Performance Of Share Mutual Funds In Indonesia Stock Exchange Based Stock Selection And Market Timing

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ABSTRACT

The purpose of this study wanted to know the description of equity fund performance based on stock selection and market timing, while also wanted to know what the difference between product performance and return of stock mutual funds in Indonesia Stock Exchange. Methodology of research: using current stock mutual funds during the month of May 2005 until June 2009 Indonesia Stock Exchange. To find the picture of performance-based stock mutual fund selection and market timing, measurement using two approaches, namely: Treynor-Muzay and Henriksson-Merton. Who's to know what the difference between product performance and return of stock mutual funds used analysis of variance (ANOVA). The results showed that the performance of mutual fund shares at the Indonesian Stock Exchange is quite good, as much as 78% of investments in equity fund managers have the ability to perform well in the stock selection, and 61% in market timing. In addition Treynor-Muzay approach and Henriksson-Merton has a consistency in the measurement of stock selection and market timing, this means that both models are complementary and clarify mutual fund performance measurement. ANOVA results show no difference in performance between stock mutual fund products, whether based on stock selection and market timing. It also proves there is no difference between the return of stock mutual fund products in Indonesia Stock Exchange, which will make it easier for investors to choose which mutual funds as alternative investments.

Key words : mutual fund performance, stock selection, market timing, return

RECOGNITION

The last few years the greater interest of investors to invest their funds in mutual funds, while also increasing product variety offered by mutual funds, among others: equity fund, fixed income, balanced fund and mutual protection. Increasing number of alternative fund products being offered, so investors need to understand about mutual fund performance is not limited to the level of the results, but also the ability of mutual fund managers (investment managers) in making decisions to allocate funds appropriately. Elton and Gruber (1995: p. 650-652) states that One aspect of portfolio diversification is Measured Performance Generally. A second aspect of mutual fund performance is often examined that is timing. So, there are factors diversification (stock selection) and timing (market timing) that plays an important role in determining the performance of mutual funds.

Christensen (2005) explains that stock selection is the ability of investment managers in formulating the composition of portfolios. It is associated with the diversification of the portfolio, so that the composition of funding that is made can result in abnormal return that is most appropriate. While Artikis (2003) explains that market timing is an investment manager's ability in doing the replacement asset or investment instruments in accordance with market conditions. Investment manager who predicted the decline of market conditions, it will change the portfolio to less risky investments, and vice versa when the investment managers predict market conditions will improve, the investment would be acquired at a higher risk instruments.

These studies on the performance of mutual funds based on market timing and stock selection now widely performed in many countries. Gallagher (2006) conducted a study on the performance of pension funds in Australia, the results show some fund managers already have good accuracy in market timing and stock selection. Artikis (2003) on fixed income mutual funds in Greece showed that as many as 90% of investment managers already possess the capability to stock selection, but only 20% of investment managers who have the ability to market timing. Roy and Sovan (2008) conducted a study in the Indian