

MUTUAL FUND INVESTMENT CHOICE CRITERIA: A STUDY IN MALAYSIA

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ABSTRACT

This study aims to investigate factors that are considered important in selecting a mutual fund. This study utilised two sets of survey involving 440 individual EPF members and 561 unit trust consultants. Analysis of the members' survey indicated significant differences in the ranking of fund selection criteria between Muslim and non-Muslim members. Past performance and the fund's commitment to Islamic principles were considered as the most important selection criteria among non-Muslim and Muslim members respectively. Likewise, analysis of the consultants' survey indicated significant differences in the ranking of fund selection criteria among Muslim and non-Muslim consultants. Both Muslim and non-Muslim consultants considered the fund's commitment to Islamic principles and the fund's past performance as the most important criteria respectively. Several theoretical and practical implications of the results are discussed.

KEYWORDS: Mutual fund selection, investment, Malaysia

1. INTRODUCTION

Mutual fund or more commonly known as unit trust fund in Malaysia is an investment vehicle that allows investors to pool their resources to be invested in a portfolio of assets. This portfolio may comprise asset classes such as cash, shares, bonds and deposits, properties and commodities. Over the past decades, the growth of mutual fund industry in Malaysia has been tremendous. Net asset value (NAV) for mutual funds soared by nearly 160%, i.e. from RM87.4 billion in 2004 to RM226.8 billion in 2010. As at December 2012, the NAV constituted about 20.12% of market capitalisation of Bursa Malaysia (Table I).

Inevitably, the significant growth of mutual fund industry has been supported by the government's strong commitment. In its effort to promote an effective investment management industry, the government, through its Capital Market Master Plan and the recently launched Capital Market Master Plan 2 has provided several initiatives such as tax exemption on all interest income, the liberalisation of overseas investment rules (such as the increase in overseas investment limit from 10% to 30%) by Bank Negara and the introduction of Employees Provident Fund (EPF) Members Investment Scheme. Furthermore, to establish Malaysia as an international Islamic capital market hub, the government, has unveiled broad-ranging incentives including facilitative cross-border investment policy (i.e. Islamic funds are permitted to invest 100% of assets abroad), liberalised shareholding structure (Islamic fund management companies are allowed 100% foreign ownership) and greater access to institutional funds (approximately US\$2billion in start-up funding will be channeled by EPF to Islamic fund management companies).

Given the increasing value of investment management industry, in particular the mutual fund, research into this area is clearly warranted. To date, a number of researches have focused on the performance of mutual funds (Abdullah, Hassan, & Mohamad, 2007), however little is known about the behaviour of mutual fund investors. It is not surprising that mutual fund will become one of the most popular investment vehicles among Malaysian households. Therefore, it is important to know the mutual fund criteria that are most concerned by the individual investors. As mentioned earlier, under the Members Investment Scheme, the EPF permitted its members to invest part of their savings in approved external funds. Therefore, this paper seeks to explore which fund criteria are considered most important by the EPF

members. In addition, given the important role of unit trust consultants in mutual fund investment decision process, this paper also seeks to explore their perception towards mutual fund selection criteria.

The remainder of the paper proceeds as follows. The next section discusses the literature review. Section three outlines the research objectives while section four describes the methodology. Section five presents the analysis and findings. Section six provides a conclusion to the paper.

2. LITERATURE REVIEW

Several studies have shown that past performance of mutual funds can predict future performance (Elton, Gruber, & Blake, 1996; Hendricks, Patel, & Zeckhauser, 1993) and investors use this criterion in their fund selection (Grinblatt & Titman, 1992; Ippolito, 1992; Wilcox, 2003). Although past performance do not guarantee future performance, a survey of 298 affluent investors found that performance track record to be one of the four most important criteria for mutual fund selection (Capon, Fitzsimons, & Weingarten, 1994).

