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The Influence Of Manager Abilities On Sharia Mutual Fund Performance (Study In Indonesian Sharia Mutual Fund)

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ABSTRACT: This study aims to describe and analyze the influence of Managerial Abilities on the Performance of Mutual Fund Shares. This research was conducted at the Indonesian Islamic equity funds in the observation period 2009-2012. Based on the defined criteria, using judgment sampling method sampling. The study observed 9 sharia mutual funds, methods of data analysis using Smart PLS. The findings of this study is the increasing Managerial Abilities Mutual Fund Performance Shares Sharia cause the Performance of Mutual Fund Shares Sharia also increased. The theoretical implication is giving reinforcement to the CAPM theory. The study recommends management of sharia mutual funds should be able to increase the managerial ability so it can affect investors invest.

KEYWORDS: Managerial Abilities, Sharia Mutual Fund Performance

I. INTRODUCTION

In general, the purpose of investment in money market or capital market expects the rate of profit. Level of profits in the stock market in the form of securities, especially stock expected profit rate higher than that invested in the money market in the form of deposits. It is associated with the risk of investment, investors in addition expect investment returns will always beat risk. The biggest risk in investing is the loss of the entire invested amount. Investors are faced with a variety of choices in determining its resources for current consumption or invested in various types of selection of investment instruments. According to Reilly and Brown (2012: 3), investment is a commitment today to save money during a certain period of time as the hope to obtain funds in the future to compensate investors for (1) the time for the funds deposited, (2) the expected rate of inflation, and (3) the risk that the level of uncertainty of the future payments. According to Tandililin (2010: 1), the investment is a commitment to invest some funds at this time with the aim of obtaining a profit in the future. Investment which is the current asset in still commitment for sometime to come in order to earn money on the sacrifice of investors because of attachment of its assets at a specified time, the presence of uncertainty of inflation and earnings in the future (Duguleana et al, 2009: 51).

According to Jogiyo (2011: 58), the investor can invest directly (direct investment) or indirectly (indirect investment), direct investment is that investor can invest by buying direct financial assets that can be traded in financial markets (money market), while the indirect investment (indirect investment) is an investment made by purchasing shares of the investment company that has a portfolio of financial assets from other companies. Indirect investment can be done by investing in mutual fund investment company (mutual fund). If the review is based on the value of the overall investment, participation of domestic investors in the capital market is still relatively small. This is due to the securities industry in Indonesia is likely not to invest in an amount sufficient to develop the infrastructure development of the domestic capital market. Other hands suspected psychological effect (which is typical of developing countries) that people prefer to avoid the risks that arise when investing in the stock market. Investment instruments such as savings or deposits become the first choice, because of the risks covered by a relatively small but provide results that remain, small and uncertain. To stimulate the domestic market, it would require capital market products which have the characteristics of a small risk with a given level of income is relatively competitive as investment in mutual fund, both the conventional mutual fund or mutual fund portfolio syariah. Analysis conducted by investment managers (MI), so the performance evaluation MI mutual fund that reflects the managerial abilities become a must for investors in an effort to minimize risk without sacrificing returns. Managerial Abilities on financial instruments mutual funds equity portfolio management can be performed in the active category. Managers actively trying to "beat the market" by forming a portfolio that is able to produce actual returns (actual return) which exceeds the expected risk adjusted returns (Reilly and Brown, 2012).

In other words, investors have diverse characteristics and the degree of risk aversion that is different, therefore the portfolio management in an efficient market is still required. According to Bodie et al (2012), the role of MI in an efficient market is to establish a portfolio that meets all the criteria of investors to beat the market. The role of managerial abilities or mudharibin line with the principle of mudaraba, which is obliged to carry out the management of the funds belong to the investors. The management in the form of reinvestment fund investors in investment instruments in accordance with the values of sharia, which does not contain elements of usury, unlawful elements, elements of gambling (masyir) and speculative element or risk (Umam, 2013; 147). According to research of Fama (1972) states that the performance of investment managers can be divided into two, namely the Stock Selection and Market Timing Ability skills. Market timing is a measure of the ability of the portfolio manager in anticipation of changes in the market where the market will decline when the manager changed the composition of its management portfolio securities to lower volatility and vice versa (Manurutng, 2004).

The pure form of the timing of the market (market timing) activity involves shifting funds between market index portfolio with safe assets (Bodie, 2012). Stock Unmatched portfolio manager's ability to choose the appropriate securities, selecting securities will contribute to the expected high returns (Bodie, 2012). In addition to focusing on returns adjusted for risk, practitioners often want to know what the decision will result in superior performance or inferior. Superior performance of investment depends on the ability to select securities that good at the right time. The ability of market timing and stock selection as it can be expressed in general as the stock securities or fixed income securities when the stock market is performing well. Studies of managerial abilities and their influence on the performance of mutual funds are still debating whether good managerial abilities can improve the performance of mutual funds.

Studies suggest that managerial abilities reflected by market timing and stock selection is improving the performance of mutual funds are curvilinear relationship (linear curve) between selection intensity with financial performance and have better performance in mutual fund that include stock of companies that have positive relationship with the local community in the form of social responsible investment (Barnett and Solomon, 2006; Lee et al, 2010). Mutual funds that invest in companies that adopt policies that focused on community involvement will get better financial performance (Renneboog et al, 2008). Investors should choose an agent or Investment Manager (MI) who have exceptional information and determine the compensation system in such a way in order to encourage manager to use their ability (Bhattacharya and Deleiderer, 1985). Some studies on the influence of managerial abilities is reflected by market timing and stock selection find fund performance opposite result that: 1) Manager can choose the level of market risk they face, by combining the market bet bullish and bearish market beta and down-market beta in its analysis (Chang and Lewellen, 1984; Kon and Jen, 1979); 2).

