

CHAPTER I

INTRODUCTION

1.1 Overview of Research Object

The rapid growth of the information system turn people to more realized how important investment is. With the opening of the Fintech startup licensing faucet by the Financial Services Authority or known well as OJK, new financial products in this realm continue to emerge. One of them is Tanamduit, it is a product of an investment management company called Star Mercato Capitale.

Officially present since November 2017, Tanamduit present as a mutual fund service platform that educates consumers through determining investment objectives or financial goals. This service presents a simple design so that customers can view and monitor their investment growth through desktop and mobile applications. With Tanamduit, every consumer can determine their own investment goals. Such as pension money, vacation, and mortgage.



Figure 1. 1 Tanamduit logo

Source: tanamduit.com

Meanwhile, sharia mutual fund shows the significant growth for last couple years makes it so attractive to be bought. Tanamduit is one of the online platforms that sales various investment in one platform, yet sharia mutual fund available here. There are 14 Islamic mutual funds listed in Tanamduit:

Table 1. 1 Sharia mutual fund on tanamduit platform

No.	Products	Fund Manager	Investment Companies	Launching date	Portfolio composition*
1	Mandiri Pasar Uang Syariah	PT .Mandiri Manajemen Investasi	Standard Chartered Bank	October 25, 2017	Money market (81.19%)
					Bond (19.81%)

2	Pinnacle Sharia Money Market Fund	PT Pinnacle Persada Investama	DBS Bank	February 2, 2018	Money market (50.12%)
					Bond (49.88%)
3	Syailendra Sharia Money Market Fund	PT. Syailendra Capital	CIMB Bank	October 5, 2017	Money market (30.37%)
					Cash (6,16%)
					Bond (63.46%)
4	Trimegah Kas Syariah	PT Trimegah Asset Management	Mandiri Bank	December 22, 2017	Bond (67.36%)
					Others (32.64%)
5	Bahana MES Syariah Fund	PT Bahana TCW Investment Management	Standard Chartered Bank	November 11, 2016	Bond (98%)
					Others (2%)
6	Manulife Syariah Sukuk Indonesia	PT Manulife Aset Manajemen Indonesia	Standard Chartered Bank	May 12, 2017	Money market (3.39%)
					Bond (96.61%)
7	Danareksa Syariah Berimbang	PT. Danareksa Investment Managemen	Citi Bank	December 1, 2000	Equity (49.26%)
					Bond (25.88%)
					Cash (24,86%)
8	Mandiri Investa Syariah Berimbang	PT .Mandiri Manajemen Investasi	Deutsche Bank, Jakarta	November 4, 2004	Money Market (18.51%)
					Equity (7.32%)
					Bond (74.17%)
9	Batavia Dana Saham Syariah	PT Batavia Prosperindo Aset Manajemen	Deutsche Bank	July 19, 2007	Money market (7.7%)
					Equity (92.30%)

10	BNP Paribas Pesona Syariah	PT. BNP Paribas Investment Partners	HSBC Bank Indonesia	May 7, 2007	Money market (13.7%)
					Equity (86.3%)
11	CIMB- Principal Islamic Equity Growth Syariah	PT Principal Asset Management	Deutsche Bank	September 10, 2007	Money market (10.58%)
					Equity (89.42%)
12	Minna Padi Indraprastha Saham Syariah	PT Minna Padi Aset Manajemen	Mandiri Bank	February 14, 2018	Money market (21.25%)
					Equity (78.75%)
13	Sucorinvest Sharia Equity Fund	PT Sucorinvest Asset Management	Bank Negara Indonesia	November 8, 2013	Money market (21.25%)
					Equity (78.75%)
14	Trim Syariah Saham	PT Trimegah Asset Management	Deutsche Bank	December 27, 2006	Equity (91.59%)
					Others (8.41%)

Source : tanamduit.com (2019)

1.2 Research Background.

An investment is the current commitment of money or other resources in the expectation of reaping future benefits as stated by Bodie et al (2012). The investors target is to improve their welfare on the financial area. Seeing from the investor's goal themselves, it is not surprise that the quantity of interests of investment in Indonesia is growing year by year. According to The Indonesia Central Securities Depository (KSEI), up to January 2019, the investor numbers in Indonesia is 1,676,606. The number has increased by 3.53% compared to the end of 2018 which reached 1.61 million investors (Laoli, 2019).

