PERFORMANCE OF ISLAMIC MUTUAL FUNDS IN INDONESIA

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Abstract

Mutual funds has already exist in Indonesia since 1995 but mutual funds has not been socialized. It was caused by a lack of information to the public about how to invest in the stock market, especially mutual funds so that people have difficulty in assessing and selecting a mutual fund which was able to provide optimum performance and has benefits which affecting the growth of mutual funds. The purpose of this study was to analyze the effect of asset allocation policy (Islamic stocks, Islamic bonds (sukuk) and deposits mudaraba) on the performance of mix Islamic mutual fund in Indonesia during the period 2010- 2013. This type of the research used was descriptive analysis-verification. Sample used were 7 Islamic mix mutual fund each year so the total number of samples were 28 Islamic mix mutual fund during the period 2010- 2013. The results were Asset Allocation Policy for Sharia Stock, Asset Allocation Policy for Islamic Bonds (Sukuk) and Asset Allocation Policy for Mudaraba deposits simultaneously affecting Mutual Fund Mixed Sharia Performance. Simultantly indicated 0.522, or approximately 52.2%.
Keywords: islamic mutual funds, asset allocation policy

INTRODUCE

The development of Islamic mutual funds in Indonesia has increased significantly. The increase in the number of mutual funds that issue and the net asset value (NAV), grow especially in 2012 and continues to grow in 2013.
Mutual funds has already exist in Indonesia since 1995, but mutual funds has not been socialized. It was because of the lack of information to the public about how to invest in the stock market, especially mutual funds so people has difficulty in assessing and selecting the mutual fund which was able to provide optimum performance and benefits It was also affecting the growth of the mutual funds.
Assessment of the performance of mutual funds was important. It is because of the assessment of the performance of mutual funds can determine the ability of mutual fund to compete to other mutual funds in the market and to determine the ability of mutual funds to generate profits. The amount of NAV of mutual funds was the key to assessing the performance of mutual funds.
Mutual fund data that issued by PT Infovesta Utama, show a mixture of Islamic mutual fund performance which recorded have high returns during the year 2013. The number of mutual funds in 2013 was able to beat the stock index recorded to 3.26%.
According to InfovestaUtama analysts, Vilia Wati, the primacy of the balanced fund performance, depend on the investment manager's ability to read the market situation and selecting a portfolio of securities that can be allocated to the sectors which better than the JCI Index.
When the performance of the stock market was goes up, the mixture mutual fund has capability in printing the return of mutual funds beat the fixed income funds. Vice versa, when the stock market was down, then the mixed funds was able to withstand the stock market crash.

Table 1.2
Mixed Syariah Mutual Fund Investment Results
October 21, 2013

Mutual Funds	Net Asset Value (NAV)	Investment Results			
		1 Day	30 Days	1 Year	1 Year Real
AAA Amanah Syariah Fund	2.285,97	0,28	1,62	7,03	5,44
BNI-AM Dana Plus Syariah	1.529,49	0,11	0,40	4,13	3,10
Cipta Syariah Balance	1.662,60	0,69	1,71	4,29	4,29
Danareksa Syariah Berimbang	5.331,08	0,60	(0,85)	(3,37)	(4,81)
Insight Syariah Berimbang (I-SHARE)	995,09	0,36	(0,32)	0,00	0,00
IPB Syariah	1.824,72	0,52	(3,91)	(16,35)	(16,35)
Mandiri Investa Syariah Berimbang	2.589,45	0,57	(0,51)	1,98	(0,04)
MNC Dana Syariah Kombinasi	1.000,91	0,40	0,04	0,00	0,00
Panin Dana Syariah Berimbang	1.010,10	1,23	(1,55)	0,77	(1,70)
RD PNM Syariah	3.052,03	0,14	(1,30)	(0,63)	(3,53)
Sam Syariah Berimbang	1.858,36	0,57	(0,52)	17,80	17,80
Schroder Syariah Balanced Fund	1.904,22	0,63	(0,84)	6,95	4,84
TRIM Syariah Berimbang	2.026,16	0,69	(1,49)	1,71	1,71

Source: Results of Investment Fund (Tempo, 2013)

Based on the data in the table above shows the majority Islamic mutual funds have a mix of positive returns. Top four positions were SAM Syariah Berimbang , AAA Amanah Syariah Fund, , Schroder Syariah Balanced Fund, Cipta Syariah Balanced.

Return the mixture Shariah Investment Fund can be superior, because of the level of investment risk can be minimized by diversifying through the selection of combination of the number of assets and asset allocation policy, especially since the proportion of Islamic mutual fund mix asset allocation was more flexible in equity securities, debt securities and money market sharia, depending on how the investment manager manage the portfolio.