Capon et al. (1996) argued that, when investing in mutual funds, investors employ a multi-attribute model rather than a 'naive model' solely based on risk and return. In their exploratory study, the relationships among four sets of variables were examined: information sources used for mutual fund purchases, selection criteria, mutual fund purchase behaviour and demographic data. 3,386 subjects completed the national telephone survey. The study found that U.S. mutual fund investors considered investment performance track record, fund manager reputation and number of funds in fund family (e.g., Fidelity, Vanguard) as the most important in selecting a mutual fund. These results support their argument that attributes other than risk and return are also valued by investors.

Gerrans (2004) examined the use of managed fund ratings among individual retail investors in Australia. The ANOVA and hierarchical cluster analysis produced results that are broadly consistent with Capon et al (1996) in that; published ratings had the highest score for information sources. Also, the ratings or rankings of the fund product were considered important when it came to selecting a particular fund product; however the reputation of the backing company or fund were considered the most important factor.

It is inevitable that the cost of transaction (or known as expense ratio) in dealing with a mutual fund affects the performance of the fund. Elton, Gruber, Das and Hlavka (1993) showed that there is a strong negative relationship between expense ratios and fund returns. Golec (1996) recommended that investors should avoid funds with large fees. Ippolito (1989) found that funds with a lower transaction cost outperform those with higher fees.

Does the size of fund matters to investors? Ramasamy and Yeung (2003) found that the size of fund was considered among the three most important factors of mutual fund selection; the others being past performance and costs of transaction. Several studies have shown that fund size detracts from performance (Chan, Faff, Gallagher, & Looi, 2009; Chen, Hong, Huang, & Kubik, 2004; Sawicki & Finn, 2002). Indro, Jiang, Hu and Lee (1999) reported that mutual funds must attain a minimum fund size to achieve sufficient returns.

As the fund can be categorised according to its investment objectives, the investment styles of fund manager can be an important factor in fund selection. A number of empirical studies have indicated that investment style does make a difference in investment returns. For example, Volkman and Wohar (1995) found that the goal of a fund does affect persistent fund performance, with high-risk maximum capital gain funds' demonstrating a strong positive persistence in abnormal returns.

Golec (1996) reported that a fund's performance, risk and fees are affected by its manager's characteristics. The results from Golec showed that investors can expect better risk-adjusted returns from a fund manager who was relatively young (less than 46 years old) and had long job tenure (more than 7 years). Despite a weak effect, it was shown that fund managers with MBA qualification outperformed those without. Chevalier and Ellison (1999) found that managers with

higher level of education generating higher risk-adjusted returns. Consistent with findings from Chevalier and Ellison (1999), Masood and Sergi (2009) found that Turkish fund manager performance systematically vary with fund manager characteristics.

Another factor that could become important consideration to investors is the type of mutual fund. In Malaysia, the funds are mainly divided into government-linked fund or bank-owned fund. Relatively, few studies have examined the performance of bank vs. non-bank funds. In the U.S., Bogle and Twardowski (1980) and Bauman and Miller (1995) showed that bank-owned funds underperformed non-bank owned funds. However, Frye (2001) examined the performance of bank proprietary bond mutual funds and found no evidence that bank-managed mutual funds underperformed nonbank funds. Ramasamy and Yeung (2003) found that the type of fund did not matter much to investors when selecting mutual funds.

Islamic Fund

The International Organisation of Securities Commission (IOSCO) Islamic Finance Report¹ (pg 12-13) stated:

“An Islamic Collective Investment Scheme (CIS) or Islamic Fund must operate in accordance with Shariah principles, not only in its relations with investors but also in its investment and other fund management activities. The effects of this include the following:

- The prohibition against interest (riba) will prevent a fund lending or borrowing at interest, or investing in interest-bearing securities.
- The fund may not invest in unethical or socially detrimental activities such as those involving alcohol, pornography or gambling. It may also not invest in conventional financial institutions, or enterprises which receive or pay substantial amounts in interest.
- Where an investment produces a small proportion of its return from unacceptable sources – for example a trading company which also arranges interest-bearing loans for its customers – that investment may be regarded as acceptable if it is “purified” by giving the unacceptable proportion of the return to charity.
- The prohibition against *gharar* (excessive uncertainty/ambiguity) will also limit some types of contract, including for example contracts for differences. On the other hand, this prohibition can encourage a high level of disclosure and precision in contracts with investors.
- Debt obligations are generally not considered to be tradable. However, baskets of investments which contain a proportion of debt obligations may be accepted as tradable, although the precise limit of this proportion remains a topic of debate.
- Unlike most conventional funds, some Islamic CIS may incorporate profit sharing with parties other than investors. The most obvious example is where investments are “purified” by giving part of the return to charity. “

The implication of Islamic Fund is that it provides an avenue for Muslim investors to conform to their religious belief in investing. To what extent this criteria influences the choice of mutual fund among Muslim investors is investigated in this study.

3. OBJECTIVES

As mentioned earlier in the introduction, this study aims to explore mutual fund selection criteria among EPF members, as well as among unit trust consultants. Specifically, the objectives of the study are as follows:

1. To examine which criteria are considered important in selecting a mutual fund.

¹ Analysis of The Application of IOSCO’s Objectives And Principles of Securities Regulation For Islamic Securities Products, September 2008

2. To examine whether there is any differences between Muslim and non-Muslim members in the ranking of mutual fund selection.
3. To examine whether there is any differences between Muslim and non-Muslim consultants in the ranking of mutual fund selection.

Thus the following hypotheses were formulated:

1. There is no significant difference in the ranking of mutual fund selection criteria as perceived by Malaysian EPF members.
2. There is no significant difference in the ranking of mutual fund selection criteria as perceived by Malaysian unit trust consultants.

4. METHODOLOGY

4.1 Research Method

The main objective of this study is to examine the factors that are considered important in selecting a mutual fund. To accomplish this objective, two sets of questionnaire survey were designed to seek perceptions among EPF members and unit trust consultants about Members Investment Scheme and mutual fund investor behaviour. During the pilot test, two versions of survey were conducted; mail survey and online survey (Qualtrics). However, due to a poor response rate from the online survey, it was recommended that the main study be carried out with the mail survey.

4.2 Instruments

This paper reports part of a larger study on retirement savings behaviour in Malaysia. The analyses that follow in the next section focussed on several sections from both questionnaires; Member survey, and Consultants survey. Section one of both questionnaires were designed to gather information about the respondent's demographic and socio-economic background. Another section focussed on fund selection criteria. In this section, the respondents were asked to indicate, on a five-point Likert-type scale, ranging from "not at all important" to "extremely important", the factors they perceive when selecting a unit trust fund. Most of these eleven factors have been adapted from previous studies with some additional items to tap issues on religious principles (Bauman & Miller, 1995; Bogle & Twardowski, 1980; Frye, 2001; Gerrans, 2004; Golec, 1996; Masood & Sergi, 2009; Ramasamy & Yeung, 2003; Wilcox, 2003). The alpha coefficients for eleven factors were 0.929 (members) and 0.828 (consultants); thereby indicating a highly reliable measurement as they were above the acceptable value of 0.7 (Field, 2009, p. 675).

4.3 Sampling and Data Collection

The population of interest in this study was the EPF members and unit trust consultants. Under the Members Investment Scheme, EPF members are allowed to invest part of their savings in approved external fund (unit trusts). To ensure a representative sample, the respondents were drawn from eight organisations spanning trades persons, clerical workers, academics and professionals. The main reason for choosing them as the sample was because the respondents were making salary contributions to the EPF; and the respondents were the potential mutual fund investors. It was considered that the nature of respondents' occupations were adequate to capture the diversity of the fund member population. Meanwhile, the respondents for consultants' survey were the participants of the Annual Convention of Unit Trust Consultants.