One of the instruments that traded in Indonesia and being pushed by the government is mutual funds. Mutual funds are one of the investments that can be bought with a minimum investment of IDR 100,000. Quoted from an article of

Almawadi (2018), Adrian Maulana as Senior Vice President Intermediary Business PT Schroder Investment Management Indonesia said, the growth factor in the number of mutual fund investors are technological advancements that make it easier for people to get information while transacting mutual funds from the internet, so that it no longer only relies on the bank and the existence of a supermarket fund such as Bareksa, and also an online buying and selling platform (Bukalapak, Tokopedia) helped boost the growth of the number of investors. With those facilities, the community gets a lot of convenience in terms of time and costs. On the same article, Tubagus Farash Akbar as Head Investment of Avrist Asset Management adds another factor. He said that the growth driven by the increasing investment needs and life expectancy is high. It caused by the yields on traditional investments such as the money market tend to be lower. While investment returns such as pension funds are high. In addition, he said the development of the mutual fund feature with a small subscription value of Rp100,000 caused investor coverage to expand. This is supported by the development of technology that makes many new distribution channels that facilitate reaching investors in various places and widely.

According to OJK, Mutual funds in Indonesia divided into two categories, there are a conventional mutual fund and a sharia mutual fund. Conventional funds managed by banks are mutual funds that can be invested in all securities such as securities (stocks and bonds) to deposits and are adjusted to the investment limits issued by the Financial Services Authority (OJK). In this investment, the total debt and the companies involved in mutual fund investment are not an important condition. Otherwise, sharia mutual fund is a special mutual fund where every investment instruments must not conflict with Islamic principles. This Sharia Mutual Fund is intended to provide broader investment alternatives, especially for Muslim investors. According to the World Bank 2018, the population of Indonesia is worth over 263million on the late of 2017 with 85% of it is a Moslem makes Indonesia become the largest Moslem country in the world. With the majority of the population Muslim, Indonesia is clearly a potential market for the growth of Islamic investment.

Realized that Indonesia as the biggest moslem in the world, the government made a master plan, named “MASTERPLAN EKONOMI SYARIAH INDONESIA 2019-2024”. This masterplan stated Syariah mutual fund is one the leading sector (Kementerian Perencanaan Pembangunan Nasional/ Badan Perencanaan Pembangunan Nasional, 2018). The sharia mutual fund performance is always growing. As stated by Head of Sales Marketing Bareksa.com Sumarni Laisila, the penetration of Islamic mutual funds drove up with the growth of the halal lifestyle. At Bareksa.com itself, the positive trend can be seen from the growth of investors who use Islamic products. In mid-2018 to February 2019, according to Rani, there was an increase from two percent to 28 percent (Yolanda, 2019). According to the data from OJK that shown on figure 1.2, it showed the total mutual fund that available on the Indonesia mutual fund market is 224 with total net asset value worth Rp 34.419,17 billion. And from the table 1.2, we can see the growth from 2017 up to the end of 2018.

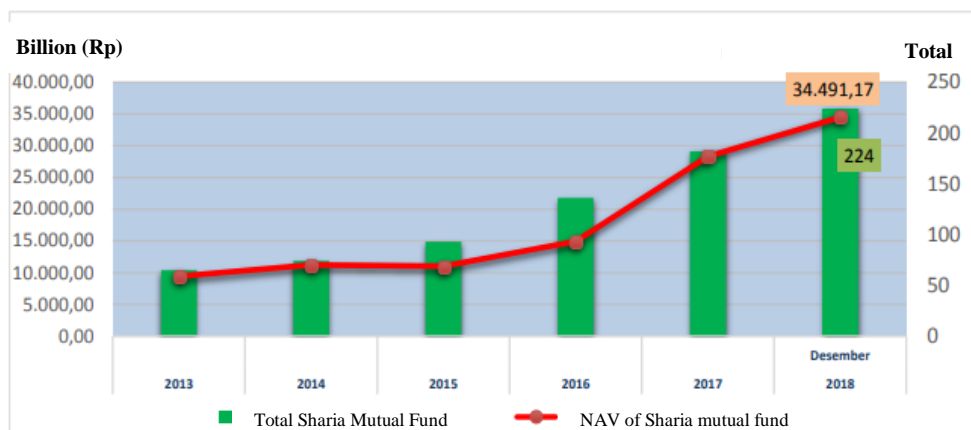


Figure 1. 2 Growth of sharia mutual fund

Source: OJK (2019)

This is indivisible from the worldwide advancement of money related innovation and data information innovation especially the usage of internet in Indonesia that shown on Figure (1.3) helped change the scene of the financial service industry including the mutual fund industry. OJK also has additionally reexamined various controls administering the utilization of data innovation or digitalization in common reserve showcasing.

