

Stock Selection and Market Ability Analysis Timing Of Investment

Manager In Equity Mutual Fund Sharia In Indonesia

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ABSTRACT:

The purpose of this study was to determine the ability of investment managers in stock selection and stock purchase decisions in Islamic equity mutual funds in Indonesia for the period 2014-2017. The population in this study is all share Islamic mutual funds that are actively traded in the period 2014-2017. The sample in this study were 15 Islamic equity mutual funds which were selected with certain criteria using the purposive sampling method. The data in this study is quantitative data. The data source in this study is a secondary source obtained from the daily net asset value report published from the Financial Services Authority for the period 2014-2017. Data collection techniques using documentation techniques. The data analysis method used the classical assumption test and multiple regression analysis of the Henriksson Merton model. The results show that investment managers of Islamic equity mutual funds in Indonesia have the ability to choose stocks as evidenced by 13 of the 15 Islamic stock mutual funds that have a positive, but in the ability to make decisions when buying shares, it shows that all Islamic stock mutual funds have a positive, which has a negative 2, in other words, investment managers of Islamic equity mutual funds in Indonesia do not have market timing capabilities.

Keywords: *Stock selection, Market timing, Henriksson Merton, Sharia Equity Mutual Funds*

INTRODUCTION

The increasing economic growth in Indonesia has led to the need to invest more and more as people's incomes increase and awareness of the importance of investing. Often the investor community or investors are faced with many choices of investment instruments that provide a high level of return and risk certain tolerance. One of the places used by investors to invest is the capital market which offers investment instruments such as stocks, bonds, and time deposits.

Investment activities in the capital market can be carried out directly or indirectly. Investment directly, for example, can be done by buying shares in the secondary market, but this option is not appropriate enough to be used as an alternative investment for investors who have limited time, capital, and knowledge about investment. Because by investing directly, investors must at least have a large enough amount of capital, free time to transact, and technical and fundamental analysis skills. Meanwhile, indirect investment can

this is done by buying securities that show ownership of a company investment (eg a mutual fund company) which then the investment company buys assets such as stocks, bonds, or time deposits.

The oldest sharia equity mutual fund product is TRIM Syariah Shares from investment managers PT. Trimegah Asset Management, which was able to generate a *return* of 29.27% during the 1 period January 2014 – December 31, 2017. The *return* is above the market *return* because in the period At the same time, the Jakarta Islamic Index (JII) as a market index only produces a *return* of 27.32%. While PT. Batavia Prosperindo Asset Management through mutual fund products Batavia Dana Saham Sharia is only able to generate a *return* of 21.75%, still far below the market *return*. This phenomenon raises questions about the ability of investment managers to generate additional *return* for investors. Based on the above, the writer is interested in identify the ability of investment managers in *market timing* and *stock selection* affect the *return* of Islamic stock mutual funds and whether the mutual fund investment manager has strong ability to *market timing* and *stock selection*.

Hypotheses

- H1.** *Investment managers of Islamic equity mutual funds in Indonesia have stock selection capabilities which is reflected in returns in 2014 - 2017.*
- H2.** *Investment managers of Islamic equity mutual funds in Indonesia have the ability to market timing which is reflected in returns in 2014 – 2017.*

Research Method

Types of research

This research is a type of quantitative descriptive research, the data obtained from the sample The research was analyzed according to the statistical method used and then interpreted.

Population and Sample

The population in this study is as sharia equity mutual fund product that is active during the periode January 2014–December 2017 registered with OJK. The population in this study was 46 mutual funds Islamic stock fund. The next step is to determine the sample using *purposive sampling method*, where the population that will be used as a research sample is a population that meets the criteria certain samples are in accordance with what is desired by the researcher and adjusted to the research objectives. Taking into account the direction and objectives of the research, the criteria set are as follows: mutual Islamic stock funds in the form of KIK (Collective Investment Contracts) and have been registered with the Authority Financial Services (OJK) for the period 1 January 2014 - 31 December 2017, sharia equity mutual fund which has been declared effective by the Financial Services Authority (OJK) before January 1, 2014 mutual funds Islamic stock fund that are still operating actively during the period 1 January 2014-31 December 2017, has complete data needed, such as daily NAV (Net Asset Value). From With these criteria, 15 Islamic equity mutual fund companies were obtained from the entire population who meet these criteria. The following is a list of sample companies studied:

