The objective of this research is to study the benefits of mutual funds for providing diversification in investment portfolios for domestic and international investors. Specifically, this research investigates the influence of the mutual fund characteristics and monetary environment on performance, and the ability of fund managers in making good decisions. This research uses information from a sample of 420 mutual funds for the period 2000(M1) - 2012(M6). This research applies regression analysis for panel data. In this study, the characteristics are divided by one category, geography. Mutual funds are divided geographically into domestic, international, Asia Pacific and Global. Monetary environments are divided into restrictive and expansive monetary environments. The market benchmarks are the Malaysia Gold Shariah Price Index and the KLSE Composite Index for Islamic mutual funds and conventional mutual funds. The results indicate that the performance of all funds are lower than the benchmark, except Asia Pacific, which has a positive alpha that implies that the mutual fund performance of this area is higher than the benchmark. The results suggest that the mutual fund characteristics cause differences in performance. In addition, the monetary environment results denote that different monetary environments will affect the fund performance and benchmarks differently through variations in the monetary environment. Analysis of the non-linear model results reveal that not all fund managers will be able to get information, and, through their expertise, the investment decisions could achieve abnormal returns. The implication of this finding is that the selection investment location and risk taking reflected in the objective will influence the performance of mutual funds.

Key words: Mutual Fund; Characteristic of funds, Monetary Policy Environment and Performance.
JEL classification: G11, G12, G15

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1. Introduction

Studies on the performance of mutual funds have examined many perspectives. Among the perspectives are investment horizon, performance measurement, fund managers performance, and fund characteristics. By assuming that all investors have a single-horizon investment period and the mutual fund market is the most efficient financial market, researchers like Treynor (1965), Sharpe (1966), McDonald (1974), Grinblatt and Titman (1989), Gruber (1996), Carhart (1997), Zhou (2004) and Erzurumlu (2006) found that investment in mutual funds did not achieve abnormal returns in the presence of the linear functional form of CAPM. However, both assumptions are arguable, due to the individual and/or institutional investors that have varied investment horizons depending on the consumption pattern. This argument also motivated several researchers, among others Tobin (1965), Lee (1976), McDonald (1983), Lee, Wu and Wei (1990) and Liu (2006), to consider the variety of investment horizon periods that might have some important implications on the empirical estimation of the systematic risk and relationship between return and risks.

For the second perspective, the performance measurement was actively explored in the 1970s (see for example Carlson (1970), McDonald (1974), and Kon and Jen (1979)), in which most of these studies used the Treynor, Sharpe and Jensen indexes and found that investment in mutual funds gave abnormal returns. However, later researchers, such as Malkiel (1995) and Carhart (1997), include other factors that might be considered to absorb market factors. They tested the effect of active mutual fund managers on mutual fund performance. The results show lower performance than the market portfolio benchmark and also in index form as passive investment. Conversely, Grinblatt and Timan (1993), Detzler (1999), and Wermers (2000) stated that active fund managers’ performance is higher than the performance of the market portfolio benchmark and index form as passive investment. In addition, performance was measured before and after reduction due to the costs and expenses involved and based on individual portfolios.

Further research was carried out on the relationship between the fund characteristics and performance itself. The fund characteristics have attracted many views. Connor and Korajczyk (1991), Otten (2002), and Jan and Huang (2003), for example, studied the fund characteristics, i.e., the objective of the funds, such as income fund, growth fund, balance fund in relation to performance. While, Ippolito (1987), Gruber (1996), and Jan and Hung

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1 Active investment is an investment that is actively chosen and changes the assets of the portfolio, and is normally made by the fund managers. Passive investment is an investment that is not actively chosen and does not change the assets of the portfolio, such as investment in derivative securities based on the index.
(2003) studied the fund characteristics (which carry the loading charges) with performance. Otten (2002), Elafahani and Hasan (2005), Detzler (1999), and Baik et al. (2010) studied the relationship between fund characteristics based on geographical investment and ownership with performance. Christoffersen and Sarkissian (2009) investigated the average skill level and found that productivities are higher in larger cities. They explored the relationship between the size of city and productivity. The results show that, on average, financial centres perform better than other funds. Their argument is that performance is driven by more experience.