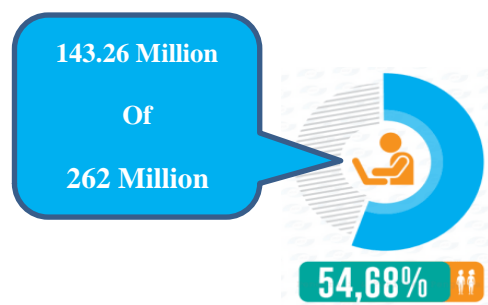


Figure 1. 3 Internet user penetrations

Source: APJII (2018)

The penetrations of the internet also help the community to do investment activity based on their risk profile. To determine their risk profile, practitioners divide into three categories. The first one is conservative. This is the type of investor who wants stability and certainty. The second one is moderate. This is a type of investor that has a higher tolerance compared to conservative profiles in dealing with various risks with the hope of getting a more balanced return. And the last is aggressive. This is the type of investor who has the highest-risk tolerance. Aggressive profile individuals expect a return that is as high as the investment they have made so that it can be said "high risk, high return." According to Bodie et al (2011), there are three types of profiles a person's risk in facing a risk. The first one is risk-averse, this type of investor will be aware of a risky portfolio, but the risk is a market risk. The second one is risk-neutral, namely an investor who faces a low risk and expects a return as desired. The third one is a risk taker, which is an investor who is able to receive a higher return than expected with a greater amount of risk.

One of the platforms that provide investors to do their activities is Tanamduit. It is a digital platform that helps customers comprehensively in making financial planning, executing financial plans and monitoring the progress of their investment performance. It presents self-learning facilities for those who are still unfamiliar in investing in mutual funds and also help them to find out their risk profile. Nonetheless, Tanamduit can recommend products that are in accordance with the character and needs of the community. It was developed and owned by PT Star Mercato Capitale, a startup company in the field of financial technology with the aim of providing experience to the community to invest easily and pleasantly, and has been registered and supervised by the Financial Services Authority (OJK). The company was founded by respected experts and

professionals in the financial industry, who are committed to building an innovative digital financial platform.

In this study, authors use all the sharia mutual fund products that available on Tanamduit platform as shown on the table below:

Table 1. 2 Sharia mutual fund product and risk profile on tanamduit

	Products	Type of product	Risk
1	Mandiri Pasar Uang Syariah	Money market	Low
2	Pinnacle Sharia Money Market Fund	Money market	Low
3	Syailendra Sharia Money Market Fund	Money market	Low
4	Trimegah Kas Syariah	Money market	Low
5	Bahana MES Syariah Fund	Fix income	Med
6	Manulife Syariah Sukuk Indonesia	Fix income	Med
7	Danareksa Syariah Berimbang	Mix fund	Med
8	Mandiri Investa Syariah Berimbang	Mix fund	Med
9	Batavia Dana Saham Syariah	Stocks	High
10	BNP Paribas Pesona Syariah	Stocks	High
11	CIMB-Principal Islamic Equity Growth Syariah	Stocks	High
12	Minna Padi Indraprastha Saham Syariah	Stocks	High
13	Sucorinvest Sharia Equity Fund	Stocks	High
14	Trim Syariah Saham	Stocks	High

Source: (Tanamduit.com, 2019)

According to Brown et al (2009), there are four methods of calculating performance analysis, namely Treynor Ratio, Sharpe Ratio, Jensen's Alpha, and Information Ratio. Calculation of portfolio performance based on Sharpe Ratio and Treynor Ratio is the simplest measurement method compared to Jensen's Alpha and Information Ratio. Sharpe Ratio and Treynor ratio measure portfolio performance based on an assessment of optimization of returns and risks or risk adjusted returns. The measurement uses a method of dividing returns with risk. The return used in Treynor Ratio and Sharpe Ratio uses excess return, which is the difference between mutual fund returns and risk free (RD - RF return). On the

risk side, Sharpe Ratio uses Standard Deviation as a risk while Treynor ratio uses Beta (mutual fund sensitivity to market movements).

Some of the researchers have done the research analyzing the sharia mutual fund by Elfakhani et al. (2004). The research occurred the Sharpe ratio of the Emerging markets funds is the highest, followed by the Emerging markets-South Africa funds, and the American funds, all of which have positive ratios. The Treynor ratio of the Emerging markets-South Africa funds is the highest, followed by the Emerging markets funds and the American funds, all three with positive ratios. The Jensen alpha test shows that when using the S&P 500, all the funds in the Emerging markets and the technology categories have positive alphas, whilst all of the funds in the Asian and European categories had negative alphas.

In Indonesia, there are two kinds of mutual funds, they are sharia mutual funds, and conventional mutual funds. A research has been made by Zamzany et al. (2018), made a comparative research about mutual fund in Indonesia between Sharia and conventional. The overall result is every method proves that sharia mutual fund performance is better than conventional mutual fund in 2006-2009.

