

A Preliminary Performance Analysis of Private Retirement Schemes in Malaysia

Sofi Mohd Fikri

Universiti Utara Malaysia, Islamic Business School, Malaysia

mohdfikri@uum.edu.my

This study measures the performance of private retirement schemes in Malaysia between conventional and Islamic funds. Further, it observes the trend of performance over the period between 2012 and 2019, especially considering into account, against the Malaysian stock market return. The mean comparison is examined across different measures such as gross return and cumulative return along different set of time period; 3 years, 4 years, and 5 years respectively. The results obtained at preliminary stage where the risk-adjusted model and application are largely ignored. The empirical findings generally display an insignificant difference in return performance between both funds. More interestingly, the superior performance of both conventional and Islamic funds are equally distributed along the period, where both funds outperform its counterpart. In comparison, both funds perform significantly better than the market benchmark as proxy by the Kuala Lumpur Composite Index. Our contribution perspicuously highlights that Islamic funds or the alternative traditional funds are demonstrated to be greatly competitive in this new market of retirement savings since their inception in 2012. They do not only beat the market over the period, but also strive against the peers ferociously to attain the objective and the interest of fund holders for a better protection of future retirement.

The findings suggest a notable evidence documentation of a competitive performance illustrated by alternative funds to protect the retirement interest of unitholders, as this would be the first study to provide such analysis of return since their inception. It implies a good prelude to indicate the pushing factor in the private pension market, especially when they need to rationalize their presence in parallel to the national prominent pension fund. In light of the government effort to establish sound framework of a private pension management system for private sector employees predominantly, the performance could be the primary feature to appeal those with improper and inadequate financial retirement planning. While there is a good initiative to promote this retirement saving by Malaysian government offering additional investment to youths, more efforts are necessary towards making this scheme reliable and sustainable in the long run. The same incentive could be widened to all stages of life in accordance to different focus of funds, namely conservative, moderate, and growth.

Keywords: performance analysis; private retirement scheme; fund performance; conventional fund; Islamic fund