Recently, fund characteristics have been expanded to explore the effect of the sales system. In their view, James and Karceski (2006) investigated the significant differences between a public unit’s retail mutual fund and a public unit’s non-retail mutual fund in terms of their respective characteristics of performance. Jan and Hung (2003), Chen, Hong, Huang and Kubik (2004), and Philpot and Peterson (2006) further investigated the relationship of the characteristics of funds in terms of the value of their assets, rollovers, contributions and assets. Badrinath and Gubellini (2011) evaluated the market neutral and bear mutual funds on the return performance of short-long using the multi-factor model. Their results show that differences in the bearish posture of these mutual funds result in different performance characteristics. Karagiannidis (2012) investigated the effect of management team level characteristics on portfolio risk and style extremity. The results indicate that teams with more members, longer tenure and more members with graduate business training hold less risky assets. The diversity of members is related to less extremity style decisions.

In this paper we explore the performance of mutual funds from other perspectives. First, the Malaysia mutual fund market can be classified into various geographical destinations from domestic to global investment, namely, Global, Asia Pacific, International and domestic or Malaysia. These categories have some implications. Geography can influence the investment destination (collecting funds from domestic investor and invest in various regions depending on the investment policy decided). Geography can also affect the money collected from various regions invested in the domestic market or other regions. The argument is that characteristics affect the performance and that different geographic investments of collected funds will have different characteristics and risk premiums. The rational investor will consider their investment for each additional risk premium of the particular financial asset like mutual funds (James and Karceski, 2006).

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2 Fee for buying or selling mutual funds.
As for the influence of the monetary policy environment on the mutual fund performance, the researcher adopted the model by Li (2004) with some adjustments. The researcher changed and redefined the market condition to the monetary policy environment to capture the big picture of the economic condition. The researcher decided to view the monetary policy environment from two perspectives: 1) monetary policy and 2) market condition. In addition, Chen et al. (2008) examined the performance of mutual funds under the Central Bank of China in a monetary policy environment differences in the emerging Taiwan market. They found that all mutual funds, domestic and international funds show a higher mean return, lower risk and higher Sharpe and Treynor ratios under an expansive monetary policy environment.

The objective of this research is, generally, to study the performance of mutual fund and compare it with the portfolio market, using the Malaysia Gold Shariah Price Index and Kuala Lumpur Composite Index. Specifically, this study aims (i) to analyse the benefits of mutual funds in giving some alternatives of portfolio divertible for domestic and international investment and investors; (ii) to study the effect of the selected characteristics of mutual performance against performance; and (iii) to study the effect of the different monetary environments against the performance of mutual funds.

The remaining discussion of this paper is divided into three sections. The second section will discuss the model and data sources and descriptions. The discussion of empirical results will be discussed in section 3. Section 4 will provide the conclusion.

2. Model and Data Descriptions

The research methodology involves two steps, i.e., the derivation of a model followed by data description and model estimation.

The standard estimation model introduced by Jensen (1968) is adopted for measuring fund performance. The standard models of Jan and Hung (2003), Chen, Hong, Huang and Kubik (2004), and Philpot and Peterson (2006) are used to examine the effect of the fund characteristics and monetary environment. Therefore, the performance of mutual funds could be written as follows:

\[
Perf = f (\text{Fund Characteristics, Monetary Environment}) + \varepsilon \quad [1]
\]

Equation [1] suggests that characteristics and monetary environment influence the performance of mutual funds. The model differs from the previous studies in two aspects. We use different fund characteristics according to geography. We redefine based on the region of investment or geography. In this research, we use four geographic regions – Global, Asia Pacific, International and Domestic (Malaysia). Global means that the investment destination of the collected funds and investors could be various foreign countries. International means
that the investment destination of collected funds and investors could be one foreign country. We argue that different contracts give different rights and responsibilities, so this will affect the performance achievements of mutual funds differently. Since the study uses panel data, equation (1) can be rewritten as follows:

\[ \text{Perf}_i = \beta_0 + \beta_1 \text{FC}_i + \beta_2 \text{ME}_i + e_i \]  \[2\]

Based on equation 2, we estimate the influence of the characteristics (FC) and monetary environment (ME) on the performance of mutual funds. Based on equation (2), the description of the variables will be discussed below.