The objective of this study is to **analyze the effect of asset allocation policy (Islamic stocks, Islamic bonds (sukuk) and deposits mudaraba on the performance of Islamic mutual fund mix in Indonesia during the period 2010- 2013.**

The results of this study were expected to contribute to the knowledge and also the contribution of science to academia on how to evaluate the performance of Islamic mutual fund based on the return, and the factors that affect the performance of Islamic mutual funds. The results of this study were also expected to be a reference for academics to add to the literature, study materials and reference for research in the future relating to the Islamic mutual fund performance.

METHODOLOGY

Asset Allocation Policy

Asset allocation decisions was a decision regarding the selection of asset classes that will serve as an investment option, and also what proportion of the total funds owned by the investor to be invested in the asset class **(Tendelilin (2010: 163)).**

Measuring tools to measure the impact of policies on the performance of the portfolio asset allocation used was regression analysis model which developed **Asset Class Factor Model** mathematical models based **(Sharpe, 1992).**

The model was to determine how effective the investment manager to perform its function of asset allocation policy.

Asset Allocation Policy analyzed was using three variables, they were : $X_1 = bi_1F_1t$ = asset allocation for Islamic stocks, $X_2 = bi_2F_2t$ = asset allocation for Islamic bonds (sukuk), and $X_3 = bi_3F_3t$ = mudharabah asset allocation to deposits.
The following Asset class factor models **(Sharpe, 1992):**

$$R_{it} = [b_{i1}F_{1t} + b_{i2}F_{2t} + b_{i3}F_{3t}] + \varepsilon_{it} \text{ -------------------------- (Formula 2.1)}$$

Ibotson and Kaplan (2000) conducted a study of the measurement of asset allocation policy with a model that consists of the return policy (PR_{it}) and active return (AR_{it}). Return Policy was part of the asset allocation policy (R_{it}), while the return was remaining active. Active return was depent on the manager's ability to actively determining the weight of asset classes and a set of securities into the policies and market cycles. During the period of 10 years study which was starting from April 1988 to March 1998. According to the study, it can be concluded that the fund performance was largely influenced by asset allocation policy, this has yet to consider the selection of securities included in the portfolio. The sample used was a mixture of 98 mutual funds and 58 American pension funds, with the result that the asset allocation policies affect the performance of mutual funds by 40%, 90%, and 100% depending on the questions asked.

Drobertz and Köhler (2002) also research in this topic in title "The Contribution of Asset Allocation Policy to Portfolio Performance". Variables used was include Asset Allocation Policy, and Portfolio Performance. The results indicate that the asset allocation policy was determining asset allocation which involves distributing funds owned to the various classes available. Asset allocation policy and significant positive effect on the performance of mutual fund shares. The suggestion is if the asset allocation policy has higher performance, it will be better.

Research Methods
This study was conducted to analyze the effect of asset allocation policy and security selection on the performance of Islamic mix mutual fund in Indonesia.