Data collection was carried out in early November 2010. For members' survey, the researcher distributed the questionnaires via the assistance of employee representative from eight organisations respectively. The representatives then distributed the questionnaires randomly to other employees. At the end of November 2010, the representatives returned all the questionnaires to the researcher. From a total of 1,000 questionnaires distributed, 500 were returned, out of which 440 were usable (valid and completed), thereby yielding a response rate of about 44 percent, a response rate considered sufficiently large for statistical reliability. For consultants' survey, the researcher managed to cooperate with the Federation of the Investment Managers Malaysia (FIMM) to distribute the questionnaire during its annual convention. 561 completed questionnaires were returned, out of 1800 participants, thereby yielding a response rate of

about 31 percent. This relatively high response rate was attributed to the self-administered approach undertaken in distributing the questionnaires.

5. ANALYSIS AND FINDINGS

5.1 Respondents' Profiles - EPF Members

Table II presents the demographic profile of respondents. The sample consisted of slightly more males (52.5%) than females (47.5%). The mean (median) age of respondents was 33.1 (31) with a standard deviation of 8.27 years. Looking at ethnic composition, the majority of respondents were Malays (78.2%). This is not surprising as the Malays form the largest ethnic group in Malaysia. Compared to statistics from the Census of Population and Housing Malaysia 2000, the sample was over-weighted by the Malays (65%) and under-weighted by the Chinese (26%). In terms of religion affiliation, the largest proportion of the respondents was affiliated to Islam (78.6%). This was followed by Buddhism (12.7%) and Hinduism (7.3%). Another 1.1% respondents indicated that they were affiliated with Christianity.

The majority of respondents are well educated with more than 22 percent holding diploma and 53.2% having completed a University degree. More than two-third of total respondents have been members with the EPF for 10 years or less (69.3%). The sample median monthly income was between RM4,001 and RM5,000. The majority of respondents (45.2%) earned RM4,000 or less. More than 10% of total respondents earned RM10,001 and above. This result indicates that most of the respondents can be classified as middle-class income earners since majority have monthly incomes within the range of RM1000 to RM5000 (Eight Malaysian Plan 2001-2005)

5.2 Fund Selection Criteria

The responses obtained were analysed using SPSS version 18.0 (also known as PASW Statistics 18). To determine which of the fund selection criteria are perceived as more or less important, the mean analysis was performed to rank all the 11 factors. As depicted in Table III, the "fund's commitment to Islamic principles" was perceived as the most important factor in selecting a unit trust fund. This could be due to the fact that the majorities (78.6%) of respondents in this study are Muslim. With only a slight mean difference, "past performance of fund" was the second factor considered important. This evidence are in line with Capon et.al (1996) that investors also valued other criteria than solely past performance. It is interesting to note that the type of fund (Government-linked or Bank-owned) and the size of fund are the least important factors considered in fund selection. This is consistent with the results from Ramasamy and Yeung (2003) that the type of fund did not matter much in selecting a mutual fund.

In order to examine whether there are differences in the ranking of fund selection criteria between Muslims and non-Muslims, independent- samples t-test was performed. Table IV shows the ranking of fund selection criteria among Muslims and non-Muslims.

As depicted in Table IV, "past performance" was considered the most important criteria by non-Muslim. In contrast to what Muslim members perceived as the most important criterion, the "fund's commitment to Islamic principles" was considered among the least important criteria by non-Muslims. Thus, both group of respondents agreed that the "overall reputation of the fund" as quite an important factor in selecting a unit trust fund. Again, the size and type of fund were the least important factors considered by both groups. Overall, the above results indicated that Muslims and non-Muslims differ significantly in their perceived importance of fund selection criteria. Thus, the null hypothesis can be rejected. The t-test highlighted seven out of eleven factors had significant differences.

