

Risk-adjusted performance and market timing of Islamic equity mutual funds in Indonesia: A multi-model analysis

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Abstract

This study evaluates the risk-adjusted performance and market-timing ability of 40 Sharia equity mutual funds in Indonesia over the period from January 2021 to December 2023. Five models are applied: Sharpe Ratio, Treynor Ratio, Jensen's Alpha, Modigliani-Modigliani (M^2), and the Treynor-Mazuy model, using the Jakarta Islamic Index 70 (JII70) as the benchmark. All 40 funds underperformed the benchmark on a risk-adjusted basis, with universally negative Sharpe, M^2 , Treynor, and Jensen's Alpha values. The Treynor-Mazuy analysis shows that virtually no fund demonstrated statistically significant market-timing ability. These findings suggest that fund managers have yet to demonstrate consistent superior stock selection or timing skills during the post-pandemic recovery phase. For investors, these results underscore the importance of selecting funds based on risk-adjusted metrics. For fund managers, the findings call for enhanced active strategies and better integration of quantitative tools within Sharia constraints. For policymakers, stronger transparency standards for performance are needed. This study contributes to the Islamic finance literature by providing a multi-model empirical benchmark for Sharia equity fund performance in an underexplored market context.

Keywords: sharia equity mutual fund, treynor-mazuy, jensen alpha, treynor ratio, sharpe ratio

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Introduction

A central challenge in Islamic fund management is whether Sharia equity mutual funds can consistently deliver risk-adjusted returns that reward investors for the risks they bear and whether fund managers possess the skill to add value through active stock selection and market timing. This question is particularly salient in Indonesia, one of the world's largest Muslim-majority countries, where the Islamic mutual fund sector has grown substantially since the 1970s, driven by Shariah principles that prohibit interest and unethical investments (Rizaldy & Ahmed, 2019; Setiawan & Wati, 2019). Islamic equity mutual funds offer faith-based investors an alternative avenue and contribute to financial inclusion (Alam & Ansari, 2020; Ishak et al., 2022), with significant market shares in Saudi Arabia, Malaysia, and Indonesia representing a substantial portion of total mutual fund assets (Setiawan & Wati, 2019; Merdad et al., 2010; Ashraf, 2013). This growth has intensified the need for rigorous performance evaluation methods tailored to Sharia-compliant constraints (Ovalı et al., 2025; Güçlü, 2022). However, a fundamental concern remains unanswered: do Sharia equity fund managers in Indonesia generate superior risk-adjusted returns, or does Sharia-screening structurally constrain their ability to outperform the market?

The existing literature, while substantial, reveals inconclusive findings: some studies show Islamic funds perform comparably or slightly better than conventional counterparts, while others document underperformance or no difference (Ahmad & Alsharif, 2019; Afridi et al., 2020; Abdul-Rahim et al., 2019; Uysal & Adalı, 2018; Herlambang, 2020). Market timing and stock selection assessments yield similarly mixed results (Soussou & Omri, 2023; Hasnaoui & Fatnassi, 2021; Zouaoui, 2019). Critically, a central gap persists: prior studies on Indonesian Sharia equity funds have generally applied only one or two performance models in isolation, making it difficult to draw consistent cross-model conclusions (Elfakhani, 2024). No study has comprehensively applied all five established models, Sharpe, Treynor, Jensen's Alpha, M^2 , and Treynor-Mazuy, simultaneously to a broad sample of Indonesian Sharia equity funds during the post-pandemic recovery period. Furthermore, the absence of industry-level pattern analysis, rather than individual fund comparisons, limits the strategic guidance this literature can offer to investors, fund managers, and policymakers (Aqeeq & Chamadia, 2023). This study directly addresses these gaps.