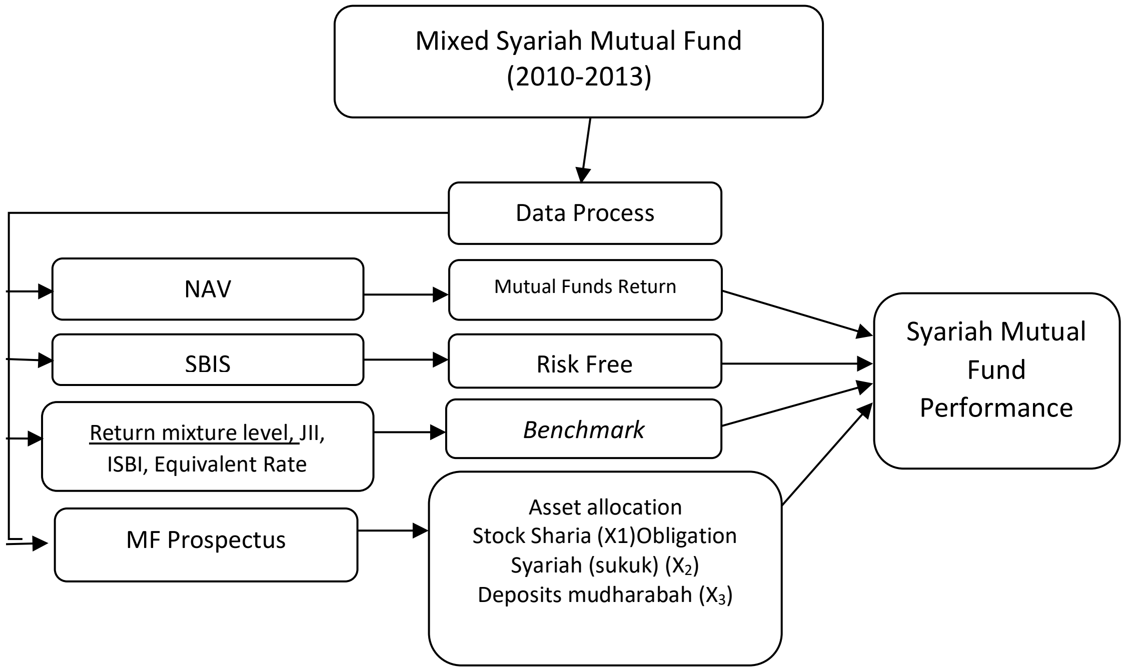

Figure 1. Research Framework

RESULTS

Asset allocation policy on Islamic stocks indicate how many share of funds which allocated by investment managers in asset Islamic stocks. The proportion of Asset Allocation and Asset Allocation Actual for Mutual Fund Shares on Islamic Sharia Mixed period 2010-2013 shown in Table 1 and Table 2 below:

Table 1.
Asset Allocation Proportion of shares in Mixed Mutual Funds

No	Sharia Mutual Funds	Proportions
1	Mandiri Investa Syariah Berimbang	5% - 78%
2	Schroder Syariah Balanced Fund	5% - 79%
3	Trim Syariah Berimbang	5% - 75%
4	Cipta Syariah Balanced	5% - 75%
5	Danareksa Syariah Berimbang	25% - 75%
6	SAM Syariah Berimbang	5% - 75%
7	PNM Syariah	30% - 70%

(Source: Prospectus of each mutual fund)

Table 2
Realization of Asset Allocation for Mutual Fund Shares on Mixed Islamic Sharia period 2010-2013

No	Mutual Funds	Realized Asset Alocation for Sharia Funds (%)			
		2010	2011	2012	2013
1	Mandiri Investa Syariah Berimbang	65.07	71.15	69.49	59.44
2	Schroder Syariah Balanced Fund	59.06	69.74	62.18	52.32
3	Trim Syariah Berimbang	76.65	73.2	72.42	73.68
4	Cipta Syariah Balanced	59.65	61.92	54.23	70
5	Danareksa Syariah Berimbang	69.19	63.55	70.13	64.78
6	SAM Syariah Berimbang	96.17	75.34	62.9	71.98
7	PNM Syariah	61.79	63.86	47.59	30.26

(Source: Prospectus of each mutual fund)

Based on tables 1 and 2 above, it can be seen that most of the Islamic mix mutual fund asset allocation has realized consistent with that specified in the prospectus, only a few mutual funds that were not consistent among of them were Trim Islamic Shariah Balanced Balanced and SAM Syariah Berimbang.

Asset allocation policy for Mudharabah deposits indicate that how many share of funds invested by the Investment Manager for deposits mudaraba. Here's a proportion of Asset Allocation and Asset Allocation Actual for Mudharabah Deposits at Islamic Mutual Funds Mixed period 2010-2013 were shown in Table 4 and Table 5:

Table 4
Proportion of Asset Allocation for Mudharabah Deposits on Mutual Mixed Islamic funds

No	Mutual Funds	Proportion
1	Mandiri Investa Syariah Berimbang	2% - 75%
2	Schroder Syariah Balanced Fund	5% - 79%
3	Trim Syariah Berimbang	5% - 75%
4	Cipta Syariah Balanced	5% - 75%
5	Danareksa Syariah Berimbang	-
6	SAM Syariah Berimbang	2% - 75%
7	PNM Syariah	0% - 20%

(Source: Prospectus of each mutual fund)

Table 5
Realization of Asset Allocation for Mudharabah Deposits at Islamic Mixed Mutual Funds period 2010-2013

No	Mutual Funds	Realized Asset Alocation for Mudharabah Deposit (%)			
		2010	2011	2012	2013
1	Mandiri Investa Syariah Berimbang	2.53	3	5.26	12.93
2	Schroder Syariah Balanced Fund	13.64	17.85	29.77	39.73
3	Trim Syariah Berimbang	8.87	18.17	20.9	7.59
4	Cipta Syariah Balanced	26.2	26.2	26.5	2
5	Danareksa Syariah Berimbang	0	0	0	0
6	SAM Syariah Berimbang	0	15.59	24.08	16.24
7	PNM Syariah	5.23	3.46	0	9

(Source: Prospectus of each mutual fund)

Data Panel Testing

The analysis of the test of data and models in research can be performed by three approaches, they were pool least squares, fixed effects model and a random effects model. In determining the model, it was used the Hausmann test, it was to choose fixed effect model or random effect model.