5.3 Respondents' Profiles – Unit trust consultants

Table V presents the demographic characteristics of unit trust consultants that participated in the current study. Out of 561 respondents, the sample consisted of slightly more females (55.1%) than males (44.9%). The mean (median) age of respondents was 42.11 (42) with a standard deviation of 9.98 years. Given the minimum age required to become a unit trust consultant is 21, a large number of the respondents were aged between 31 to 40 years (34%) and 41 to 50 years (29.4%). Looking at ethnicity and religious affiliation, it is interesting to note that the majority of respondents were

Chinese (67.9%) and practiced Buddhism (49.2%). To be a unit trust consultant, one has to pass the Malaysian Certificate of Education (SPM), which is normally obtained at secondary school. Thus, the sample is a well educated group with more than 30 percent holding a diploma and 41.5% having completed a University degree. In terms of employment, more than two-thirds (70.5%) of 556 respondents had been in the unit trust industry for 5 years or less. Less than 10% of respondents had spent more than 10 years in the industry.

5.4 Fund Selection Criteria

Table VI illustrated the respondents’ own perceived importance of fund selection criteria. Past performance of fund was the most important selection criteria considered by the consultants. With a slight mean difference, overall reputation of fund was the second criteria considered important. Experience of fund manager and fund ratings were both in the third place of importance.

To test the hypothesis whether there are differences in the ranking of fund selection criteria between Muslim and non-Muslim consultants, an independent- samples t-test was performed. The results of the t-test were shown in Table VII. As can be seen, 6 out of 11 criteria had significant mean differences, thereby rejecting the hypothesis. Clearly past performance, overall reputation of the fund and fund ratings were the top criteria considered important in both group of consultants. It appeared that Muslim consultants perceived the fund’s commitment to Islamic principles as the most important criteria, however, this factor was considered less important by their non-Muslim counterparts.

6. CONCLUSION

The importance of this study can be viewed from two aspects; theoretical contributions and practical implications. Theoretically, this study adds new evidence to existing behavioural research on mutual fund. This study explored the mutual fund selection criteria from the perspectives of both clients, and unit trust consultants, whereas Ramasamy and Yeung (2003) examined mutual fund selection criteria from financial advisors’ point of view. This study supports the evidence from Ramasamy and Yeung (2003) that past performance was considered amongst the most important criteria in fund selection. The present study further indicated significant differences in the ranking of fund selection criteria between Muslim and non-Muslim EPF members, as well as between Muslim and non-Muslim consultants.

Practically, the findings of this study can help fund management companies to better promoting their funds to the right investors. For example, findings show that past performance was still considered the main criterion in selecting a fund among non-Muslim investors. Fund management companies that offer Islamic fund with an attractive past returns may also reach this group of investors as well as prospective Muslim investors.

TABLES AND FIGURES

Table I: Statistics on the Malaysian unit trust industry

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Number of management companies | 36 | 36 | 38 | 39 | 39 | 39 | 39 | 40 | 40 |
| Total number of launched funds | 273 | 323 | 387 | 484 | 532 | 541 | 564 | 587 | 589 |
| - Conventional | 208 | 244 | 295 | 360 | 392 | 397 | 412 | 423 | 420 |
| - Islamic-Based | 65 | 79 | 92 | 124 | 140 | 144 | 152 | 164 | 169 |
| Total Units in circulation (billion units) | 118.627 | 139.386 | 153.719 | 206.835 | 236.392 | 273.879 | 289.366 | 316.411 | 351.578 |
| - Conventional | 105.472 | 120.762 | 135.245 | 170.563 | 187.535 | 217.031 | 233.158 | 255.199 | 281.713 |
| - Islamic-Based | 13.155 | 18.624 | 18.474 | 36.272 | 48.857 | 56.848 | 56.208 | 61.212 | 69.865 |
| Net Asset Value (NAV) of funds | 87.385 | 98.485 | 121.410 | 168.029 | 130.436 | 191.706 | 226.812 | 249.459 | 294.851 |

| (RM Billion) | | | | | | | | | |
|--------------------|--------|--------|---------|---------|---------|---------|---------|---------|---------|
| - Conventional | 80.624 | 89.998 | 112.309 | 151.244 | 114.318 | 169.626 | 202.768 | 221.599 | 259.490 |
| - Islamic-Based | 9.761 | 8.487 | 9.101 | 16.785 | 16.118 | 22.080 | 24.044 | 27.860 | 35.361 |
| NAV to Bursa | | | | | | | | | |
| Malaysia Market | 12.10 | 14.17 | 14.31 | 15.19 | 19.65 | 19.18 | 17.79 | 19.42 | 20.12 |
| Capitalisation (%) | | | | | | | | | |