Positive strategy selection (positive screening) produces a better financial performance than the negative selection strategy (negative screening) in a portfolio consisting of companies that have good performance and bad in some ESG issues (environmental, social and governance) in particular (Kempf and Osthoff, 2007). Islamic mutual funds with the principle wakalah where MI is the representative investor is required to implement an optimal management activities and does not deviate from the values of sharia and are guided by the precautionary principle (prudential principle), the cash flow management becomes crucial. Good cash flow management by MI ensure smooth investors to purchase (subscription) and sale (redemption) Islamic mutual funds owned. Performance of mutual funds do not just look at the level of return generated investment manager, but also be aware of other factors such as the level of risk (Reilly and Brown, 2012). In order to build an investment portfolio that will provide returns consistent with the risk of the portfolio.

Management of a company, whether profit oriented or not, will always be faced with the decision for the future. Both the poor decisions made dependent and determined by the information used is the ability of management to analyze and interpret. According to Reilly and Brown (2012), the future performance of the company is an entity that determines who will lend money or invest. Evaluating the performance of MI in Islamic mutual funds are also important because the existing Islamic principles in operation mechanism, intimately linked with the principles of good corporate governance (GCG). Sharia principles is more emphasis on the results (profit sharing), so there are no losers in business (Effendi, 2009; 130). According to Alfansi (2010: 35) stated the complexity of financial products is relatively high, therefore the investor uses the functional attributes of products to evaluate the quality of services financial service for selected products. Islamic principles in muamalah that rules governing the relationship between human beings in acquiring and developing property or Islamic rules on economic activities undertaken by humans (Mardani, 2012: 3). Then the operating mechanism wakalah of Islamic mutual funds in the form of consent statement and qabul must be declared by the parties to demonstrate their will to enter into a contract (contract) in exchange for binding and may not be canceled by another party.

This will build an investment portfolio that will provide a rate of return (return) consistent with the risk of the portfolio. Operating system based on wakalah Islamic mutual funds and mudaraba, demanding role of managerial abilities. In order to improve the performance of Islamic mutual funds into the most crucial factor in a study. Incompatibility empirical evidence of research are things that need to be studied, as opposed to the theory or active equity portfolio management strategy so that efforts to improve performance should be observed. This study develops a relationship variables managerial abilities and performance of Islamic stocks and mutual funds to fill the research gap. Sharpe (1966) and Arugaslan et al. (2008) found that the research results are inconsistent with the performance of mutual funds using risk-adjusted performance. Sharpe (1966) found that the performance of mutual funds can be evaluated with a modest size but theoretically meaningful measure the average risk and average return. While Arugaslan et al. (2008) found that mutual funds have the highest average return will be longer of interest to investors when the analysis of the level of risk. The discovery Arugaslan et al. (2008) in line with Islamic mutual funds, where the factor return is not the main thing. These investments have a nuanced concept of spiritual investment, emphasis on relationships of trust (fiduciary relations) and the relationship of prudence (prudential relations).

Research of Ferris et al. (2012) found that managers Islamic mutual funds have lower performance than conventional mutual funds performance. This is because the ability to pick stocks (stock selection) and determine the time of investment in the market (market timing) are less precise. While Arugaslan et al. (2008) evaluated the performance of mutual fund shares by using risk-adjusted return with the finding that mutual funds that have the highest average return may be longer of interest to investors when taking into account the level of risk into the analysis of two studies using the tool different measuring the performance measurement *treksadana*. Based on the above description, the motivation of this study is to re-examine the effect of managerial abilities influence on the performance of mutual fund shares of sharia. This is due to disagreement on the results of the study as stated previously. With these tests the variables above, is expected to give an overall picture of the condition of *nyatadan* provides an overview of options for investors in deciding on investments in Islamic mutual funds. The reason for choosing this field of observation object due to its contribution to the net asset value is still small, but has a great chance to be developed in the Islamic capital market in Indonesia.

II. LITERATURE REVIEW

Shariah Mutual Fund

Islamic mutual funds are presented to the public in an effort to face the globalization that Muslims faced with the reality of growth in a fast paced world and sophisticated, including inconsistencies in the economic and financial problems. But for the Muslim community, reviews those products are to be seen in depth, because it was developed from conventional financial services value-neutral and religion (Riva et al. 2010: 439). One of the products being developed at this time in Indonesia is overseas mutual fund known as the "Unit Trust" or "Mutual Fund". Each something in *muamalah* at all Shari'ah is concerned with the affairs of the world with regard to the activities of a person's life such as buying and selling, exchange, borrowing and so on as long as not contrary to Islam. God commanded the people who believe in order to fulfill the contract they do. The terms of the enactment in a contract are the conditions that determined the Muslims, while not violating the teachings of conventional Islam. Mutual fund contains *muamalah* contract allowed in Islam, namely buying and selling and for the results (*mudaraba*). There are many beneficiaries (something that the good), such as promoting the economy, mutual benefit among actors, to minimize the risk in the stock market and so on. But there are also things that are contrary to Islamic principles, both in terms of the contract, operations, investments, transactions and profit sharing. So that sort of mutual fund business as long as it does not conflict with the Islamic principle of *mutual syariah*. Mutual fund acceptable as sharia is the demands of economic development that will continue to evolve and will raise money from people who cannot dice *gaht* to invest in mutual funds.

