

RETURN AND RISK BASED PERFORMANCE OF CONVENTIONAL AND ISLAMIC EQUITY FUNDS: A COMPARATIVE STUDY FROM PAKISTAN

Khalid Mahmood¹, Waheed Akhter² and Khalid Shahzad³

Abstract

This research aims to examine the risk and return based performance of conventional and Islamic equity funds in Pakistan. The data of Islamic and conventional equity funds were analyzed for the period 2008 to 2014. Both risk adjusted and non-risk adjusted measurement techniques were applied. Beta and standard deviations are used for the measurement of risk. The findings of this research reveal that Islamic equity funds outperform their conventional counterparts. Overall Islamic funds are earning higher return than conventional funds whereas they have less risk than conventional funds and the KSE 100 Index. Both funds were found to have the same level of diversification. This study recommends that Islamic equity funds may be used for the purpose of hedging the risk under adverse economic situations.

Keywords: Islamic Funds, Conventional Funds, Islamic Finance, Risk and Return, Performance Measurement.

JEL Classification: G200

¹ KIPS Academy, Lahore, Pakistan. Email: khalidmehmoodmcom@gmail.com

² Center of Islamic Finance, COMSATS, University Islamabad (CUI), Lahore Campus, Pakistan.
Email: drwaheed@cuilahore.edu.pk

³ KIPS Academy, Lahore, Pakistan. Email: khalidshahzad931@gmail.com