Table 1
Sharia Stock Mutual Fund Sample

Sharia Stock Mutual Fund Sample

No	Mutual Fund	Investment Manager
1	TRIM Syariah Shares	PT. Trimegah Asset Management
2	Batavia Syariah Stock Fund	PT. Batavia Prosperindo Asset Management
3	PNM Syariah Equity	PT. PNM Investment Management
4	CIMB Principal Islamic Equity Growth Sharia	PT. CIMB Principal Asset Management
5	Mandiri Investa Attract Syariah	PT. Independent Investment Management
6	Cipta Syariah Equity	PT. Ciptadana Asset Management
7	Manulife Sharia Sector Amanah	PT. Manulife Asset Management Indonesia
8	Panin Dana Syariah Shares	PT. Panin Asset Management
9	MNC Sharia Funds Equity	PT. MNC Asset Management
10	SAM Sharia Equity Fund	PT. Samuel Asset Management
11	Lautandhana Sharia Stock	PT. Lautandhana Investment Management
12	Mandiri Investa Ekuities Syariah	PT. Independent Investment Management
13	OSO Syariah Equity Fund	PT. OSO Investment Management
14	Avrist Equity 'Amar Syariah	PT. Avrist Asset Management
15	Sucorinvest Sharia Equity Fund	PT. Sucorinvest Asset Management

Research variable

The variables of this study are *excess market return* as an independent variable and *excess return* investment manager Islamic stock mutual funds for the period 2014-2017 as the dependent variable. *Stockselection* is the ability of investment managers to choose the right shares to be included or removed from the mutual fund portfolio so as to provide a better rate of return of the market rate of return. If the investment manager has ($\bar{y} > 0$) it means that he is concerned has a good *stock selection* ability, and vice versa if ($\bar{y} < 0$) means the *stock selection* is not good. *Market timing* is the ability of investment managers to choose time to buy or sell shares of a mutual fund portfolio. If the manager investment has ($\bar{y}_2 > 0$) means that the person concerned has good *market timing* capabilities, and vice versa if ($\bar{y}_2 < 0$) means that the *market timing ability* is not good.

Data Sources and Types

In this study, the type of data used is secondary data. Data used in this research comes from sources, namely financial data in the form of mutual daily Net Asset Value Islamic stock funds that were active during the 2014-2017 period, *closing price* of the Jakarta Islamic Index (JII) and Bank Indonesia Interest Rate (BI Rate) 2014-2017.

Data analysis method

Data analysis method is a method used to process and predict result of research in order to obtain a conclusion. This method uses the classical assumption test (test normality,

multicollinearity test, auto correlation test, heteroscedasticity test) and linear regression analysis multiple henriksson merton model.

Results

Dataanalysis

Table 2

Summary of One-Sample Kolmogorov-Smirnov Test Hasil Results

No	Mutual Fund	Asymp. Sig. (2-tailed)
1	TRIM Syariah Shares	0,200
2	Batavia Syariah Stock Fund	0,075
3	PNM Syariah Equity	0,145
4	CIMB Principal Islamic Equity Growth Sharia	0,132
5	Mandiri Investa Attract Syariah	0,128
6	Cipta Syariah Equity	0,054
7	Manulife Sharia Sector Amanah	0,200
8	Panin Dana Syariah Shares	0,200
9	MNC Sharia Funds Equity	0,050
10	SAM Sharia Equity Fund	0,200
11	Lautandhana Sharia Stock	0,121
12	Mandiri Investa Ekuitas Syariah	0,054
13	OSO Syariah Equity Fund	0,095
14	Avrist Equity 'Amar Syariah	0,148
15	Sucorinvest Sharia Equity Fund	0,071

Based on there sults of the normalitytest,it can be seen that all sample mutual fund shave avalue of Kolmogorov-Smirnov with asignificance value>0.05,it can be in terpreted that the data is distributed normal.

Table3

Summary of Multicollinearity Test Results

No	Mutual Fund	variable	Collinearity Statistics	
			Tolerance	VIF (LIVELY)
1	TRIM Syariah Shares	ERM	0,038	2,961
		ERM*D	0,038	2,961
2	Batavia Syariah Stock Fund	ERM	0,337	2,964
		ERM*D	0,337	2,964
3	PNM Syariah Equity	ERM	0,324	3,088
		ERM*D	0,324	3,088
4	CIMB Principal Islamic Equity Growth Sharia	ERM	0,334	2,991
		ERM*D	0,334	2,991
5	Mandiri Investa Attract Syariah	ERM	0,337	2,966
		ERM*D	0,337	2,966