On the other hand, Muslims should be able to compete in the economy in an effort to prepare for globalization that is difficult to avoid. The presence of Islamic mutual funds is an attempt to make way for Muslims to not *muamalah* and eat up the property in a way that vanity. In addition, Islamic mutual funds provide a means for Muslims to participate in national development through investment laws *sesuai dengan Islam*. Akad between investors and institutions should be done with *istern mudaraba/Qiradh* who have agreed should be done in the four schools of Islamic jurisprudence of Islam (Rival et al. 2010: 442). Investors in mutual funds with the company in the form of Shariah contract between investors and institutions which should be done with the system *mudaraba*. Technically, *mudaraba* is a business cooperation contract between two parties where the first party provides the entire capital, while others became manager.

Mudarabah business profits are divided according to the agreement set forth in the contract, whereas if the loss, borne by the owners of capital, is not due to negligence in the management. If the loss was caused by fraud or negligence of the manager, the managers should be responsible for the losses. In terms of buying and selling, shares in Islamic mutual funds can be traded. The shares in mutual funds are Shariah (malls) are allowed to be traded in Islam. The absence of fraud (gharar) in a stock transaction because the value of shares is clear. The stock price is formed by the law of supply and demand. All issued shares of mutual funds recorded in the administration neat and mention must be made with a clear price. Several criteria have been developed by some of the Shariah board or Shariah institutions in the world of business activity both qualitative aspects (filtering based on the core business activity) and quantitative aspects (filtering based on financial factors), among others, according to the Shariah Advisory Malaysian Council (SAC), the Dow Jones Islamic Market Index (Djimi), The International Investor Financial Times Stock Exchange (FTSE-TII), Mees Islamic Fund (MIF) and the National Sharia Council (DSN).

Portfolio Management : Portfolio management is a process conducted by investors manage money that is invested in a portfolio that is made (Jones, 2003:558). Portfolio management is seen as a systematic process dynamic. Because the portfolio management is seen as a process, it can be applied to any investor or manager. First look at the goals, limitations and preferences are determined by investors, both short term and long term. Then set the policy and strategy formation of the second phase of the portfolio considering economic, social, political and sector or industry. The third stage of implementing the strategy in a tactical implementation in the form of tactical asset allocation and portfolio optimization in the form of a combination of risk and return that meet investor objectives. Last or fourth stage is portfolio monitoring and responding to changes in input of investors and the market, evaluate the performance of the portfolio to ensure the goals of investors still fulfilled. According to the policies and strategies are made and the expectations of the capital market, then action. The next is the execution of the portfolio. Further feedback portfolio performance is part of the portfolio management to maintain optimum performance of the portfolio. The portfolio should be balanced (rebalancing) with market conditions and investor environment changing. Rebalancing is an activity to change the asset allocation or the composition of these securities with the aim of maintaining the performance of the portfolio remains optimal. Portfolio management begins with determining the investment objectives of investors are more focused on the achievement of a combination of risk and return of the best from the standpoint of investors. This combination indicates the balance (trade-off) between the returns required to be accepted by investors with the level of risk tolerance that must be faced (risk tolerance).

The trade-off between expected return and risk tolerance, this will be different for individual investors with institutional investors. There are significant differences between individual investors with institutional investors. These differences will affect their portfolio strategy. Therefore, understanding the behavior of the two groups of investors are quite important in determining target two groups of investors. Investment return and risk of individual investors is determined by the purpose and limits of each private investors, are for institutional investors, their portfolio policy determined by taking into account the objectives to be achieved, the general risk tolerance of investors they represent, restrictions and rules of general application, and are more long term. Institutional investors can vary, such as mutual funds companies, pension funds, endowment funds, life insurance companies, non-life insurance companies, and banks. Differences required return and risk tolerance among individual investors with a variety of institutional investors. The trade-off expected return and risk faced by investors is positively related, namely higher-higher returns and lower risk-return lower risk. While the investment risk preferences of investors throughout the life cycle will be determined by age and income level.

Portfolio Performance ; Cash has the opportunity cost if the form of cash, investors may forego the opportunity to get a refund. Furthermore, the state of inflation, the purchasing power of money is reduced, with a high rate of inflation brought relatively rapid decline in purchasing power (Jones et al., 2009). As happened in the early 1980s in the USA and in the late 1990s in Indonesia. In the investment is very important to distinguish between the expected return of the return anticipated for some future period and Realized return. Investors invest for the future (to get the expected return) but when the investment period ends, they get the gain realized. This is the core of the investment process, investors should always consider the risks involved in the investment. Appropriate statement that investors seek to maximize their investment returns and are subject to risks covered. Therefore, should be considered the other side of the return, which is risk. Investors want a return as possible. Risk is defined here as the uncertainty about the actual return to be gained from an investment. Markowitz investment study significantly alter the measure of risk as a statistical measure, the variance or standard deviation. This allows us to measure the risk of various assets and comparing them risk-averse

investors. It's easy to say that investors do not like risk, but rather, we should say that there are risk-averse investors. An investor avoids risk will not run the risk of simply for its own sake, and will not give rise to a certain level unless there is adequate compensation expectations because he has melukannya. Investor at risk by choosing (implicitly or explicitly) the amount of risk they are willing to incur, namely, they decide their risk tolerance. Some investors choose to incur a high level of risk in the hope of higher returns (Jones, 2009). Various investor behavior towards the view of risk and return associated with each type of investment will be investment instruments will be selected (Gitman and Joehnk, 2008). The logical conclusion of investors seek to maximize profit on risk tolerance constraints and other obstacles that may apply (eg. taxes).