Based on table above, obtained the simple linear regression equation form as follows:

$$\mathbf{Y = -0{,}988697 + 63{,}78061\ X_1 + 461{,}3210\ X_2 + 53{,}90187\ X_{3+}e}$$

The value of the regression coefficient on the independent variables described the independent variable was expected to rise by one unit and the estimated value of the other independent variables constant or equal to zero, then the value of the dependent variable can be expected to go up or down according to the sign of the regression coefficients of the independent variables.

Analysis of the overall results of the study was, it has a significant effect because in this study, they were 4 (four) of 7 (seven) of Islamic mixed mutual funds which have higher performance than the performance of the return as a benchmark.

They were Trim Syariah Berimbang, Cipta Syariah Balanced, Danareksa Syariah Berimbang and SAM Syariah Berimbang, which the performance were higher than the mixture of rate of return, the mixture of Islamic mutual fund that were able to provide superior returns for investors. **Superior performance with superior returns of a portfolio will make investors interested and invest in the portfolio.**

Investors tend to choose a portfolio that offers maximum return with a certain risk level or a portfolio which offers the lowest risk with a certain rate of return. Superior returns and a certain degree of risk, for the four samples in this study were able to attract close attention of investors to invest.

Proper asset allocation policy will reduce the risk at a certain level of expected return. Asset allocation policy conducted by the investment manager actively determining the weight of asset classes and a set of securities into policy and determination of market cycles.

Asset classes selected by the investment manager were described in the prospectus of the mutual fund. A mutual fund prospectus, particularly the Islamic mutual fund mix includes a variety of information, including asset allocation, and portfolio composition, in which generally consists of shares of sharia, Islamic bonds (sukuk), and money market sharia (deposits mudaraba). Investment managers were observant and can read the market situation was able to allocate portfolios to the right on any asset class which was considered to be driving better than the index of asset classes in the future so as to generate maximum return.

In the years 2010-2013 the value of the asset allocation policy for Islamic stocks have increased and decreased fluctuating every year in which it describes the condition of the Indonesian capital market during the study period.

In 2010 the value of the asset allocation policy for shares of sharia in Islamic mutual fund mix all showed high values, even some mutual funds that generate the highest value for the year. This shows that the condition of the Indonesian capital market was in good condition so that it can provide high returns even JCI had a highest record at the time.

The spectacular achievement was because of the slump of European countries and the United States, so that the flow of foreign funds flowed and flooded the emerging market countries, including Indonesia.

In 2011 the positive sentiment of foreign investors began to subside. It was not as extensive as in 2010 so as to make the capital market performance decreased, which then increased again in 2012.

However, the opposite occurred in subsequent years. In 2013, It was the culmination of instability of the Indonesian economy during the study period in which there was a reduction of economic stimulus the Fed, inflation and the increase in the BI Rate.

The Fed's economic stimulus reduction made a slowing growth and decline of the Indonesian capital market performance which shown by the drop of JCI to 4.1%. That's what makes the value of the asset allocation policy for Islamic stocks also decreased during the year of 2013 as the average proportion of asset allocation for Islamic stocks in most Islamic mix mutual fund. It was the biggest compared to other asset classes thereby affecting the performance decline of Islamic mix mutual fund.

CONCLUSION

Based on the data which has been researched can be seen that the three independent variables studied were Asset Allocation Policy for Sharia Shares, Asset Allocation Policy for Islamic Bonds (Sukuk) and the Asset Allocation Policy for Mudharabah deposits simultaneously affect on Performance of Mutual Fund Mixed Syariah.

Influence simultantly indicate a value of 0.522 or approximately 52.2%. This shows that the contribution of the Asset Allocation Policy for Sharia Shares, Asset Allocation Policy for Islamic Bonds (Sukuk) and the Asset Allocation Policy for Mudharabah deposits on Islamic Mixed Mutual Fund Performance was 52.2%

Based on the data can be seen that the Asset Allocation Policy for Sharia Shares, Asset Allocation Policy for Islamic Bonds (Sukuk) and the Asset Allocation Policy for Mudharabah deposits partially significantly positive effect on Performance of Syariah Mixed Mutual Fund . These results indicated a positive value and significant in the Asset Allocation Policy for Sharia Shares, Asset Allocation Policy for Islamic Bonds (Sukuk) and the Asset Allocation Policy for Mudharabah deposits on Islamic Mixed Mutual Fund Performance.

SUGGESTIONS

This study only examines how asset allocation effect on the performance of mutual funds. It was suggested for further research in order to investigate the effect of variable security selection, market timing, and the level of risk was also to better explain the ability of fund managers to improve fund performance thereby increasing the returns of mutual funds.

The number of samples of Islamic mutual fund mix that was still relatively little because the number of Islamic mutual fund mix in Indonesia was limited by the availability of existing data, so it was necessary to increase the number of samples with a longer study period or change the type of mutual fund research, such as islamic mutual fund shares or other islamic mutual fund.

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