This study employs five complementary performance models that together capture different dimensions of fund behavior. Sharpe Ratio and M^2 measure total risk-adjusted returns, capturing performance relative to the portfolio's overall volatility. The Treynor Ratio focuses on systematic risk, evaluating return per unit of market exposure. Jensen's Alpha identifies abnormal returns relative to CAPM-expected performance, directly measuring stock selection skill. The Treynor-Mazuy model extends Jensen's Alpha by adding a

quadratic market term to capture market-timing ability (Shaikh et al., 2019; Halim et al., 2021). The simultaneous application of all five models enables a holistic assessment that no single measure could provide and is particularly appropriate for Sharia-compliant funds, where investment constraints affect multiple dimensions of risk and return (Rizaldy & Ahmed, 2019; Bonnici, 2017; Lesmana et al., 2024; Wiharno et al., 2023).

The purpose of this research is to evaluate the risk-adjusted performance and market timing ability of Islamic equity mutual funds in Indonesia by applying five established performance measurement models: Sharpe Ratio, Treynor Ratio, Jensen's Alpha, Modigliani-Modigliani (M^2), and the Treynor-Mazuy model. This study aims to provide a comprehensive empirical assessment of 40 Sharia equity mutual funds registered with OJK during January 2021 to December 2023, thereby generating insights into whether these funds deliver returns commensurate with the risks borne by investors and the level of active management skill exercised by fund managers. This study contributes to the literature by offering a multi-model performance assessment of Indonesian Sharia equity mutual funds during the post-pandemic recovery phase, a context that remains underexplored in prior studies. Unlike previous works that typically rely on a single metric, this study integrates five complementary models to capture both risk-adjusted returns and managerial skill dimensions, thereby enriching the empirical evidence on Islamic fund performance in emerging markets (Elfakhani, 2024; Nabi et al., 2023).

Method

Research Design

This study employs a quantitative empirical approach with both descriptive and inferential components to evaluate the performance of Islamic equity mutual funds. The descriptive component facilitates summary and comparison of fund performance characteristics across samples. In contrast, the inferential component employs regression-based estimation for models such as Jensen's Alpha and the Treynor-Mazuy model, allowing statistical inference on abnormal returns and market timing coefficients. Describing the approach as a purely "descriptive research design" would be imprecise, given that Jensen's Alpha and Treynor-Mazuy are regression-based estimations. The performance evaluation is conducted using five established models in portfolio performance measurement: Sharpe Ratio, Treynor Ratio, Jensen's Alpha, M^2 Measure, and Treynor-Mazuy Model, to provide a holistic perspective on fund manager performance under Sharia-compliant constraints. In this context, "effectiveness" refers to each model's capacity to differentiate fund performance, capture risk-adjusted returns, and identify managerial skill (stock selection and market timing) in a manner consistent with Sharia-compliant investment constraints.

Data and Sample

The study focuses on Sharia equity mutual funds registered and actively traded on the Indonesia Stock Exchange (IDX) and regulated by the Financial Services Authority (OJK). The sample was selected using purposive sampling. To be included, funds must: (1) be categorized as a Sharia equity fund under OJK classification; (2) have been continuously active throughout the observation period; and (3) have complete monthly NAV data available for the entire period.

The observation period spans January 2021 to December 2023, covering the pandemic recovery and post-pandemic normalization phases of the Indonesian equity market. This period was strategically selected to capture market behavior during and after the COVID-19 disruption, rather than the pre-pandemic phase, as the market had already entered recovery mode by early 2021 following the significant 2020 downturn. The three-year monthly dataset yields 36 observations per fund, providing sufficient data points for reliable regression estimation under the Jensen's Alpha and Treynor-Mazuy frameworks (Cohen & Cohen, 1983). The total dataset comprises 40 Sharia equity mutual funds $\times$ 36 months = 1,440 fund-month observations. While a longer period would be ideal, the 2021–2023 window represents a distinct and meaningful market cycle relevant to post-pandemic fund assessment and extending to the present would require updated OJK-registered fund data beyond the scope of this study. The Jakarta Islamic Index (JII) or Jakarta Islamic Index 70 (JII70) serves as the market benchmark, while the long-term government bond coupon rate is used as the risk-free rate proxy.

