

**THE EFFECT OF STAR FUNDS OWNERSHIP ON  
FUND FAMILY PERFORMANCE AND FLOWS:  
EVIDENCE FROM SAUDI ARABIA, MALAYSIA,  
INDONESIA, AND PAKISTAN**

**ANAS AHMAD MAHMOUD BANI ATTA**

**UNIVERSITI SAINS ISLAM MALAYSIA**

**THE EFFECT OF STAR FUNDS OWNERSHIP ON FUND  
FAMILY PERFORMANCE AND FLOWS: EVIDENCE FROM  
SAUDI ARABIA, MALAYSIA, INDONESIA, AND PAKISTAN**

Anas Ahmad Mahmoud Bani Atta

Thesis submitted in partial fulfilment for the degree of  
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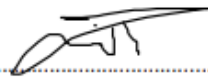
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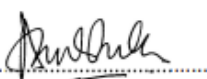
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Name: Anas Ahmad Mahmoud Bani Atta

Matric No: 4160217

Address: Jordan-Irbid-Alssalet Street



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## ABSTRAK

Dalam beberapa dekad kebelakangan ini, syarikat dana telah menarik jumlah aset yang besar melalui instrumen pelaburannya yang semakin popular. Syarikat dana secara awamnya dibezakan mengikut saiz aset di bawah pengurusan (AUM). Syarikat dana mengurus dan mengawal AUM kesemua dana individu di dalam syarikat. Kebanyakan syarikat adalah syarikat campuran; ia mengurus dana bersama Islam (IMF) dan dana bersama konvensional (CMF). Ciri-ciri IMF berbeza dengan CMF; ciri IMF yang paling khas adalah pelaksanaan Syariah dalam pelaburannya. Objektif kajian ini adalah untuk mengkaji dan membandingkan tiga dimensi syarikat dana yang terpisah namun saling melengkapi. Pertama, prestasi dan prestasi berterusan syarikat dana. Kedua, aliran syarikat dana. Ketiga, prestasi masa hadapan syarikat dana cemerlang. Sampel terdiri daripada 70 syarikat dana (Arab Saudi 25, Malaysia 20, Indonesia 14, dan Pakistan 11) dan meliputi 502 dana bersama sepanjang tempoh 2007-2018. Analisis siri masa, model regresi panel pooled dan kesan tetap/rawak, dan kaedah jadual kontingensi telah digunakan. Dalam bahagian pertama, dapatan menunjukkan bahawa syarikat memanfaatkan kelebihan dan melampaui prestasi tanda aras. Syarikat dana Islam melampaui prestasi syarikat dana konvensional. Dapatan juga menunjukkan bahawa syarikat menggunakan strategi dan ciri-cirinya untuk meningkatkan prestasi. Akhir sekali, dapatan memberikan bukti bagi prestasi berterusan, tapi ia singkat dan hanya hingga sebulan. Dalam bahagian kedua, dapatan mendedahkan tindak balas tak simetri dalam aliran syarikat dana. Syarikat dana cemerlang menarik lebih banyak aliran, manakala syarikat dana lemah tidak dihadapkan dengan pengeluaran wang. Dapatan juga menunjukkan bahawa ciri-ciri syarikat dana memiliki peranan signifikan dalam keputusan pelaburan. Akhir sekali, bagi kesan limpahan, terdapat tindak balas tak simetri dalam aliran dana syarikat yang sama apabila terdapat dana Islam berprestasi cemerlang dan lemah dalam syarikat dana. Tindak balas tak simetri yang sama tidak didapati bagi dana konvensional berprestasi cemerlang dan lemah. Dalam bahagian ketiga, dapatan menunjukkan prestasi berterusan positif dalam sebuah syarikat dana apabila pelabur memilih sebuah dana daripada syarikat yang memiliki dana cemerlang. Dapatan juga menunjukkan bahawa syarikat dana yang memiliki dana cemerlang memiliki kebolehan untuk memegang dana cemerlang secara berterusan di masa hadapan. Kajian ini menyumbang secara signifikan dengan memberikan maklumat berguna berkenaan syarikat dana kepada pelabur, pengawal selia, dan pengurus. Dapatan menunjukkan bahawa prestasi dan maklumat ciri-ciri syarikat dana adalah penting bagi pelabur bagi membantu mereka membuat keputusan pelaburan dana. Dapatan-dapatan ini boleh membantu pengurus syarikat dana untuk mereka bentuk strategi terbaik bagi menarik aliran wang yang lebih banyak dan memotivasi mereka untuk melancarkan lebih banyak lagi dana Islam. Dapatan-dapatan ini memberikan satu penunjuk bagi pengawal selia untuk menggalakkan syarikat-syarikat pengurusan dana menyediakan maklumat pemeringkatan syarikat dana dan dana bersama.