In assessing the performances of mutual funds, many researchers focus their analysis by adopting three traditional models, namely, Jensen’s alpha (1968) called the CAPM model, Fama-French’s (1996) three-factor model, and Carhart’s (1997) four-factor model. This research, however, adopts a one-factor model or single-index due to data constraint. Under this model, performance is measured by a constant (Alpha) of the single model. In other words, Alpha serves as relative performance representing additional return as adjusted by the risks of each particular fund or market portfolio under some benchmarks. Jensen (1967) applied the single index or one factor-model measurement using the following formula:

\[ R_{it} - r_f = a_i + \beta_i (R_{mt} - r_f) \]  \[3\]

Where \( R_{it} \) is the rate of return of mutual fund \( i \) at time \( t \); \( r_f \) is risk-free rate (we used monthly commercial inter-bank interest rate) (Ismail and Shakrani, 2003); \( R_{mt} \) is market return of market portfolio \( m \) at time \( t \); \( a_i \) is the alpha of mutual fund \( i \) at time \( t \), as the proxy for performance of mutual fund \( i \). In this research, we use two benchmarks, the Malaysia Gold Shariah Price Index for Islamic Funds and the Kuala Lumpur Composite Index for conventional funds.

We rearrange equation 3 considering the effect of the monetary environment then interpolate it with the market benchmark; the equation is as follows:

\[ \text{ER}_{j,t} = a_j + \alpha_{dj} \text{dt} + \beta_j \text{ER}_{m,t} + \beta_{dj} \text{dt} \text{ER}_{m,t} + \mu_{j,t} \]  \[4\]

Where \( \text{dt} \) is the dummy variable for monetary environment; the value is zero when the monetary environment is in expansion and one when the monetary environment is restricted.

The single index model analysis does not clearly show the distinction between security selection and the timing ability on the part of the fund manager’s ability. Therefore, we do not know whether the performance reached is an outcome from the expertise of the fund managers in making investment decisions with a change in the investment strategy, in instrument investment selection or timing selection, or due to uncontrollable external factor market risk. In other words, whether the fund performance is reached due to the “ice hand” or “hot hand” of fund managers. Treynor and Mazuy (1966) proposed the following model to
overcome this issue. Chen et al. (2010) also used this particular model to test the timing ability of mutual fund managers, as follows:

$$R_{it} - r_f = a_i + \beta_i(R_{mt} - r_f) + \beta_{1t}(R_{mt} - r_f)^2 + e_{it}$$  \[5\]

The alpha in equation 4 measures a funds’ security selection ability, whereas $B_T$ indicates a fund’s market timing ability. To validate the quadratic timing model, Jagannathan and Korajczk (1986) augmented the model as follows:

$$R_{it} - r_f = a_i + \beta_i(R_{mt} - r_f) + \beta_{1t}(R_{mt} - r_f)^2 + \beta_{2t}(R_{mt} - r_f)^3 + e_{it}$$  \[6\]

Equation 5 is used to test the higher moments data by adding the cubic term. If $B_C$ is significant they argued that the quadratic timing model is not specified (Bouer et al. 2006).

We rearrange equations 5 and 6 to consider the effect of monetary environment then interpolate it with the market benchmark; the equation is as follows:

$$ER_{jt} = \alpha_j + \alpha_{djt} + \beta_j ER_{mt} + \beta_{djt} (ER_{mt})^2 + \beta_{jjt} (ER_{mt})^3 + \mu_{jt}$$  \[7\]

$$ER_{jt} = \alpha_j + \alpha_{djt} + \beta_j ER_{mt} + \beta_{djt} (ER_{mt})^2 + \beta_{jjt} (ER_{mt})^3 + \beta_{djt} (ER_{mt}) + \mu_{jt}$$  \[8\]

The data of the above variable consist of individual data on mutual funds, such as net asset value, return, size, fee and expenses, and the characteristics of the mutual fund based on geography – Domestic (Malaysia), International, Asia Pacific and Global. The last is the market data, such as the Malaysian Gold Shariah Price Index and Composite Index of Kuala Lumpur and the free interest rate is the deposit rate for one month. All data were obtained from the company databases of Bloomberg. The research periods used are from 2000(M1) to 2012(M6). We drew 420 samples of mutual funds in Malaysia.

We selected the above benchmark because our sample is divided into Islamic mutual funds and conventional mutual funds; hence, it would be appropriate to use the Kuala Lumpur Shariah Gold Index for Islamic funds because it is one main centre of the Islamic financial market and the Kuala Lumpur Composite Index for Conventional Funds. Kuala Lumpur’s Composite-Index is used as a benchmark to comply with the analytical-rule of mutual funds in performing an investment portfolio and comparing it with conventional mutual funds.