6	Cipta Syariah Equity	ERM	0,332	3,009
		ERM*D	0,332	3,009
7	Manulife Sharia Sector Amanah	ERM	0,332	3,011
		ERM*D	0,332	3,011
8	Panin Dana Syariah Shares	ERM	0,335	2,985
		ERM*D	0,335	2,985
9	MNC Sharia Funds Equity	ERM	0,349	2,861
		ERM*D	0,349	2,861
10	SAM Sharia Equity Fund	ERM	0,328	3,051
		ERM*D	0,328	3,051
11	Lautandhana Sharia Stock	ERM	0,324	3,089
		ERM*D	0,324	3,089
12	Mandiri Investa Ekuitas Syariah	ERM	0,348	2,873
		ERM*D	0,348	2,873
13	OSO Syariah Equity Fund	ERM	0,326	3,068
		ERM*D	0,326	3,068
14	Avrist Equity 'Amar Syariah	ERM	0,322	3,011
		ERM*D	0,322	3,011
15	Sucorinvest Sharia Equity Fund	ERM	0,315	3,174
		ERM*D	0,315	3,174

From table 3, the results of the multicollinearity test show that all the independent variables in the study This has a Tolerance value > 0.10 and a VIF value < 10 , it can be concluded that the regression free from the assumption of multicollinearity.

Table 4
Summary of Durbin-Watson Autocorrelation Test Results

No	Mutual Fund	N	dU	dW	4-dU
1	TRIM Shariah Shares	920	1,898	1,977	2,102
No	Mutual Fund	N	dU	dW	4-dU
2	Batavia Shariah Stock Fund	867	1,895	1,949	2,105
3	PNM Shariah Equity	915	1,898	2,047	2,102
4	CIMB Principal Islamic Equity Growth Sharia	948	1,898	2,008	2,102
5	Mandiri Investa Attract Syariah	946	1,898	1,917	2,102
6	Cipta Syariah Equity	897	1,895	1,978	2,105
7	Manulife Sharia Sector Amanah	954	1,900	2,010	2,100
8	Panin Dana Syariah Shares	955	1,900	2,012	2,100
9	MNC Sharia Funds Equity	869	1,895	1,958	2,105
10	SAM Sharia Equity Fund	929	1,898	1,996	2,102
11	Lautandhana Sharia Stock	954	1,900	1,977	2,100
12	Mandiri Investa Ekuitas Syariah	924	1,898	1,986	2,102
13	OSO Syariah Equity Fund	899	1,895	1,930	2,105

14	Avrist Equity 'Amar Syariah	936	1,898	2,044	2,102
15	Sucorinvest Sharia Equity Fund	947	1,898	1,953	2,102

Table 4 shows the Durbin-Watson (dW) value for each sample mutual fund. Because all Durbin-Watson values greater than the upper limit (dU) and less than 4-d U then can be concluded that there is no autocorrelation.

Table 5
Summary of Spearman Rho . Heteroscedasticity Test Results

No	Mutual Fund	ERM	ERM*D
1	TRIM Syariah Shares	0,941	0,481
2	Batavia Syariah Stock Fund	0,973	0,799
3	PNM Syariah Equity	0,893	0,277
4	CIMB Principal Islamic Equity Growth Sharia	0,88	0,632
5	Mandiri Investa Attract Syariah	0,256	0,64
6	Cipta Syariah Equity	0,446	0,669
7	Manulife Sharia Sector Amanah	0,866	0,297
8	Panin Dana Syariah Shares	0,093	0,052
9	MNC Sharia Funds Equity	0,452	0,514
10	SAM Sharia Equity Fund	0,623	0,189
11	Lautandhana Sharia Stock	0,362	0,191
12	Mandiri Investa Ekuitas Syariah	0,419	0,925
13	OSO Syariah Equity Fund	0,243	0,079
14	Avrist Equity 'Amar Syariah	0,509	0,077
15	Sucorinvest Sharia Equity Fund	0,991	0,213

Based on table 5, it can be seen that the Spearman correlation coefficient of all independent variables on the absolute value of the residual has a significance > 0.05, it can be concluded that there is no heteroscedasticity.

Table 6
Summary of Multiple Linear Regression Analysis of Henriksson-Merton Equity Fund Model Sharia.

No	Mutual Fund	α	β_1	β_2	SS	MT
1	TRIM Syariah Shares	0,000150	0,866105*	-0,009142	✓	
2	Batavia Syariah Stock Fund	-0,000060	0,887005*	-0,010535		
3	PNM Syariah Equity	0,000069	0,903053*	-0,049733*	✓	
4	CIMB Principal Islamic Equity Growth Sharia	0,000134	0,856590*	-0,071811*	✓	
5	Mandiri Investa Attract Syariah	0,000131	0,897756*	-0,038983*	✓	
6	Cipta Syariah Equity	0,000090	0,821739*	-0,027259	✓	
7	Manulife Sharia Sector Amanah	0,000102	0,868742*	-0,029565	✓	
8	Panin Dana Syariah Shares	0,000225	0,792771*	-0,082517*	✓	