Source: Securities Commission (http://www.sc.com.my/eng/html/resources/stats/stat_2004-2012.pdf)

Table II: Respondents' Profile (N=440)

| | | Valid Percent (%) | | | Valid Percent (%) |
|-----------|--------------|-------------------|------------|-------------------------------|-------------------|
| Gender | Male | 52.5 | EPF | Less than 5 years | 33.4 |
| | Female | 47.5 | Membership | 5-10 years | 35.9 |
| Age | 30 and below | 47.3 | | 11-20 years | 23.4 |
| | 31-35 | 22.3 | | More than 20 years | 7.3 |
| | 36-40 | 15.9 | Monthly | Less than or equal to RM4,000 | 45.2 |
| | 41-45 | 6.6 | Income | Between RM4,001 and RM5,000 | 18.4 |
| | 46-50 | 4.1 | | Between RM5,001 and RM6,000 | 8.2 |
| Ethnicity | 51 and above | 3.9 | | Between RM6,001 and RM7,000 | 5.9 |
| | Malay | 78.2 | | Between RM7,001 and RM8,000 | 3.6 |
| | Chinese | 13.4 | | Between RM8,001 and RM9,000 | 4.8 |
| | Indian | 7.7 | | Between RM9,001 and RM10,000 | 3.0 |
| | Other | 0.7 | | RM10,001 and above | 10.9 |
| Religion | Islam | 78.6 | Highest | Secondary | 12.3 |
| | Buddhism | 12.7 | Education | Diploma | 22.3 |
| | Hinduism | 7.3 | | First degree | 53.2 |
| | Christianity | 1.1 | | Masters | 10.7 |
| | | | | PhD | 0.7 |
| | | | Other | 0.9 | |

Table III: Ranking of fund selection criteria among EPF members

| Fund criteria | Mean | SD | Rank |
|---|--------|--------|------|
| The fund's commitment to Islamic principles | 4.2295 | .77521 | 1 |
| Past performance of fund | 4.2159 | .70548 | 2 |
| Overall reputation of the fund | 4.1318 | .68561 | 3 |
| Experience of fund manager | 4.1068 | .67830 | 4 |
| Fund ratings | 4.1000 | .68435 | 5 |
| Investment style of fund manager | 4.0023 | .68001 | 6 |
| Qualification of fund manager | 3.9955 | .72065 | 7 |
| Cost of transaction | 3.9795 | .72510 | 8 |
| Government-linked fund | 3.9568 | .71779 | 9 |
| Size of fund | 3.9568 | .68532 | 10 |
| Bank-owned fund | 3.8295 | .72416 | 11 |

Table IV: Importance of fund selection criteria between Muslims and non-Muslims members

| Fund criteria | Muslim (n = 346) | | Non-Muslim (n = 93) | | t |
|---|---------------------|------|------------------------|------|---------|
| | Mean | Rank | Mean | Rank | |
| The fund's commitment to Islamic principles | 4.295 | 1 | 4.011 | 8 | 2.966* |
| Past performance of fund | 4.101 | 2 | 4.645 | 1 | -6.941* |
| Overall reputation of the fund | 4.101 | 2 | 4.258 | 2 | -1.970* |
| Experience of fund manager | 4.093 | 3 | 4.172 | 5 | -1.006 |
| Fund ratings | 4.058 | 4 | 4.258 | 2 | -2.518* |
| Investment style of fund manager | 3.974 | 5 | 4.108 | 6 | -1.683 |

| | | | | | |
|-------------------------------|-------|----|-------|---|---------|
| Qualification of fund manager | 3.951 | 6 | 4.183 | 4 | -2.798* |
| Cost of transaction | 3.913 | 9 | 4.215 | 3 | -3.616* |
| Government-linked fund | 3.948 | 7 | 4.011 | 8 | -0.869 |
| Size of fund | 3.928 | 8 | 4.075 | 7 | -1.850 |
| Bank-owned fund | 3.798 | 10 | 3.968 | 9 | -2.258* |

* Significance at the $p < .05$ level.