Risk and return are a trade-off, which means "before the fact": That is, before the actual investment is made, investors expect higher returns from assets that have a high risk. Ex post means "after the fact" or when it is known what has happened. For a certain period, such as a month or a year or even several years, the trade-off can turn into a flat or even negative. Risk in Islamic perspective is confirmed on the uncertainty regarding something in the future. Man can not know with certainty what will be earned or to be earned tomorrow. This means that if future conditions encountered later, would occur uncertainty. Although no uncertainty, but humans are required to keep trying. Financial management approach also recognizes this fact, which when faced with uncertainty, investors are trying to speculate, predict or understand the future with information. The existence of highly relevant information to assess the future, that can translate into a risk. Uncertainty, should also be recognized that the available information is never complete (in the exact condition) or at least in risky conditions. Therefore risk can only be estimated and can not be calculated precisely. Rational decision-making may not be realized when there is no information or clue at all about the future or say under conditions of uncertainty.

Stock Mutual Fund Performance : Investments in equity funds in terms of Shari'ah active portfolio management theory is a stock portfolio strategy implication that are generally carried out in an active strategy where the investor in this case Shariah mutual fund investment managers who have made contract with the owners of capital with the principle of mudaraba agreement between funders and employers (investment managers) to actively analyze and choose the best stocks and shares included in the portfolio, so that investors can gain the benefit of risk reduction without reducing returns. In addition, investors can also actively buy undervalued stocks and sell overvalued stocks, to obtain capital gains (Bodie et al, 2005). Role for active portfolio management theory that has become the attraction of investors that can not be ignored. Active portfolio management is always concentrated on a small number of shares known as stock options or stock selection and make changes to exit or enter the diversified portfolio approach known as market conditions or market timing. Therefore, the investment manager's job is not accurately predict returns but predicted accurately than the market return. The selection of portfolio assets after the strategy chosen, in this case knowledge stock selection, especially for active portfolio strategy in this stage investment manager seek to form an efficient portfolio that will provide a high rate of return on a certain level of risk or low risk with a certain rate of return.

Measurement of the performance of the portfolio and the risk is calculated and compared to a benchmark. The selection of the benchmark must be careful. The results obtained were compared with the benchmark so that it appears that the investment managers outperform or underperform. Fama (1970), classify for efficient market into three Efficient Market hypothesis (EMH), namely (1) Weak Hypothesis form, means all information in the past (historical) will be reflected in the prices established now. The implication is that investors will not be able to predict the value of the stock market in the future by using historical data, as is done in technical analysis, (2) Semi-strong form hypothesis, meaning that the market price is formed now has reflected the historical information plus with all the information that published, or in response to the information absorbed quickly by the market, not the normal return is prolonged, (3) Strong form hypothesis, meaning that stock market prices have now formed reflect historical information plus all the information published coupled with information that is not published, so do not a na da an investor will earn abnormal returns.

If the Efficient Market hypothesis occurs, then investor argues that rather than investing in an actively managed mutual fund with the cost of fees is expensive, it is as good as his investors to buy and hold strategy and use the index fund. But as investors have diverse characteristics and levels of risk aversion different, then the portfolio management in an efficient market is still in need. Bodie et al (2005) stated that the role of the Investment Manager in the efficient market is to establish a portfolio that meets all the criteria of investors to beat the performance of mutual funds pasar. Pengukuran done using risk adjusted performance. Several approaches of risk adjusted performance among other uses indexes Sharpe,

Treynor index, Jensen Index Alpha and Appraisal ratio (Jones, 2003) which measures the (alpha) in conjunction with the systematic risk, this ratio tends to be used to measure the performance of mutual funds managed by an investment manager with active management. This ratio measures the abnormal return per unit of risk market. Reilly and Brown (2012). Four measures of performance that combine equity portfolio risk and performance back to a single value that is Treynor Portfolio Performance Measure, Sharpe Portfolio Performance Measure, Jensen Portfolio Performance Measure and The Information Ratio Performance Measure.

Treynor (1966) developed the first composite measure of the performance of a portfolio that includes risk. Treynor (1966) promoted the two components of risk: the risk generated by market fluctuations in general, and unique risk due to fluctuations in portfolio securities. To identify risk due to market fluctuations, Treynor (1966) introduced the characteristic line, which defines the relationship between the back to managed portfolio and portfolio pass. The slope of this line is the portfolio beta coefficients. A high slope (beta) portfolio characteristics are more sensitive to market return and have greater market risk. Deviation of the line indicates the characteristics unique to the component return relative to the market portfolio. In a fully diversified portfolio, unique risk can be eliminated. There is a correlation with the market portfolio increase as unique risk reduction and diversification improved. William Sharp, known as a reward to variability ratio (RVAR) developed Sharpe Portfolio Performance Measure. Jones (2002) argues that "Sharpe's measure of portfolio performance calculated as the ratio of the portfolio Excess return to standard deviation". Sharpe's size is calculated by dividing the risk premium return on a portfolio with a standard deviation. Risk premium is the excess return of the portfolio, while the standard deviation of portfolio is a part of the total risk. Thus the size of Sharpe's measure of risk premium return obtained for each unit of total risk and stated as a composite measure to evaluate the performance of mutual funds. Measuring followed earlier work on the capital asset pricing model (CAPM), particularly with respect to Capital Market Line (Reilly, 2002; Sharpe 1966).