9	MNC Sharia Funds Equity	0,000131	0,770935*	-0,052836*	✓	
10	SAM Sharia Equity Fund	0,000274	0,891857*	-0,115431*	✓	
11	Lautandhana Sharia Stock	0,00013	0,871578*	-0,059069*	✓	
12	Mandiri Investa Ekuitas Syariah	0,000213	0,924153*	-0,064056*	✓	
13	OSO Syariah Equity Fund	0,000096	0,881642*	-0,104944*	✓	
14	Avrist Equity 'Amar Syariah	-0,000069	0,862127*	-0,041245		
15	Sucorinvest Sharia Equity Fund	0,000774*	0,786058*	-0,175257*	✓	
Mean		0,000159	0,858807	-0,06216	13	0

Discussion

The calculation results of the Henriksson-Merton model show that there are 13 sharia equity mutual funds which has a positive estimated value of , namely TRIM Syariah Shares, PNM Ekuitas Syariah, CIMB Principal Islamic Equity Growth Syariah, Mandiri Investa Attract Syariah, Cipta Syariah Equity, Manulife Syariah Sector Amanah, Panin Dana Syariah Saham, MNC Dana Syariah Ekuitas, SAM Sharia Equity Fund, Laut andhana Saham Syariah, Mandiri Investa Ekuitas Syariah, OSO Syariah Equity Fund and Sucor invest Sharia Equity Fund, but there is only 1 estimate that proves significant statisti cally at the 5% significance level. The implication is the investment manager of the thir tenth The sharia equity mutual funds already have superior *stock selection* capabilities . Where asmutual funds with a negative value estimate are Batavia Dana Saham Syariah and Avrist Equity 'Amar Syariah which means that the investment managers of the two Islamic equity mutual funds do nothave *stock selection capabilities*.

The average during the study period of the entire sample of Islamic equity mutual funds is worth0.000159. This value indicates that in general, equity fund mutual fund investment managers areIndonesia has the right *stock selection* capability , investment managers are able to assess stockswhich one is in the *undervalued category*. The ability of *stock selection* is closely related tosecurity fundamental analysis skills. Sharia equity mutual fund investment manager business instock *selection* is able to provide additional positive abnormal *returns* for the portfolio.

The results of this study are in accordance with research conducted by Anita (2013) which tested*stock selection* ability on Islamic stock mutual fund investment managers, the results showThe value of is positive, which means that the investment manager of Islamic mutual funds has the ability to *stockselection*. These results are supported by research conducted by Purnomo (2007) which proves that:that the stock selection variable has a significant positive effect on the performance of stock mutual fundssharia. However, it is different from Maulana (2018) which produces a negative value of so thatit can be interpreted that the investment manager's ability to manage his portfolio reduce the rate of return on its portfolio.

In addition, the results of the calculation of 1 show that all samples of Islamic equity mutual funds have 1which proved significant at the 5% significance level. During the research period, all sample mutual fundshave a 1p below 1 which indicates that all the mutual funds have an allocationportfolio on stocks that have lower than the market or on risk-free assets.

Based on the calculation of the Henriksson-Merton model, the coefficient 2 for all equity fundsharia sample produces a negative value. Of the 15 Islamic equity mutual funds, 10 of them has a significant coefficient 2 at the 5% significance level. These results show that all Islamic equity mutual funds do not have the ability to *market timing* or do not *market timing* according to investment theory. In other words, investment managers do not have the ability to predict market conditions so that they cannot choose the right time at the time of purchase or purchase sale of shares in the portfolio.

These results are in accordance with research conducted by Anita (2013) which tested the ability of *market timing* on Islamic stock mutual fund investment managers, the results show a value of 2 negative, which means that Islamic mutual fund investment managers do not have *market timing* capability and is supported by research conducted by Dewi and Ferdian (2009) which proves that *market timing* has a significant negative effect on the performance of Islamic equity mutual funds, however different from Maulana (2018) which produces a positive value of 2 so that it can be interpreted as the ability of investment managers in managing their portfolio is able to provide additional *returns* positive for the portfolio.

Conclusion and Suggestions

Conclusion

Based on the results of data analysis and discussion that has been stated, it can be taken the following conclusions: the results of this study indicate that mutual fund investment managers Islamic stocks in Indonesia have the ability to *stock selection* which is reflected in the *return* on 2014 – 2017, but does not have *market timing* capability which is reflected in the *return* on year 2014 – 2017. For further research, it is recommended to use a longer observation period than 4 years because in several studies the indications of *market timing* can be seen at pre-crisis time and post-crisis so that research results can be more accurate and are expected to use models in addition to the Henriksson-Merton model such as the Treynor-Mazuy model, both *unconditional* and *conditional* by entering a macro variable as a *predictor variable*.

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