Data Collection

Secondary data are obtained from official and credible sources, including the Indonesia Stock Exchange (IDX) for index and fund data. The Financial Services Authority (OJK) provides fund classification and regulatory information. All return values are computed in monthly logarithmic form to ensure stationarity and comparability.

Performance Measurement Models

Sharpe Ratio (1966)

$$S_i = \frac{R_i - R_f}{\sigma_i} \dots\dots\dots (1)$$

Where **R_i** = average return of fund i, **R_f** = risk-free rate, and **σ_i** = standard deviation of fund returns. A higher Sharpe ratio indicates superior risk-adjusted performance.

Treynor Ratio (1965)

$$T_i = \frac{R_i - R_f}{\beta_i} \dots\dots\dots (2)$$

Where β_i measures the fund's systematic risk relative to the market. The Treynor ratio evaluates return per unit of market risk.

Jensen's Alpha (1968)

$$R_i - R_f = \alpha_i + \beta_i(R_m - R_f) + \epsilon_i \quad (3)$$

Where R_m is the market return. A positive α_i suggests superior fund management in generating abnormal returns.

Modigliani-Modigliani (M^2) Measure

$$M_i^2 = (R_p - R_f) \times \frac{\sigma_m}{\sigma_p} + R_f \quad (4)$$

Where σ_m and σ_p are the standard deviations of the market and the fund, respectively, this measure adjusts fund performance to market risk, making interpretation intuitive in percentage terms.

Treynor-Mazuy Model (1966)

$$R_i - R_f = \alpha_i + \beta_i(R_m - R_f) + \gamma_i(R_m - R_f)^2 + \epsilon_i \quad (5)$$

The coefficient γ_i captures the market timing ability of fund managers; a positive value indicates successful market timing.

Analytical Technique

Data analysis is conducted using Microsoft Excel and EViews for regression estimation and statistical validation. Descriptive statistics summarize fund performance and risk characteristics. Regression analysis is applied to estimate Jensen's Alpha and Treynor-Mazuy parameters. Comparative analysis is conducted to identify the best-performing funds across all models. Robustness checks include multicollinearity testing and heteroscedasticity correction for the Treynor-Mazuy model using White's standard errors.

Research Framework

The conceptual framework integrates multiple performance measures to provide both risk-adjusted (Sharpe, Treynor, M^2) and managerial skill-based (Jensen's Alpha, Treynor-Mazuy) perspectives. This dual-lens evaluation provides comprehensive insight into Sharia fund performance in alignment with ethical and financial principles.

Result and Discussion

This study assessed the performance of 40 Sharia equity mutual funds in Indonesia using five risk-adjusted performance measures: Sharpe Ratio, Treynor Ratio, Jensen's

Alpha, Modigliani-Modigliani (M^2) Measure, and the Treynor-Mazuy model. The analysis covers monthly NAV data from January 2021 to December 2023, a period characterized by Indonesia's post-COVID-19 equity market recovery. During this period, the Jakarta Islamic Index 70 (JII70) experienced significant volatility, particularly in 2021–2022, as the market absorbed the effects of monetary policy normalization, commodity price fluctuations, and subdued domestic consumption. This macroeconomic backdrop is essential for interpreting the predominantly negative performance metrics reported below, as broad-market headwinds during the observation window constrained fund returns across the industry. Before examining individual performance results, Table 1 presents the average three-year monthly returns for each fund, providing a baseline for subsequent risk-adjusted comparisons.