Table V: Demographic characteristics of unit trust consultants (N=561)

| Characteristics | Category | Frequency | Percent (%) |
|--|--------------|-----------|-------------|
| Gender | Male | 252 | 44.9 |
| | Female | 309 | 55.1 |
| Age (years) | 21 – 30 | 79 | 14.1 |
| | 31 – 40 | 191 | 34.0 |
| | 41 – 50 | 165 | 29.4 |
| | 51 – 60 | 116 | 20.7 |
| | 61 > | 10 | 1.8 |
| Ethnicity | Malay | 142 | 25.3 |
| | Chinese | 381 | 67.9 |
| | Indian | 28 | 5.0 |
| | Other | 10 | 1.8 |
| Religion affiliation | Islam | 145 | 25.8 |
| | Buddhism | 276 | 49.2 |
| | Hinduism | 24 | 4.3 |
| | Christianity | 93 | 16.6 |
| | None | 15 | 2.7 |
| | Other | 8 | 1.4 |
| Highest education | Secondary | 78 | 13.9 |
| | Diploma | 169 | 30.1 |
| | First degree | 233 | 41.5 |
| | Masters | 45 | 8.0 |
| | Other | 36 | 6.4 |
| Period working as a UTC (years) N= 556 | < 5 | 392 | 70.5 |
| | 6 – 10 | 110 | 19.8 |
| | 11 – 15 | 36 | 6.5 |
| | 16 – 20 | 14 | 2.5 |
| | 21 > | 4 | 0.7 |

Table VI: Ranking importance of fund selection criteria: Unit trust consultants' view (N = 561)

| Fund criteria | Mean | SD | Rank |
|---|------|-----|------|
| The fund's commitment to Islamic principles | 3.55 | .98 | 8 |
| Past performance of fund | 4.20 | .64 | 1 |
| Overall reputation of the fund | 4.18 | .63 | 2 |
| Experience of fund manager | 4.14 | .69 | 3 |
| Fund ratings | 4.14 | .74 | 3 |
| Investment style of fund manager | 3.96 | .72 | 4 |
| Qualification of fund manager | 3.94 | .75 | 5 |
| Cost of transaction | 3.72 | .82 | 6 |
| Government-linked fund | 3.30 | .86 | 10 |
| Size of fund | 3.66 | .75 | 7 |
| Bank-owned fund | 3.33 | .88 | 9 |

Table VII: Perceived Importance of fund selection criteria between Muslim and non-Muslim consultants

| Fund criteria | Muslim (n = 145) | | Non-Muslim (n = 401) | | t |
|---|---------------------|------|-------------------------|------|---------|
| | Mean | Rank | Mean | Rank | |
| Past performance of fund | 4.30 | 2 | 4.16 | 1 | 2.234* |
| Qualification of fund manager | 4.00 | 6 | 3.92 | 5 | .879 |
| Experience of fund manager | 4.22 | 4 | 4.10 | 3 | 1.729 |
| Investment style of fund manager | 4.01 | 5 | 3.94 | 4 | 1.092 |
| Size of fund | 3.77 | 8 | 3.63 | 7 | 1.908 |
| Government-linked fund | 3.63 | 9 | 3.19 | 10 | 5.487* |
| Bank-owned fund | 3.58 | 10 | 3.26 | 9 | 3.858* |
| Cost of transaction | 3.92 | 7 | 3.66 | 6 | 3.273* |
| Overall reputation of the fund | 4.26 | 3 | 4.16 | 1 | 1.611 |
| The fund's commitment to Islamic principles | 4.31 | 1 | 3.31 | 8 | 13.557* |
| Fund ratings | 4.26 | 3 | 4.11 | 2 | 1.977* |

* Significance at the $p < .05$ level.

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