the best funds.



For Saudi Arabian equity funds, Riyadh Al Shamekh and Riyadh Al Shamekh Sharia Compliant funds constantly performed better. In addition, the top Saudi Arabian mixed asset funds that continuously performed well are Riyadh Al Mokdam and Riyadh Al Mokdam Sharia Compliant; Riyadh Al Shuja's and Riyadh Al Shuja's Sharia Compliant as well as Riyadh Al Hadi and Riyadh Al Hadi Islamic funds. Lastly it is noted that Islamic money market funds in Saudi Arabia not only outperformed the conventional ones, but also the Malaysian funds. The top pairs of Saudi Arabian money market funds are Samba Capital Intl Trade Finance Fd AlSunbullah USD and Samba Capital USD Liquidity Fd AlRazeen USD; ANBI-Al-Mubarak SAR Trade and ANBI-Al-Arabi SAR Money Market; Saudi Fransi Al Badr Murabaha (USD) and Saudi Fransi USD Money Market; Alawwal Invest AlYusr Saudi Riyal Morabaha and Alawwal Invest SAR Money Market; as well as Samba Capital Intl Trade Finance Fd AlSunbullah SAR and Samba Capital USD Liquidity Fd AlRazeen SAR funds.

A summary of findings on the comparisons between Islamic and conventional mutual funds within each country in the three categories of 1, 3 and 5-year horizons are listed in Table 20. In Malaysia, the conventional equity, mixed asset and money market funds for one to three-year periods consistently outperformed their Islamic counterparts. It can be concluded that the conventional funds in Malaysia outperformed the Islamic funds in general and similar findings are found by Kamil et al. (2014) and Merdad et al. (2015). There is still room for improvement in managing Islamic funds in this country.

In Saudi Arabia, conventional equity and mixed asset funds also achieved better performance relative to Islamic funds. Nevertheless, findings in the money market indicate that the majority of Islamic funds outperformed conventional funds. In summary, results in this study confirmed that conventional equity and mixed asset funds in Malaysia and Saudi Arabia generally performed well, but the opposite is true in the money market. The total asset under management for money market fund is largest in Saudi Arabia and the fund performed relatively better than others.

Table 20 Summary of Conventional and Islamic Fund Performance

Types of Fund	Period	Conventional/Islamic
Malaysian Equity Fund	1-year	Conventional
	3-year	Conventional
	5-year	Conventional
Malaysian Mixed Asset Fund	1-year	Conventional
	3-year	Conventional
	5-year	Conventional
Malaysian Money Market Fund	1-year	Conventional
	3-year	Conventional
	5-year	Conventional
Saudi Arabian Equity Fund	1-year	Conventional
	3-year	Conventional
	5-year	Conventional
Saudi Arabian Mixed Asset Fund	1-year	Conventional
	3-year	Conventional
	5-year	Conventional
Saudi Arabian Money Market Fund	1-year	Islamic
	3-year	Islamic
	5-year	Islamic

A synopsis of the top performer in each category and country is summarized in Table 21 confirmed that the majority of conventional mutual funds in equity and mixed asset categories provided superior returns relative to their Islamic partners. The findings are similar to Rani and Hooda (2017) where equity funds achieved better performance than others. All three top equity and money market performers from 1 to 5-year horizon in Malaysia are from the conventional funds, except for the 1-year mixed asset Islamic Public Islamic Asia Tactical Allocation fund.

The findings are similar for Saudi Arabia in both equity and mixed asset funds. The result is interestingly opposite for 1 and 5-year money market where Islamic funds achieved superior results. This is supported by studies which confirmed the superior performance of Islamic funds including Saad et al. (2010), Rubio and Hassan (2012) and Boo et al. (2016). It is important to note that for this category of money market funds, the majority of Islamic funds outperformed their conventional counterparts.

Table 21 Summary of Top Mutual Fund Performer in Each Category

Types of Fund	Time	Islamic	Conventional
Malaysian Equity Fund	1-year		Manulife Investment Pacific
	3-year		PB Asia Equity
	5-year		Kenanga Growth
Malaysian Mixed Asset Fund	1-year	Public Islamic Asia Tactical Allocation	
	3-year		Affin Hwang Select Income
	5-year		Eastspring Investment Dynamic
Malaysian Money Market Fund	1-year		Maybank Enhanced Cash
	3-year		RHB Income Plus
	5-year		RHB Income Plus
Saudi Arabian Equity Fund	1-year		Riyad Al Shamekh Fund
	3-year		Riyad Al Shamekh Fund
	5-year		Riyad Al Shamekh Fund
Saudi Arabian Mixed Asset fund	1-year		Riyad Al Mokdam Fund
	3-year		Riyad Al Mokdam Fund
	5-year		Riyad Al Mokdam Fund
Saudi Arabian Money Market Fund	1-year	Samba Capital Intl Trade Finance Fd Al Sunbullah USD	
	3-year		Saudi Fransi USD Money Market Fund
	5-year	Samba Capital Intl Trade Finance Fd Al Sunbullah USD	

In terms of comparisons between the two countries, this study found that the Malaysian equity and mixed asset funds achieved superior performance relative to the Saudi Arabian funds as shown in Table 22. The top three to five performing funds are mostly from Malaysia in the equity and mixed asset categories. In contrast, results indicated that Saudi Arabian money market funds outperformed the Malaysian funds where the top five funds from this category are from Saudi Arabia.

Table 22 Summary of Comparison between Malaysian and Saudi Arabian Mutual Funds

Type of Fund	Country
Equity Fund	Malaysia
Mixed Asset Fund	Malaysia
Money Market Fund	Saudi Arabia

In conclusion, this study confirms that conventional mutual funds in the equity and mixed asset categories outperformed their Islamic partners for almost all time-horizons in both Malaysia and Saudi Arabia from 2013 to 2017. Only in the money market did the study find superior performance by the Islamic funds. In addition, it is also interesting to notice that Malaysian funds have accomplished superior performance relative to the Saudi Arabian funds in the equity and mixed asset categories. In contrast, Malaysian money market funds underperformed relative to Saudi funds. The possibility of conventional funds outperforming Islamic ones can be due to the benefits of diversification with vast variety of investments available in conventional markets where fund managers have longer historical experience.

Understanding historical performance of these funds would enable investors to make more informed investment decisions in the various categories of funds and between countries. Investors' risk appetite and investment time horizon are however still the key factors to consider in investment decisions. It must be reminded that the results do provide some vital implication for investors, but the scope of study is limited to data availability of funds in these two countries for the specific period only. There is however no guarantee that historical performance reflects future performance. Future research should include a larger sample of funds throughout the world when more data is available with various differing methods and measures of performance.

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