Table 1. Three Years Return

No	Sharia Equity Mutual Fund	1Y Return	2Y Return	3Y Return
1	Avrist Equity Amar Syariah	-0,007790	-0,000930	-0,005612
2	Mandiri Investa Ekuitas Syariah	-0,001383	0,005207	0,000873
3	Aurora Syariah Saham Amanah	-0,008608	-0,007944	-0,005964
4	Lautandhana Saham Syariah	-0,005179	-0,006952	-0,004882
5	Narada Saham Berkah Syariah	-0,045850	-0,033171	-0,047792
6	PNM Ekuitas Syariah	-0,009313	-0,000391	-0,004868
7	Syariah Simas Equity Syariah	-0,017148	-0,007539	-0,005873
8	Pratama Syariah	-0,007653	-0,002996	-0,004836
9	Syariah Majoris Saham Syariah Indonesia	-0,013421	-0,006622	-0,001316
10	BRI Syariah Saham	-0,007822	-0,004158	-0,007337
11	Bahana Icon Syariah Kelas G	-0,009135	-0,003406	-0,002631
12	Cipta Syariah Equity	0,017351	0,002108	-0,000066
13	Syariah Cipta Saham Unggulan Syariah	-0,000763	0,003027	0,002190
14	Syariah Emco Saham Barokah Syariah	-0,001843	-0,001079	-0,003738
15	Minna Padi Indraprastha Saham Syariah	-0,001115	-0,001139	-0,003582
16	Simas Syariah Unggulan	-0,015646	-0,006396	-0,003675
17	Pacific Saham Syariah II	0,013610	0,000959	-0,005976
18	Mandiri Investa Atraktif Syariah	-0,013669	-0,002548	-0,003874
19	Pacific Saham Syariah III	0,028650	0,007318	-0,006493
20	Capital Sharia Equity	0,014811	0,001081	-0,003882
21	Pacific Saham Syariah	0,016767	0,003915	-0,005976
22	Corfina Equity Syariah	-0,006535	-0,003922	-0,004245
23	Batavia Dana Saham Syariah	-0,004408	-0,000269	-0,002220
24	Treasure Saham Berkah Syariah	-0,025297	-0,019582	-0,013437
25	Principal Islamic Equity Growth Syariah	-0,009017	-0,003225	-0,003327
26	MNC Dana Syariah Ekuitas II	-0,022983	-0,019672	-0,015361
27	Pool Advista Ekuitas Optima Syariah	-0,028954	-0,023432	-0,018731

No	Sharia Equity Mutual Fund	1Y Return	2Y Return	3Y Return
28	TRIM Syariah Saham	-0,000833	-0,001733	-0,001447
29	Dhanawibawa Arcadia Ekuitas Syariah Progresif	-0,024420	-0,018526	-0,013631
30	Pan Arcadia Dana Saham Syariah	-0,010485	-0,008770	-0,007012
31	Panin Dana Syariah Saham	0,008311	0,005274	0,002370
32	Corfina Investa Saham Syariah	-0,022902	-0,013451	-0,010580
33	Aurora Sharia Equity	-0,014417	-0,010251	-0,009162
34	Maybank Dana Ekuitas Syariah	-0,000168	0,003190	0,003245
35	Manulife Syariah Sektorial Amanah Kelas A	-0,002375	-0,000466	-0,002038
36	Prospera Syariah Saham	-0,029366	-0,015802	-0,012254
37	Pool Advista Kapital Syariah	-0,009937	-0,006564	-0,018731
38	HPAM Syariah Ekuitas	-0,001491	0,001983	0,008276
39	BNP Paribas Pesona Syariah	-0,002897	-0,000252	-0,000429
40	HPAM Ekuitas Syariah Berkah	0,003024	0,011826	0,012604

Table 1 reveals that 35 out of 40 funds recorded negative average monthly returns over the 2021–2023 period, consistent with the broader underperformance of the Indonesian Sharia equity segment. Only five funds (Mandiri Investa Ekuitas Syariah, Syariah Cipta Saham Unggulan, Panin Dana Syariah Saham, Maybank Dana Ekuitas Syariah, HPAM Syariah Ekuitas, and HPAM Ekuitas Syariah Berkah) posted positive average monthly returns, suggesting they navigated market conditions more effectively. The pervasiveness of negative returns across the sample is broadly consistent with the JII70 benchmark experiencing negative or near-zero cumulative returns during portions of the observation window, particularly in 2022. Against this market backdrop, Table 2 presents the complete risk-adjusted performance results using four established models.