## ABSTRACT

In recent decades, fund families have attracted massive assets with their increasingly popular investment vehicles. Fund families are generally distinguished by their size, in terms of the assets under management (AUM) they manage. The fund family manages and controls the AUM of all individual funds within the fund family. Most families are mixed families, they organise Islamic mutual funds (IMFs) and conventional mutual funds (CMFs). IMFs properties differ from CMFs, the most distinctive feature of IMFs lies in the application of *Sharia* on their investment. The objective of this thesis is to examine and compare three separate yet complementary dimensions of the fund family. First, The performance and performance persistence of fund families. Second, the flows of fund families. Third, the future performance of star fund families. The sample consists of 70 fund families contain 502 mutual funds (Saudi Arabia 25, Malaysia 20, Indonesia 14, and Pakistan 11 fund families), over the period from 2007 to 2018. The time series analysis, the panel pooled and fixed/random effect regression models, and the contingency table methodology are employed. In the first part, the results find that families take benefits from their advantages and outperformed the market benchmarks, Islamic fund families outperformed conventional fund families. Results also find that families are used their strategies and attributes to improve performance. Finally, the results provide evidence about the performance persistence, but it was short and only up to one month. In the second part, the results find an asymmetric response in fund family flows, star fund family attracts more flows, while the poor fund family is not faced with money withdrawal. Results also find that the fund family attributes carry significant weight in the investment decision. Lastly, for the spillover effect, there is an asymmetric response in the flows of peer funds to the presence of Islamic star and poor performing funds in the fund family, while don't find the same asymmetric response for conventional star and poor performing funds. In the third part, the results find a positive persistence performance on fund-family when investors select a fund from a star fund ownership family. Results also find fund families with star fund holding have a capability to persistently hold star fund in the future. This study contributes significantly by providing beneficial information about fund families to investors, regulators, and managers. The results show the fund family performance and characteristics information are important for investors to help them make fund investment decision making. The results will help fund family managers to design the best strategies to attract more money flows, and motivate them to launch more Islamic funds. The results provide an indicator that regulators should encourage fund management companies to make fund family ranking information available in addition to mutual fund ranking.