Performance measurement is clearly similar to the Treynor measure, but trying to measure the total portfolio risk using the standard deviation of returns rather than just considering the systematic risk or beta. Since the numerator is the portfolio's risk premium, this measure shows the return of the risk premium earned per unit of total risk. Thus, this measure portfolio performance using the Capital Market Line (CML) to compare the portfolio, while the size of Treynor check portfolio performance in relation to the SML. Finally, the standard deviation can be calculated using either (1) return the total portfolio or portfolio returns (2) which exceeds the risk-free rate. Jensen (1968) developed the Jensen Portfolio Performance Measures that was originally based on the capital asset pricing model (CAPM), which calculates the expected return of the period in any securities or portfolios. Expected return and risk-free returns vary for different periods. Jensen (1968) Differential formulate Return Measure the measurement basis of the concept of Capital Asset Pricing Model (CAPM). The difference is called the rate of profit rate differential gain (differential return) and expressed with alpha. Then the Information Ratio Performance Measure closely related to the statistics presented are widely used measure of the performance of the four is the ratio of information. This statistic measures the average return on the portfolio is more than that of a comparison or benchmark portfolio divided by the standard deviation of excess returns.

III. MANAGERIAL ABILITIES

Evaluation of the performance/capability investment manager is a very interesting topic for practitioners and academics. For practitioners, these evaluations provide useful assistance for the efficient allocation of investment funds among managers. For academics, significant evidence of the superior forecasting skills would violate the efficient market hypothesis. According to the concept of portfolio performance is divided into two dimensions, namely the ability of the portfolio manager or securities analysis to improve portfolio return through precise predictions about the price of securities in the future and the ability to minimize the risk of the portfolio manager (through efficient diversification) arising from portfolio holdings (Jensen, 1968). Meanwhile, according to research by Fama (1972) stated that the performance of investment managers can be divided into two, that Stock Selection Skill and Market Timing Ability. Stock selection is the investment manager's ability to choose to form a portfolio of assets that are expected to provide the expected return in the future. More investment managers often rely on the ability to obtain abnormal returns (superior). Selection is based on a forecast of special events of company and individual security prices (Kon, 1983). Market timing is an investment manager's ability to take the right policy to buy or sell securities to form a portfolio of assets at the right time. Market timing activity related to forecast future realization of the market portfolio. If the investment managers believe can produce better than the average estimate of the market return, the manager will adjust their

portfolio risk levels in anticipation of changes in the market (Kon, 1983). Calculating stock selection and market timing can be used a model of Treynor-Mazuy (1966) which states that when the value of (a) or positive alpha means that there is the ability selectivity and when the value of (c) or positive market timing means that there is market timing ability. It indicates that mutual fund managers generate greater than market return excess. According to Bhattacharya, et al. (1986) that the quadratic regression model is a measurement valid from market timing and performance measurement can be used management to the quality of the timing information and detect the existence of selectivity information. Form used in 2 models. The second method proposed by Henriksson and Merton (1981). Both stated that the beta portfolio has only a major that value if the market is predicted to be strengthened and a small value if sebaliknya. Henriksson (1981) estimate this equation to 116 mutual funds during the period 1968 to 1980 and shows little evidence of market timing ability.

Perhaps this should be predicted by the amount of value that would be obtained by determining the times of success. Berfokus market returns adjusted for risk, practitioners often just want to know what the decision will result in superior or inferior performance. Superior investment performance depends on the ability to select securities that good at the right time. The ability of market timing and security selection can be expressed in general as the stock securities or fixed income securities when the stock market is performing well. It can be defined in a more detailed level, such as select stocks performed relatively better in an industry. Investor can determine the exact time the market and shift funds into mutual funds in the period when the market will rise, then the Security Characteristic Line (SCL). If reinforcement or leverage predictable market, investors will shift more money into the market when the market will be strengthened. Beta portfolio and tilt SCL will be higher when the market returns higher.

Relationship of Managerial Abilities with Shariah Stock Mutual Fund Performance : In the mutual fund industry, investment managers play an important role in managing the portfolio securities of the mutual fund clients who are used to the customer or to make effective portfolio management for the group of customers who invest in mutual funds, but does not include insurance companies and pension funds. The depth and accuracy of the investment manager to conduct market research when compared to mutual funds managed by other companies play an important role in the success of managing mutual funds (Faith, 2008). Investment managers in conducting their operations to the management of customer funds will get payment in the form of a management fee to the fund of funds by customers. The fund will eventually be invested in various securities portfolios known as mutual funds. Active portfolio management with an election on the stock by entering stocks that provide a high return, and issued shares giving losses on the portfolio so as to get a better rate of return than the market, it is referred to the ability of the stock selection.

While the manager's ability to choose the right time to make the purchase and sale of shares of a mutual fund portfolio is called market timing ability (Bodie et al., 2005). Of the various explanations that we can strive to conclude that the mutual fund industry is an industry breakthrough to facilitate public access to the capital markets and help investors to acquire the object of performance in accordance with the desired investment. Bodie, et al. (2005), suggests that active portfolio manager try to establish a portfolio of risky assets that will maximize the ratio of yield to its variability. One of the most widely used models in financial literature to measure the ability of stock picking and market timing of mutual fund managers are proposed model Treynor and Mazuy (1966). The existence of a convex relationship between return for mutual funds and return to the market, which means that managers increase market exposure (market exposure) or the specific risk in the event of an increase in market returns, and vice versa will be done when there is a decrease in the market return. In specific, investors must make sure that the portfolio is relevant, feasible and known in advance, which means that the portfolio should demonstrate a portfolio of possible alternatives should be selected as the investment portfolio will be evaluated it open itself (Bodie, et al., 2005). Kon and Jen (1979) develop a methodology to evaluate the selectivity of timing and the efficiency of the mutual fund market. They propose an alternative approach to merging time capabilities into the traditional model of a single index. Kempf and Osthoff (2007) found that positive selection strategies (positive screening) resulted in a better financial performance than the negative selection strategy (negative screening), in which the findings were obtained from a portfolio of companies that have a good and a bad achievement in some issues ESG (environmental, social and governance) and not obtained from a particular sample of fund social Responsible Investment or SRI mutual funds.