Table 2. Sharpe, Treynor, Jensen Ratio, and M-Square Analysis result

No	Sharia Equity Mutual Fund	Sharpe Ratio	Treynor Ratio	Jensen's Alpha	M-Square
1	Avrist Equity Amar Syariah	-2,34	-15,68	-0,07	-3,4905
2	Mandiri Investa Ekuitas Syariah	-1,96	-23,38	-0,07	-2,9184
3	Aurora Syariah Saham Amanah	-6,05	-176,83	-0,07	-9,1199
4	Lautandhana Saham Syariah	-2,18	-156,30	-0,07	-3,2466
5	Narada Saham Berkah Syariah	-0,89	-30,65	-0,11	-1,2944
6	PNM Ekuitas Syariah	-1,96	-20,29	-0,07	-2,9189
7	Syariah Simas Equity Syariah	-2,19	-12,82	-0,07	-3,2712
8	Pratama Syariah	-0,53	-24,91	-0,07	-0,7400
9	Syariah Majoris Saham Syariah Indonesia	-2,33	-26,66	-0,07	-3,4769
10	BRI Syariah Saham	-2,17	-17,05	-0,07	-3,2296
11	Bahana Icon Syariah Kelas G	-2,36	-29,40	-0,07	-3,5256

No	Sharia Equity Mutual Fund	Sharpe Ratio	Treynor Ratio	Jensen's Alpha	M-Square
12	Cipta Syariah Equity	-1,17	-26,28	-0,07	-1,7206
13	Syariah Cipta Saham Unggulan Syariah	-2,06	-21,50	-0,06	-3,0624
14	Syariah Emco Saham Barokah Syariah	-7,07	-523,59	-0,07	-10,6718
15	Minna Padi Indraprastha Saham Syariah	-3,71	-445,89	-0,07	-5,5724
16	Simas Syariah Unggulan	-2,23	-14,98	-0,07	-3,3291
17	Pacific Saham Syariah II	-1,43	-41,53	-0,07	-2,1072
18	Mandiri Investa Atraktif Syariah	-2,38	-21,04	-0,07	-3,5532
19	Pacific Saham Syariah III	-0,89	-31,03	-0,07	-1,2885
20	Capital Sharia Equity	-0,36	190,65	-0,07	-0,4888
21	Pacific Saham Syariah	-1,02	-33,22	-0,07	-1,4809
22	Corfina Equity Syariah	-2,41	-26,10	-0,07	-3,5960
23	Batavia Dana Saham Syariah	-2,38	-18,96	-0,07	-3,5512
24	Treasure Saham Berkah Syariah	-2,30	-90,09	-0,08	-3,4354
25	Principal Islamic Equity Growth Syariah	-2,59	-24,87	-0,07	-3,8714
26	MNC Dana Syariah Ekuitas II	-1,86	-48,32	-0,08	-2,7553
27	Pool Advista Ekuitas Optima Syariah	-0,41	1,20	-0,09	-0,5541
28	TRIM Syariah Saham	-1,91	-16,33	-0,07	-2,8391
29	Dhanawibawa Arcadia Ekuitas Syariah Progresif	-2,22	-170,90	-0,08	-3,3143
30	Pan Arcadia Dana Saham Syariah	-2,22	-21,83	-0,07	-3,3065
31	Panin Dana Syariah Saham	-2,11	-21,23	-0,06	-3,1480
32	Corfina Investa Saham Syariah	-1,87	-23,69	-0,08	-2,7735
33	Aurora Sharia Equity	-2,85	-144,75	-0,08	-4,2683
34	Maybank Dana Ekuitas Syariah	-1,53	-44,40	-0,06	-2,2671
35	Manulife Syariah Sektoral Amanah Kelas A	-2,35	-21,09	-0,07	-3,5060
36	Prospera Syariah Saham	-1,74	-25,37	-0,08	-2,5854
37	Pool Advista Kapital Syariah	-1,42	-49,92	-0,07	-2,0993
38	HPAM Syariah Ekuitas	-0,46	-15,87	-0,06	-0,6405
39	BNP Paribas Pesona Syariah	-2,60	-31,50	-0,07	-3,8870
40	HPAM Ekuitas Syariah Berkah	-0,30	-518,49	-0,05	-0,3946