3. Analysis of Results

3.1 Descriptive Statistics Analysis

The data will be discussed descriptively to validate the panel data estimation. Table 1 presents the descriptive statistics of the mutual fund market in Malaysia. This result shows that the highest excess return for Domestic (Malaysia) funds is higher than the excess return of other investment regions. Malaysia funds are above the average excess return and Asia Pacific, Global and International are below the average excess return.
The information concerning the average excess return of each fund is related to the basic theory of finance, which states that higher returns reward higher risk. This is illustrated by the standard deviation result of each fund. We find that all funds based on their geographical characteristics have a negative average excess return, except the Malaysia region funds in which the average excess returns are positive. In terms of risk, even the Malaysia region funds are positive and definitely high compared with others; the good news is that their risk is the lowest. We can argue that the results support the reasoning that in international investment, normally, the risk is higher compared with domestic investment due to the additional risks involved, such as currency and country risks. Unfortunately, higher risk is not compensated for by a higher return. Fund managers failed to assure their investors with their investment strategy.

### 3.2 Single index performance model

In the analysis of the mutual fund performance in Malaysia, we first use the single index model, known as the capital asset pricing model (CAPM). We measure the performance based on whether the fund performance outperforms or underperforms compared with the market portfolio. Here, we call the performance presented by alpha from the single index model, Jensen’s alpha.

Table 2 reports Jensen’s alpha of the mutual funds. For characteristics based on geography, we have four types – Asia Pacific funds, Global funds, International funds and Domestic funds (Malaysia).

Jensen’s alpha reports that all alphas under fund geographies are statistically highly significant and that there is evidence for all funds based on geography. These results are presented in all fund categories in Malaysia for the sample period and show slight underperformance; as indicated by an alpha close to zero. Surprisingly, all the funds in the market were strongly influenced by market risk with the lowest impact for the Malaysia
region. This result is without doubt due to fund management and we can assume that the fund management is poor regarding the market information for foreign investment destinations.

To proceed, we analyse different influences of monetary environment on the performance. We assess them based on monetary environment expansion (Alpha) and retraction (ME). The ME*Bm interaction shows a retraction monetary environment and market portfolio.

Table 2: Result for Single Index

<table>
<thead>
<tr>
<th>Fund Geography</th>
<th>Alpha</th>
<th>ME</th>
<th>Benchmark</th>
<th>ME*Bm</th>
<th>R^2 Adj</th>
<th>F Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>0.0016</td>
<td>-0.0086</td>
<td>0.6881</td>
<td>-1.7890</td>
<td>0.34</td>
<td>570.80</td>
</tr>
<tr>
<td></td>
<td>(0.0015)</td>
<td>(0.0017)***</td>
<td>(0.0181)***</td>
<td>(0.5603)***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global</td>
<td>-0.0030</td>
<td>-0.0061</td>
<td>0.5134</td>
<td>-0.0284</td>
<td>0.21</td>
<td>215.19</td>
</tr>
<tr>
<td></td>
<td>(0.0019)*</td>
<td>(0.0022)***</td>
<td>(0.042)***</td>
<td>(0.0486)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International</td>
<td>-0.0041</td>
<td>-0.0148</td>
<td>0.6659</td>
<td>-0.0724</td>
<td>0.09</td>
<td>21.95</td>
</tr>
<tr>
<td></td>
<td>(0.0076)</td>
<td>(0.0088)*</td>
<td>(0.1669)***</td>
<td>(0.1979)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>0.0007</td>
<td>-0.0010</td>
<td>0.4818</td>
<td>-0.0394</td>
<td>0.26</td>
<td>3919.51</td>
</tr>
<tr>
<td></td>
<td>(0.0003)**</td>
<td>(0.0004)***</td>
<td>(0.0088)***</td>
<td>(0.010)**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Funds</td>
<td>0.0005</td>
<td>-0.0023</td>
<td>0.5123</td>
<td>-0.0467</td>
<td>0.25</td>
<td>4359.56</td>
</tr>
<tr>
<td></td>
<td>(0.0003)</td>
<td>(0.0004)***</td>
<td>(0.0088)***</td>
<td>(0.0101)***</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*** = Significant 1%, ** = Significant 5%, * = Significant 10%

The Asia Pacific region mutual fund shows that it outperforms when the monetary environment is in expansion, as shown by the positive alpha. But its performance reduces, with 0.0086, when monetary environment is in retraction. In addition, the market benchmarks have a positive influence on the performance in expansionary environments but reduce by 1.789 when in a retractionary environment. Global region mutual funds have under performance when the monetary environment is in expansion, as shown by the positive alpha. Their performance will be worse by 0.0061 when the monetary environment is in retraction.