Empirical Studies : Ferrus et al. (2012) showed that religious mutual fund has a negative financial performance, and its performance is lower (underperform) than the market. While the conventional mutual fund manager has a performance equal to their market benchmarks. This finding remained consistent when controlling coefficient that varies over time (time varying) with conditional performance model multifactorial. For market

timing ability and stock picking, using traditional timing models we can verify that the conventional mutual fund manager and the religious are equally incapable of doing market timing. But religious mutual funds have a negative stock picking ability while conventional mutual fund manager has a non-significant coefficient alpha. The religious mutual fund managers can not do timing against forces or factors were studied. However, the conventional mutual fund manager can perform timing of the size factor and factor against the book value of the market value. In addition, the timing multifactorial model used here, the conventional mutual fund manager also has a negative stock picking ability although still better than religious funds. From all of the above findings, we interpret that the negative financial performance of the mutual fund manager religious is because the ability of the negative stock picking. Negative stock picking ability that this could be due to the SR strategy that is usually applied religious mutual funds, namely the rejection of the shares of "sinful". Therefore stocks "innocent" can generate attractive risk-adjusted return that is positive and abnormal. Empirical findings show that mutual funds do not have a good performance when compared with the financial indices. This finding becomes a motivation to investigate the possibility that the measurement of the performance of mutual funds may not be restricted to financial indicators, but also should include factors of non-financial. This study intends to explore the impact of these factors on the performance of non-financial mutual funds. Aside from researching the financial parameters, this study also analyzes the investment decisions using a different perspective or a non-financial factor that incentive contracts, past performance, mutual fund attributes (size, type, destination and category, cost of sales), the characteristics of the mutual fund manager (professional certification, seniority, experience relevant market) will affect the performance of mutual funds.

Usually evaluate the performance of mutual funds is done by using the theory of Capital Asset Pricing Model (CAPM), which uses indicators of Treynor (1966), Sharpe (1966) and Jensen (1968), or using the models developed by Blake et al. (1993) and Blume and Friend (1973) to compare between funds with the benchmark portfolio and determine how the performance of mutual funds (eg Treynor et al, 1966; Jensen, 1968; Lee and Rahman, 1990, 1991; Fabozzi et al, 1979; Danielet al 1997). However, the financial performance of a mutual fund is not the only indicator that is considered by the institutional investment manager to measure the performance of mutual funds, and the performance of mutual funds is also becoming an important reference for investors in making investment decisions. By making the selection based on preference personal and company information on mutual funds, investors can increase the utility and performance of their investment. So a good performance evaluation of the fund must pay attention to the attributes and characteristics of mutual funds as a reference in determining the performance of mutual funds and fairness of the contract. This study used a size Msquare to evaluate the performance of international mutual funds using domestic and international benchmark index. Researchers found that mutual funds have the highest average return may be no longer of interest to investors when the level of risk that is in mutual funds was calculated (factored into) into the analysis. In contrast, some mutual funds have return unadjusted standard, it will be very interesting when they are low risk was factored/calculated in their performance. After looking at previous studies and the development of literature, this study will develop earlier studies using more recent data and different sample sizes to analyze the influence of managerial abilities on the performance of Sharia equity funds in Indonesia, with the aim to develop further empirical evidence that has been obtained by earlier studies in financial literature.

IV. RESEARCH METHODS

Research Design : In accordance with the title of the study, namely Managerial Abilities and Mutual Fund Performance Shares Sharia, then this kind of research is based on the problem, this kind of research is explanatory research (explanatory research) that aims to provide an explanation of the relationship (causality) between variables through hypothesis testing. Furthermore, based on the legality of the data, the research is ex-post facto, because the source of the data derived from the publication of data from the companies of the object of research and used as is without any engineering data. Then based on a quantitative approach, this research is also called the confirmatory study focused on confirming the theory to the entry into force on an object of research (limited), both for explanation and predictions.

Population and Sample : The population of this study are all companies included in the Shariah Mutual Funds in the Stock Exchange which includes mutual funds Mixed Shariah, Shariah Index Mutual Fund, Mutual Funds Fixed Income Shariah, Shariah Protected Mutual Funds, Stocks and Mutual Funds Shariah, with 2009-2012. Observation year period contained in Shariah Mutual in 2012 amounted to 51 companies. Samples were selected in this study is a type of sampling method, where the samples were chosen and selected based on certain considerations (judgment sampling). Judgment sampling involves the selection of subjects who are in the most favorable place or in the best position to provide the required information (Sekaran, 2003:137).

This research sample unit is Sharia stock mutual fund companies in Indonesia. Observation period the company that made the study sample time span 2009-2012. Chosen year 2009-2012 was there reasons span off four years from the company effective and sufficient to carry out the observation period in order to obtain a representative sample.

Data Collection : Based on the data source, the type of data required in this research is quantitative data. The quantitative data in the form of secondary data is data that is collected, processed, and presented by the other party, in the form of publications include the financial statements in Indonesian Sharia equity funds during the year 2009-2012, the stock mutual fund prospectus Shariah, the data Net Asset Value (NAV) daily on the opening day of work, a sample list of Sharia equity funds active in the period January 2009 to December 2012. Data obtained from the Islamic capital market statistics, financial statements Sharia mutual fund shares to subdivisions Monitoring and Analysis Reports Investment Products Directorate of Investment Management Services Authority Finance (FSA) Directorate Syariah. For Stock Market Data collection techniques used to obtain the data documentation and discussion. Documentation is a way to obtain data company documents in connection with this study is a way to copy files Sharia equity funds and download financial data Islamic equity funds required.