Table 2 results reveal three cross-cutting patterns that characterize the performance of Indonesian Sharia equity mutual funds during 2021–2023. First, the macroeconomic context shaped industry-wide outcomes: the JII70 benchmark itself delivered subdued returns amid post-pandemic normalization, inflationary pressures, and Bank Indonesia's interest rate hikes beginning in mid-2022. As the risk-free rate rose, the excess return component of all performance ratios became structurally negative, mechanically depressing Sharpe, Treynor, and M^2 values across all 40 funds. Second, below-benchmark risk-adjusted performance is universal: all funds record negative Sharpe (range: -0.30 to -7.07), negative M^2 , and predominantly negative Treynor ratios (38 of 40). The extreme

Treynor values of Aurora Syariah Saham Amanah (-176.83), Minna Padi Indraprastha Saham Syariah (-445.89), and Syariah Emco Saham Barokah Syariah (-523.59) reflect very low beta combined with negative excess returns rather than poor absolute returns alone. Only Capital Sharia Equity (Treynor: 190.65) and Pool Advista Ekuitas Optima Syariah (1.20) diverge positively on this measure. Third, absent stock selection skill: all 40 funds exhibit negative Jensen's Alpha, ranging from -0.05 to -0.11. The consistency and magnitude of negative alpha across the entire sample provide strong aggregate evidence that active stock selection did not add value during the period, consistent with Hasnaoui and Fatnassi (2021) and Zouaoui (2019), who document similar findings for Islamic fund managers in other emerging markets. The M^2 rankings closely mirror the Sharpe rankings, confirming that these patterns are robust across total-risk and systematic-risk frameworks.

From an industry-pattern perspective, the consistently negative performance across all models and all 40 funds points to systemic constraints rather than individual fund mismanagement. The Sharia screening process, which excludes interest-bearing instruments, speculative assets, and sectors such as tobacco, alcohol, and conventional banking, structurally limits the investment universe. During 2021–2023, sectors excluded by Sharia screening (particularly conventional financials and some consumer goods) outperformed the broader market, placing Sharia equity funds at a structural disadvantage relative to conventional benchmarks. This structural constraint, documented by Rizaldy and Ahmed (2019) and Ishak et al. (2022), appears to be a dominant driver of the industry-wide underperformance observed in this study. Table 3 presents the Treynor-Mazuy regression results, which assess market timing ability.

Table 3. Treynor Mazuy Analysis Result

No	Sharia Equity Mutual Fund	γ	R^2	F-Stat	Prob (F Stat)
1	Avrist Equity Amar Syariah	-0,01043	0,104399	1,92	0,162
2	Mandiri Investa Ekuitas Syariah	-0,00368	0,047773	0,83	0,446
3	Aurora Syariah Saham Amanah	-0,01161	0,003536	0,06	0,943
4	Lautandhana Saham Syariah	-0,00942	0,010246	0,17	0,844
5	Narada Saham Berkah Syariah	-0,04470	0,003824	0,06	0,939
6	PNM Ekuitas Syariah	-0,00949	0,047353	0,82	0,449
7	Syariah Simas Equity Syariah	-0,01198	0,068645	1,22	0,309
8	Pratama Syariah	-0,00114	0,008514	0,14	0,868
9	Syariah Majoris Saham Syariah Indonesia	-0,00678	0,019929	0,34	0,717
10	BRI Syariah Saham	-0,01241	0,057381	1,00	0,377
11	Bahana Icon Syariah Kelas G	-0,00751	0,036274	0,62	0,544
12	Cipta Syariah Equity	-0,00406	0,007302	0,12	0,886
13	Syariah Cipta Saham Unggulan Syariah	-0,00279	0,039488	0,68	0,514