## الملخص

في العقود الأخيرة، اجتذبت عائلات الصناديق أصولاً ضخمة من خلال أدائها الاستثمارية التي تزداد شعبيتها. معظم العائلات هي عائلات مختلطة ، فهي تنظم صناديق مشتركة إسلامية وصناديق مشتركة تقليدية. تختلف خصائص صناديق المشتركة الإسلامية عن صناديق المشتركة التقليدية، وتكمن الميزة الأكثر تميزاً لصناديق النقد الدولي في تطبيق الشريعة الإسلامية على استثماراتهم. الهدف من هذه الرسالة هو دراسة ومقارنة ثلاثة أبعاد منفصلة لكنها متكاملة لعائلات الصناديق. أولاً، الأداء واستمرار أداء عائلات الصناديق. ثانياً، تدفقات عائلات الصناديق. ثالثاً، الأداء المستقبلي لعائلات الصناديق النجوم. تتكون العينة من ٧ عائلة صندوقية تحتوي على ٢ ٠ ٥ صندوقاً مشتركاً تضم ٨ ٣ ٣ صندوقاً مشتركاً إسلامياً و ٤ ٦ ١ صندوقاً مشتركاً تقليدياً خلال الفترة من ٢٠٠٧ إلى ٢٠١٨. يتم استخدام تحليل السلاسل الزمنية ، ونماذج انحدار الأثر المجمع والثابتة/ العشوائية، ومنهجية جدول الطوارئ. في الجزء الأول ، وجدت النتائج أن العائلات تستفيد من مزاياها وتفوقت على معايير السوق ، وتفوقت عائلات الصناديق الإسلامية على عائلات الصناديق التقليدية. وجدت النتائج أيضاً أن العائلات تستخدم استراتيجياتها وسماحتها لتحسين الأداء. أخيراً، تقدم النتائج دليلاً على استمرارية الأداء، لكنها كانت قصيرة ولم تتجاوز شهراً واحداً. في الجزء الثاني، وجدت النتائج استجابة غير متكافئة في التدفقات العائلية ، تجذب عائلة النجوم المزيد من التدفقات، بينما لا تواجه الأسرة الفقيرة سحب الأموال. وجدت النتائج أيضاً أن سمات العائلة لها وزن كبير في قرار الاستثمار. أخيراً، للتأثير غير المباشر، هناك استجابة غير متكافئة في تدفقات صناديق الأقران لوجود صناديق ذات الأداء الضعيف النجوم الإسلامية في الأسرة، بينما لا يوجد نفس الاستجابة الغير المتكافئة للصناديق التقليدية ذات الأداء الضعيف والنجوم. في الجزء الثالث، وجدت النتائج أن تأثير المال الذكي موجود على مستوى عائلة الصندوق عندما يختار المستثمرون صندوقاً من عائلة تملك صندوق نجمة. وجدت النتائج أيضاً أن عائلات الصناديق التي تمتلك صندوقاً نجماً لديها القدرة على الاحتفاظ باستمرار بصندوق النجوم في المستقبل. تساهم هذه الدراسة بشكل كبير من خلال توفير معلومات مفيدة حول عائلات الصناديق للمستثمرين والهيئات التنظيمية والمديرين. ستساعد النتائج المستثمرين على اتخاذ القرار الاستثماري الصحيح لأن معظم المستثمرين يستخدمون نهجاً من أعلى إلى أسفل. ستساعد النتائج فريق الإدارة على اختيار الاستراتيجيات المناسبة لتحقيق أهداف عائلات الصناديق. في الواقع، هذه الأطروحة لها قيود، يمكن أن تقترح للبحث في المستقبل. أولاً، التوسع في الدراسة على مستوى الأسرة ، حيث إن الدراسات على مستوى الأسرة محدودة للغاية مقارنة بالدراسات على مستوى الصندوق. ثانياً ، قد يتم الاحتفاظ بالأبحاث لفئات الأصول الأخرى، نظراً لطبيعة هذه الأطروحة، فمن الضروري التركيز فقط على

صناديق الأسهم في التحليل. ثالثًا، التوسع إلى الأسواق المتقدمة ، حيث تركز هذه الأطروحة على أربع دول إسلامية ناشئة والنتائج المقدمة إرشادية ولكنها ليست قاطعة.

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## LIST OF ABBREVIATIONS

AMC	Asset management company
NMG	New money growth
IFF	Islamic focused family
CFF	Conventional focused family
SF	Star fund
PF	Poor fund
ISF	Islamic star fund family
IPF	Islamic poor fund family
CSF	Conventional star fund family
CPF	Conventional poor fund family
MRAR	Morningstar risk-adjusted return
AUM	Asset under management
CMFs	Conventional mutual funds
SRFs	Social responsibility funds
IMFs	Islamic mutual funds
EMH	Efficient market hypothesis
MPT	Modern portfolio theory
OIC	Organization of Islamic cooperation
NAV	Net asset value
DJIM	Dow Jones Islamic market index
DJI100	Dow Jones Islamic index 100 titans
PBUH	Peace be upon Him
FFA	Fund family age
FFS	Fund family size
NF	Number of funds in the fund family
TNA	Total net asset
TM	Treynor and Mazuy model
HM	Henriksson and Merton model