V. DATA ANALYSIS

Based on the data source in the form of financial statements will be grouped according to group the data necessary for the needs analysis, then calculated to obtain the data in accordance with the study variables. Data will be analyzed in this study is a combination of series and cross section data is called data pooling. The process of calculating the data is performed based on the formulation of each variable in the study. Linearity test assumption, is used to determine whether the model was appropriate in describing the relationship between the variables studied so categorized into good model. Input for linearity testing is entering independent and dependent variables are then processed with SPSS. Said to be linear if the conclusion is smaller significance level of 5% ($p < 0.05$). Test outer model (measurement model), used to measure the reflective and formative indicators. Formative indicators in this study are in managerial abilities, while the performance of mutual fund shares Sharia is reflective indicators. For formative indicators are based on the substantive content by comparing the magnitude of relative weight and significance of the size of the weight. While the reflective indicator is based on the loading factor. Factor loading > 0.70 is highly recommended, however, the value of the loading factor from 0.50 to 0.60 was considered sufficient (Solimun, 2010:177). The model in this study is said to be fit if supported by empirical data. Goodness of Fit Inner structural model in PLS form Q^2 -Square predictive value relevance (Q^2) which is calculated based on the value of R^2 each dependent variable attribute mutual funds and equity funds performance Sharia.

VI. RESULTS AND DISCUSSIONS

Managerial Abilities : Managerial Abilities (MA) from the investment manager (MI) provide useful assistance to the efficient allocation of investment funds for investors. Analysis of mutual fund investments made in equity portfolio management strategy enabled. This means MI actively trying to "beat the market" by forming a portfolio that can produce actual returns (actual return) exceeds the expected risk-adjusted returns (Reilly and Brown, 2012). The concept of portfolio performance is divided into two dimensions, namely (1) the ability of the portfolio manager or securities analysis to improve portfolio return through precise predictions about the price of securities in the future and (2) the ability to minimize the risk of the portfolio manager (through efficient diversification) arising from portfolio holdings (Jensen, 1968). The Fama (1972), in a study stating that the performance capability of investment managers can be divided into two, namely the ability to stock selection and market timing. Based on theories that have been described in the previous section in this study operationalized with market timing (MT) and stock Unmatched (SS). Both of these indicators become the determining factors of the reasons why companies require their managerial capabilities (managerial abilities) in MI.

The Influence of Managerial Abilities to Shariah Stock Mutual Fund Performance : Variable managerial abilities (MA) in this study was measured by two indicators that are formative. Indicators of market timing (MT) and stock selection (SS) form the managerial abilities of the investment manager (MI) in an attempt to manage the fund. Indicators dominant form MA is stock selection (SS). This means that managerial ability or managerial abilities (MA) of MI Sharia equity funds seen in the ability to select stocks forming portfolio. Stock selection (SS) is a dominant indicator and fits forming variable managerial abilities (MA). The ability to allocate and predict the price of the securities in order to increase the portfolio abnormal returns (superior) are able to create managerial abilities MI. Kon (1983) stated activity Stock Selection (SS) based on a forecast of special events company and individual security prices. Furthermore, market timing indicator (MT) do not form a variable MA.

The possibility that occurs in Islamic stock mutual funds that MI who has or does not have the ability to enter into a market does not specify the Supreme Court to be good. Related to the reality of this indicator can be interpreted that that MI can be said not to have managerial skills for short-term (four-year period of observation), but for the long term remains to be investigated later. The basis of timing the market (market timing) activity involves shifting funds between market index portfolio with safe assets (Bodie, 2011:862). Therefore, in addition to focusing on returns adjusted for risk, investors often want to know what the decision will result in superior performance (abnormal) or inferior.

Investment performance superior or inferior MI depends on the ability to select securities that good at the right time. This is in line with Kon (1983) which states that the activities of market timing (MT) associated with the realization forecast future market portfolio. If MI sure can produce better return than the average estimate of the market return, the manager will adjust their portfolio risk levels in anticipation of changes in the market. Market timing (MT) is the ability to anticipate market changes MI, where if the market will decrease the MI change the composition of the portfolio securities managed to lower volatility and vice versa. The stock selection (SS) is a portfolio manager's ability to choose the appropriate securities (based on the forecast). Based on the results of the research hypothesis test to test the direct effect, it is concluded that the effect of the Supreme Court of the KR is positive and significant. The magnitude of the effect of the Supreme Court of the KR coefficients are positive and significant has greater significance MA formed by the Stock Selection (SS), the greater the return that support KR and vice versa. This fact is consistent with the findings Ferruz et al. (2012) which states that the negative financial performance of the religious fund managers are due to stock picking abilities/negative selection. Barnett and Solomon (2006) and Lee et al (2010) also found that there is a relationship between the intensity of selection curve linear with financial performance. It is said that the relations between the two variables is linear.