In addition, the market benchmark has a positive influence on the performance in an expansion environment but reduces by 0.02724 in a retraction environment. International region mutual funds under perform when the monetary environment is in expansion, as shown by alpha negative. Their performance will be worse by 0.0148 when the monetary environment is in retraction. In addition, market benchmarks have a positive influence on performance in expansionary environments but reduce it by 0.0724 when in a retractionary environment. The Malaysia region mutual funds show outperformance when the monetary environment is in expansion, as shown by the positive alpha.
However, their performance will reduce by 0.0086 when the monetary environment is in retraction. In addition market benchmarks have a positive influence on performance in an expansionary environment but reduce by 1.789 when in a retractionary environment. Overall, mutual funds demonstrate outperformance when the monetary environment is in expansion, as shown by the positive alpha. However, their performance will reduce by 0.0086 when the monetary environment is in retraction. In addition, market benchmarks have a positive influence on performance in an expansionary environment but reduce by 1.789 when in a retractionary environment.

These results indicate that, generally, the monetary environment influences the performance of mutual funds. An expansionary monetary environment has a positive influence on the Asia Pacific and Malaysia mutual funds but a negative influence on the Global and International mutual funds. The single index model or selection ability and monetary environment factor could significantly explain the excess returns of mutual funds, which are 34% for Asia Pacific, 21% for Global, 9% for International funds, 26% for Malaysia funds, and 25% for overall funds. The lowest significance is the International funds, which have the lowest R², meaning that monetary policy only has a small affect on the performance. This is no doubt due to the relative International funds not being included in the local financial system.

### 3.3 Market timing model

The single index model analysis has a not-clearly-stated distinction between security selection and timing ability on the part of fund manager ability. Therefore, we do not know about the performance reached as outcomes from the expertise of fund managers in making investment decisions will change the investment strategy, whether in instrument investment selection or timing selection, for example, or due to uncontrollable external factor market risk. In other words, fund performance may be reached due to the “ice hand” or “hot hand” of fund managers.

In equation (4) market timing model and the equation 6 market timing with monetary environment factor, alpha represented the selection ability and $\beta_T$ represented the timing ability from fund managers and $\beta_{Td}$ represents the interaction of timing ability and monetary environment. This implies that the timing ability is different for monetary environments whether in an expansion or retraction monetary environment. The expected value of $\beta_T$ is positive for presenting the strong timing ability and is consistent with superior timing ability. Table 3 reports the results for the market timing model with the monetary environment factor of the fund geography category. All $\beta_T$ have a negative sign except the Asia Pacific region mutual funds. This implies that all fund managers have no timing ability in fund management.
The performance of funds is just from the selection ability and lucky factor from the uncontrollable factor, except for Asia Pacific.

### Table 3: Market Timing Ability

<table>
<thead>
<tr>
<th>Fund Geography</th>
<th>Alpha</th>
<th>ME</th>
<th>Benchmark</th>
<th>Time Ability</th>
<th>ME*Bm</th>
<th>ME*Bt</th>
<th>R²</th>
<th>F Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>0.0008</td>
<td>-0.0031</td>
<td>0.6492</td>
<td>0.8258</td>
<td>-1.4434</td>
<td>-2.3647</td>
<td>0.35</td>
<td>355.612</td>
</tr>
<tr>
<td>Global</td>
<td>-0.0031</td>
<td>-0.0142</td>
<td>0.6462</td>
<td>-1.4868</td>
<td>-0.2051</td>
<td>-0.0459</td>
<td>0.22</td>
<td>136.786</td>
</tr>
<tr>
<td>International</td>
<td>-0.0041</td>
<td>0.0091</td>
<td>0.6974</td>
<td>-0.3551</td>
<td>-0.1207</td>
<td>(0.3096)</td>
<td>0.09</td>
<td>13.142</td>
</tr>
<tr>
<td>Malaysia</td>
<td>0.0012</td>
<td>-0.0001</td>
<td>0.5197</td>
<td>-0.6473</td>
<td>-0.0413</td>
<td>(0.112)</td>
<td>0.27</td>
<td>2448.296</td>
</tr>
<tr>
<td>All Funds</td>
<td>0.0008</td>
<td>-0.0007</td>
<td>0.5445</td>
<td>-0.5111</td>
<td>-0.0865</td>
<td>-0.3824</td>
<td>0.25</td>
<td>2686.503</td>
</tr>
</tbody>
</table>

### Alpha

Jensen’s alpha reports that the mutual funds under fund geography are highly significant. These results show that all funds in the sample period demonstrate slightly over performance, as indicated by the positive alpha. By region, Asia Pacific and Malaysia show over performance but Global and International indicate under performance. Surprisingly, all funds in the market were strongly influenced by market risk with the lowest impact being for the Malaysia region. This result is not surprising due to the cash flow in Malaysia region, which is more expected due to the well diversified investment.