No	Sharia Equity Mutual Fund	γ	R ²	F-Stat	Prob (F Stat)
14	Syariah Emco Saham Barokah Syariah	-0,00932	0,000839	0,01	0,986
15	Minna Padi Indraprastha Saham Syariah	-0,00853	0,017774	0,30	0,744
16	Simas Syariah Unggulan	-0,00919	0,062429	1,10	0,345
17	Pacific Saham Syariah II	-0,01031	0,00454	0,08	0,928
18	Mandiri Investa Atraktif Syariah	-0,00886	0,056356	0,99	0,384
19	Pacific Saham Syariah III	-0,00856	0,006553	0,11	0,897
20	Capital Sharia Equity	0,00419	0,003809	0,06	0,939
21	Pacific Saham Syariah	-0,00566	0,002573	0,04	0,958
22	Corfina Equity Syariah	-0,00944	0,029716	0,51	0,608
23	Batavia Dana Saham Syariah	-0,00729	0,064377	1,14	0,334
24	Treasure Saham Berkah Syariah	-0,01813	0,006041	0,10	0,905
25	Principal Islamic Equity Growth Syariah	-0,00833	0,052608	0,92	0,410
26	MNC Dana Syariah Ekuitas II	-0,01981	0,007406	0,12	0,885
27	Pool Advista Ekuitas Optima Syariah	-0,02261	0,913517	174,29	0,000
28	TRIM Syariah Saham	-0,00644	0,049651	0,86	0,432
29	Dhanawibawa Arcadia Ekuitas Syariah Progresif	-0,01861	0,00039	0,01	0,994
30	Pan Arcadia Dana Saham Syariah	-0,01256	0,025256	0,43	0,656
31	Panin Dana Syariah Saham	-0,00241	0,055334	0,97	0,391
32	Corfina Investa Saham Syariah	-0,01373	0,098173	1,80	0,182
33	Aurora Sharia Equity	-0,01411	0,006578	0,11	0,897
34	Maybank Dana Ekuitas Syariah	-0,00066	0,024571	0,42	0,663
35	Manulife Syariah Sektorial Amanah Kelas A	-0,00679	0,07158	1,27	0,294
36	Prospera Syariah Saham	-0,01716	0,011879	0,20	0,821
37	Pool Advista Kapital Syariah	-0,00922	0,007706	0,13	0,880
38	HPAM Syariah Ekuitas	0,00926	0,002085	0,03	0,966
39	BNP Paribas Pesona Syariah	-0,00548	0,035029	0,60	0,555
40	HPAM Ekuitas Syariah Berkah	0,02411	0,014254	0,24	0,789

The Treynor-Mazuy regression results show that 38 of 40 funds yield negative timing coefficients (γ), indicating that fund managers generally reduced market exposure ahead of rising markets and increased it before falling markets, a pattern opposite to effective timing. Most funds also show Prob (F-Statistic) values well above 0.05, indicating that the model has limited explanatory power for these funds, consistent with passive or benchmark-hugging management strategies (Halim et al., 2021). Notably, Pool Advista Ekuitas Optima Syariah presents an anomalous result: an extremely high R² of 0.913 with a significant F-statistic (174.29, $p = 0.000$), yet a negative γ (-0.02261). This combination warrants careful interpretation. The high R² suggests that nearly all of this fund's excess return variation is explained by the Treynor-Mazuy model, likely due to