Managerial Abilities (MA) is an important factor when equity funds invested by establishing Sharia Islamic stock portfolio. Managerial Abilities (MA) is a measure of the ability of MI in anticipation of changes in the market. Declining market conditions, the manager changed the composition of its management portfolio securities to lower volatility and vice versa. According Rivalet al. (2010: 439) Islamic mutual funds and Islamic fund products developed from conventional financial services. Therefore measurement capabilities for mutual fund shares MA benchmark Sharia done MA in conventional mutual funds with regard to Islamic values. Rivalet al. (2010: 440), stating the contract (agreement) between investors and institutions should be done with the system *mudharaba* / *Qirad* the agreed permissible in Islam by the four schools of Islamic jurisprudence. Sharia equity funds only place their funds in listed companies or third-party publishers of investment instruments that do not make efforts to the contrary with the halal principles of Sharia: usury, gambling, pornography, illicit liquor (alcohol), pigs, and entertainment that is contrary to Sharia and other-lain. The role and tasks as well as managerial abilities (MA) an investment manager (MI) on Sharia mutual fund becomes wider than conventional mutual fund investment manager is a good portfolio strategy in order to produce return optimal and outperform compared to other mutual funds, while ensuring investments made halal process. Thus, the hypothesis of Managerial Abilities improve the performance of mutual funds insufficient evidence to be accepted.

The results of the measurement model analysis showed variable Managerial Abilities (MA) significantly shaped by the Stock Selection (SS) and Mutual Fund Performance indicators Shares Sharia (KR) is reflected by the Sharpe index, showing the investment manager's ability to pick the right stock (SS) in the portfolio, is able to provide yield (return) is high on the managed portfolio management so as to create a good prospect or has a value that is attractive in the eyes of investor. In line with the findings of this study Kempf and Osthoff (2007) is a strategy of positive selection (positive screening) resulted in financial performance better than negative selection strategy (negative screening). Other findings are in contrast to the findings of this research is the result of research from Munoz et al. (2012) which states MI conventional mutual funds also have the ability to stock selection that is negative although still better than MI religious funds. All of these findings, it can be interpreted that the negative financial performance of the mutual fund religious MI is due to stock selection ability applied to religious funds. Negative financial performance because of the refusal of a *haram* ban on using shares "sinful" in these securities portfolio in equity funds Sharia because it does not fit in accordance with the rules of Sharia. Shares outside the *DE* or who do not follow the rules of Sharia more lot number and variety, making it potentially attractive risk-adjusted gain return abnormal having a positive relationship. Investment manager (MI) as *ahib al-mal*, with investors as *own* assets (*Sahib al-mal* / *rabb al-mal*) or the investment manager (MI) as *ahib al-mal* with investment as the users who have the responsibility the management of the selected portfolio.

MI must invest as the concept of sharia among other cause is classified as gambling or prohibited trade; do not apply the concept of usury; purchase risk-containing goods or services that are unlawful because of substance and not because of substance and goods that damage morale and harmful. The limited number of securities in the portfolio forming Islamic mutual funds have difficulty making trouble in risk diversification. Based on these findings, the responsibility of MI to begin the process of investment or entering the capital market in accordance with Shariah principles is not easy, easier to conduct selection or stock (stock selection). It is easier to do because of stock options that will be established by the MI has been determined or limited that only stocks that are in accordance with the list of Islamic securities (DES). Managerial Abilities affect the performance of mutual fund shares is based on a model of Sharia Trynor-Mazuy measure which is an absolute measure of performance and depends on two variables: the return of the fund (return) and risk sensitivity variability. The model is based on the Capital Asset Pricing Model (CAPM) by portfolio theory proposed by Markowitz. Based on the Markowitz model, each investor is assumed to diversify its portfolio and selecting the optimal portfolio on the basis of preference to return and risk. Although limited by a number of assumptions that appear unrealistic, but the CAPM is a model that is parsimony (simple) and describe or predict the market realities that are complex to describe the reality of the relationship of return and risk.

Risks are calculated on a CAPM beta is a measure of risk derived from the relationship between the rate of return on a stock market returns. MI to diversify portfolio risk as measured by the standard deviation of returns. Beta is also the regression coefficient between the two variables, namely the excess rate of profit market portfolio (excess return to the market portfolio) and the excess of the rate of profit of a share (the excess return of stock). According to Sharpe and Alexander (1997: 281), beta is the variance-covariance relative to the market portfolio. In connection with the role of MI, then if there is reinforcement or predictable market lethargy, MI will shift more money into the stock market when the market rises. Beta portfolio and tilt security characteristic line (SCL) will be higher when the market returns higher. Positive beta value would indicate a good managerial abilities.

VII. CONCLUSIONS

This study focused on the influence of Managerial Abilities against Sharia Stock Mutual Fund Performance in Indonesia. Based on the analysis and discussion, it can be concluded that the Managerial Abilities demonstrated success in the selection of investment management stocks or stock selection and the ability to enter the market or market timing. The findings of this study indicate the investment manager's ability to pick the right stocks in a portfolio capable of delivering high return on portfolio management are managed so that potentially create Sharia stock mutual fund performance is good or has a value that is attractive in the eyes of Sharia Stocks Mutual investor. Kinerja proxied as Sharpe index, measuring the risk premium return obtained for each unit of total risk and can be expressed as a composite measure to evaluate the performance of mutual funds. The findings of this study revealed that the variable Managerial Abilities contribute to Mutual Fund Performance Islamic stock.

VIII. FUTURE RESEARCH DIRECTIONS

Based on the findings of Managerial Abilities and Mutual Fund Performance Shares Sharia in Indonesia, it can be argued that some of the recommendations still need to be developed and empirically examined the effect of other variables, for example: internal financial performance of mutual funds, macroeconomic conditions, adequacy of funds for operations against Sharia Stock Mutual Fund Performance for all kinds of Islamic mutual funds. This refers to the results of the empirical findings of Capon, et al. (1996) stated that the investors in mutual funds invest in using a model of multi-attribute and instead use a simple model that is solely based on risk and return.

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