To proceed, we analysed the different influences of monetary environment on the performance. We assessed them based on monetary environment expansion (constant or alpha) and retraction (ME). ME*Bm is the interaction between the retraction monetary environment and the market portfolio. ME*Bt is the interaction retraction monetary environment and timing ability.

The Asia Pacific region mutual funds show high performance when the monetary environment is in expansion, as shown by the positive alpha. But their performance will be reduced by 0.005 when the monetary environment is in retraction. In addition, the market benchmarks have a positive influence on the performance in the expansion environment but reduce by 1.4434 in a retraction environment. The Global region mutual funds under perform when the monetary environment is in expansion, as shown by alpha negative. Their
performance will be worse by 0.0031 when the monetary environment is in retraction. In addition, the market benchmark has a positive influence on the performance in an expansion environment but reduces by 0.2051 in a retraction environment. The International region mutual funds show under performance when the monetary environment is in expansion (shown by alpha negative). Their performance will be worse by 0.0142 when the monetary environment is in retraction.

In addition, market benchmarks have a positive influence on performance in an expansionary environment but reduce by 0.1207 when in a retractionary environment. The Malaysia region mutual funds show outperformance when the monetary environment is in expansion, as shown by the positive alpha. However, their performance will reduce by 0.0001 when the monetary environment is in retraction. In addition, the market benchmarks have a positive influence on performance in expansionary environments but reduce by 0.0413 when in retraction. Analysis of the timing ability is indicated by β. Surprisingly, the Asia Pacific region has time ability in strategic investment decisions, as shown by beta T positive, and is significant but reduced by 2.3647 if the monetary environment is restrictive.

Nevertheless the rest of the funds are not able to make good strategic investment decisions based on the changes in the market information from time to time. Overall, mutual funds show outperformance when the monetary environment is in expansion, as shown by the positive alpha. However, their performance will reduce by 0.0007 when the monetary environment is in retraction. In addition, market benchmarks have a positive influence on performance in expansionary environments but reduce by 0.0865 when in a retractionary environment. None of the funds have time ability in strategic investment decisions, as shown by the negative beta T and are significant and reduce by 0.3824 if the monetary environment is restrictive.

These results show that, generally, the monetary environment influences the performance of mutual funds directly or indirectly through market benchmarks. An expansionary monetary environment has a positive influence for Asia Pacific and Malaysia but a negative influence on the Global and International mutual funds. The timing ability model and monetary environment factor could significantly explain the excess returns of mutual funds, which are 35% for Asia Pacific, 22% for Global, 9% for International funds, 27% for Malaysia funds, and 25% for overall funds.

4. Conclusion

This research surveyed 420 samples of mutual funds for the period of January 2000 to June 2012, by applying multiple regression to the panel data analysis. The overall results suggest that the performance of mutual funds is not consistent. The results of single index
models state that global and International funds demonstrate poor performance, whether monetary environment retraction or expansion, due to the negative alpha present in various benchmarks, such as the Malaysia Gold Shariah Price Index and KLSE Composite Index as the market portfolio benchmark. In contrast, the Asia Pacific fund shows over-performance when the monetary environment is expansionary and under performs when the monetary environment is in retraction. The Domestic (Malaysia) funds show over-performance irrespective of whether the monetary environment is in expansion or retraction. In addition, in the results for the non-linear model, the performance of the mutual funds is consistent with a single model. The Asia Pacific and Malaysia funds show over-performance and the rest show under performance. Secondly, the performance of geographic funds is strongly influenced by portfolio market benchmarks with positive signals. However, the portfolio market benchmarks have a different effect through differences in the monetary environment. Thirdly, analysis of the timing ability of fund managers shows that most funds managers have no timing ability to utilize the market information and through their expertise make an investment decision that could achieve abnormal returns.

**References**