a near-perfect mechanical relationship between the fund's returns and market returns, possibly reflecting volatility clustering or structural leverage patterns in the fund's portfolio construction. However, since γ is negative, the fund systematically reduced exposure when market excess returns were high (positive quadratic market term), indicating a counter-timing strategy that may reflect a structural defensive orientation rather than deliberate market timing. This result may also indicate model overfitting for a single fund with low return dispersion and should be interpreted with caution. Only HPAM Syariah Ekuitas ($\gamma = 0.00926$) and HPAM Ekuitas Syariah Berkah ($\gamma = 0.02411$) display positive timing coefficients, though neither is statistically significant (Prob F-Stat > 0.05). These two funds represent the closest approximation to positive market timing in the sample, consistent with their relatively superior performance on other measures. Overall, the near-universal negative timing pattern across the industry suggests that Sharia equity fund managers rely primarily on stock selection ability and passive market exposure rather than active timing decisions, a finding consistent with Atta and Marzuki (2020) and Hasnaoui and Fatnassi (2021).

Conclusion

The findings reveal that the overall performance of Sharia equity funds during the 2021–2023 observation period is characterized by consistent industry-wide underperformance, as evidenced by predominantly negative values across all five performance indicators, reflecting a systemic pattern rather than isolated fund-level failures. The negative Sharpe ratios across all 40 funds indicate that, as an industry, Sharia equity mutual funds failed to compensate investors for total portfolio risk during the post-pandemic recovery. The M^2 values reinforce this conclusion: after adjusting for total risk to match benchmark volatility, all funds still underperformed the JII70, suggesting that the issue is not merely one of high volatility but of inadequate return generation within the Sharia-constrained investment universe. The predominantly negative Treynor ratios point to industry-wide inefficiency in managing systematic risk, with the structural exclusion of high-beta conventional financial sector stocks likely contributing to suboptimal beta management.

Within the overall pattern of underperformance, a small cluster of funds, particularly Capital Sharia Equity and HPAM Ekuitas Syariah Berkah, consistently demonstrated the least negative performance scores across multiple models, suggesting relatively more effective risk management and portfolio construction. Conversely, funds such as Syariah Emco Saham Barokah and Aurora Syariah Saham Amanah recorded the most extreme negative values, driven by high volatility combined with very low betas, resulting in near-zero systematic risk exposure and insufficient returns. These outlier cases reinforce the general finding that extreme negative Treynor values are often attributable to near-zero beta rather than to purely poor management.

Managerial and Practical Implications

From a theoretical standpoint, this study contributes to the Islamic finance literature by confirming that limited evidence of superior managerial skill in both stock selection and market timing is not an isolated phenomenon but an industry-wide pattern in the Indonesian Sharia equity fund sector during the post-pandemic recovery phase. For fund managers, the pervasive negative Jensen's Alpha and negative Treynor-Mazuy coefficients signal an urgent need for enhanced active portfolio strategies, improved risk factor management, and greater integration of quantitative investment tools compatible with Islamic principles. The absence of timing skill suggests that many funds currently operate as quasi-passive trackers, which may not justify the active management fees they charge. For policymakers and regulatory bodies such as OJK and IDX, the findings highlight the importance of mandating standardized risk-adjusted performance reporting so that investors can make informed comparisons across funds, and of introducing incentive structures that reward consistent risk-adjusted outperformance rather than raw return.

For investors, the results underscore that ethical compliance does not guarantee superior risk-adjusted performance, and that fund selection should incorporate Sharpe, Treynor, and M² metrics alongside return track records. The negative Jensen's Alpha across all funds suggests that paying active management fees for funds that demonstrate no consistent stock selection value may not be justified, and that investors should consider lower-cost passive Sharia-compliant index options until clear evidence of manager skill emerges.

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