More research has been made by Dahlifah and Supriyanto (2015), using Sharpe ratio, Treynor ratio, and Jensen alpha found that Based on Treynor method, the overall Sharia Mutual Fund has better performance than the conventional mutual fund shares ($0.001513 > -0.002237$). In Sharpe method, the overall Sharia share Mutual Funds during the period 2011 to 2013 has a better performance than the conventional share mutual funds ($0.037899 > -0.058117$). In Jensen method, during 2011 to 2013, the overall sharia mutual fund shares has a better performance than the conventional mutual fund shares ($-0.001093 > 0.002643$). another research made by Santosa and Sjam (2012), found that based sharpe ratio, the best mutual fund product of NISP Bank is NISP Dana Siaga. Based on Treynor ratio, the best mutual fund products are Dana Tetap Liquid, Index Saham Progresif, and Dana Siaga. Based on Jensen Alpha, the best mutual fund product is Indes Saham Progresif.

This situation is proven by a research made by Warinda & Mediawati (2016), found according Sharpe ratio, 2012 is the best year of sharia mutual fund performance. Based on sharpe ratio, Reksadana Cipta Syariah Equity is the great performer, and Reksadana PNM Ekuitas Syariah is the lowest performer.

Nevertheless, Natalina (2015) found the growth of Islamic mutual funds to become one of the market products capitals showed an increase in value in 2012 of 3.79% then in 2013 to 4.32%. While the 1-Year Real Investment Yield Growth for Sharia Mutual Funds with 21 Mutual Funds that moved shows that the investment yields that can be given is the lowest 1.51% while the highest is 30.55%.

The latest research made by Putri & Worokinasih (2018), made a comparative research about sharia mutual fund in Indonesia that listed in OJK in the 2015-2017 time period. The research reveals that the performance of sharia equity funds with the benchmark in 2015, there is only one sharia equity fund has outperformed performance. In 2016 and 2017 to the performance benchmark with Sharpe, Treynor and Jensen methods is Sucorinvest Sharia Equity Fund from Investment Manager of PT Sucorinvest Asset Management.

Based on the phenomenon above and the previous research result, the author thinks that it is important to make a research with the title “**Performance analysis of sharia mutual fund on Tanamduit using sharpee ratio, jensen ratio, and treynor**”

1.3 Problem Statement

Based on data obtained from the site of *Otoritas Jasa Keuangan* (Otoritas Jasa Keuangan, 2018), the number of mutual fund products listed on the market and the net asset value has increased every year from 2013 to 2018. This proves that there is an increase in interest and awareness of the Indonesian people in investing. Therefore, investors need an analysis to maximize returns and minimize the risks faced in making investments. A performance analysis can be done by several methods. In this study, the authors analyse the mutual fund portfolio performance using sharpe ratio, jensen ratio, and treynor.

1.4 Research Question

1. What are the best mutual fund products according to Sharpee Ratio of every risk profiles?
2. What are the best mutual fund products according to Treynor Ratio of every risk profiles?

3. What are the best mutual fund products according to Jensen Alpha of every risk profiles?

1.5 Objectives

1. To determine the best mutual fund products according to Sharpee Ratio for every risk profiles
2. To determine the best mutual fund products according to Treynor Ratio for every risk profiles
3. To determine the best mutual fund products according to Jensen Alpha for every risk profile.

1.6 Aims of Research

1.6.1 Business aspect

In term of business, this research is expected to be useful information for investors and consideration for investors and issuers in conducting mutual funds trading activities.

1.6.2 Academic Aspect

In term of academic, this research is expected to be useful for economics, investment knowledge, and implementation financial and investment analysis on economic life, especially investment activities. The results of this study also can be used as a reference for academicians to add insight and knowledge and can be used as a reference guide for future researchers.

1.7 Scope of Study

This study has restrictions aimed at preventing widespread problems and maintaining the consistency of the researcher's objectives. The scope is as follows:

1. Sharia mutual fund product that available in Tanamduit
2. Sharia mutual fund product that available on Tanamduit platform with at least one year existent.
3. Only use 3 method, which are sharpe, treynor, and jansen

1.8 Writing systematic

The writing systematics of this research is as follows:

1.8.1 Chapter I: Introduction

This chapter briefly presents a general explanation of the research. The content includes an overview of the research object, research background, research questions, objectives, the significance of the study, and writing systematics.

1.8.2 Chapter II: Literature Review and Scope of the Research

This chapter presents clearly, concisely and concisely the results of the literature review related to the topic and research variables to be the basis for the preparation of the framework and formulation of the hypothesis.

1.8.3 Chapter III: Research Methodology

In this chapter, the researcher describes the characteristic of the research, operational and variable measurement, steps, sample, resources, and data analysis method.

1.8.4 Chapter IV: Analysis and Discussion

This chapter provides the results of the research systematically in order to be analysed by using the methodology and also discussion.

1.8.5 Chapter V: Conclusion and Suggestion

The last chapter of the research presents the conclusion which is derived from all the data processing and analysis and recommendation for further development field of the research.