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Persistence in Performance
The GCC Experience

Research Findings:
While Mena fund managers generally outperform their respective benchmarks, they do not do it consistently which makes manager selection very difficult.

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M.R. Raghu CFA, FRM
Head of Research
+965 2224 8280
rmandagolathur@markaz.com

Kuwait Financial Centre S.A.K. "Markaz"

P.O. Box 23444, Safat 13095, Kuwait
Tel: +965 2224 8000
Fax: +965 2242 5828
www.markaz.com

"Past performance is no indicator of future results. Fund historical performance does not promise the same results in the future."
Schwab Disclaimer

The asset management industry revolves around one theme i.e., past performance. Even though standard disclaimers (like the one listed above) beat down the importance of past performance, it is quite a popular and common strategy to chase good performers (winners). In that case, we should ask ourselves two important questions:

1. Do fund managers outperform, and if so
2. Do they do it consistently

Global studies and research point out that money management is a zero-sum game in that out performance and under performance more or less match each other. In which case, we need to rely more on the second question which is all about persistency in performance. Again the global findings are clearly towards lack of persistency.

How about regional equity funds? Our studies indicate that regional fund managers are reasonably successful in generating outperformance (which is in divergence to global experience). This may be due to reasons such as low level of institutionalization, market inefficiency and index concentration. However there is no persistency in performance (in convergence with the global experience). This again may be due to high fund manager turnover, intense competition to gather assets leading to high levels of risk taking, lack of accountability and fund size. The findings are no different between conventional and Islamic funds. Lack of persistency would make the few fund managers that are consistently good performing (top quartile) very precious. Due to lack of persistency, sometimes investing in mid quartile or bottom quartile managers would have yielded superior results as a portfolio strategy.

Outperformance & Persistence Results

	Outperformance		Persistence in Performance	
Country Focus	**Conventional**	**Islamic**	**Conventional**	**Islamic**
GCC/Mena	Yes	Yes	No	No
Saudi Arabia	Yes	No	No	No
Kuwait	No	Yes	No	No
UAE	Yes	Yes	No	No

Portfolio Strategy

Country Focus	Conventional	Islamic
GCC/Mena	Top Quartile	Mid Quartile
Saudi Arabia	Bottom Quartile	Bottom Quartile
Kuwait	Top Quartile	Mid Quartile
UAE	Bottom Quartile	Bottom Quartile

The Global Experience

Global experience shows professional fund managers as a group fail to outperform the index

Academic studies conclusively prove that professional fund managers as a group fail to outperform the index. As per Burton Malkiel, "for the twenty years ending Dec 31, 2005, the average actively managed large-capitalization mutual fund underperformed the S&P 500 large-cap index by almost 1.5%"[1]. Surprisingly this seems to be the case even in emerging markets. In a recent research by Vanguard group[2], it was reported that over the past ten years 81% of actively managed emerging market funds have underperformed the FTSE All World Emerging Index. Hence, the verdict is that fund managers do not outperform their index.

How about persistence in performance? In a classic paper[3] the authors cite several studies that point to lack of persistence in performance. In addition, a number of studies show strong correlation between performance and fund flow. In other words, good performance tends to attract new money into the funds while bad performance takes away the money.

Performance is negatively correlated to size

There are several reasons cited as to why there is no persistence in performance. The most common theory goes something like this: Good performance causes assets to swell and performance is negatively correlated to fund size. In other words, it is stated that performance is not persistent mainly because investors chase good performance and punish bad performance. There are also studies to examine if poor performance can turn into good performance (since there is no persistence). Here again the argument goes something like this: "*when a fund does well the entire universe of investors can choose to react to this information by investing money in the fund. However, when a fund does badly, only investors who are currently invested in the fund can withdraw money. The performance-flow of funds relation is convex for the same absolute level of out-performance, the capital inflows of the good performers is much larger than the outflows of poor performers".* Also, *"when the fund performs badly only the investors in the fund can react by withdrawing capital. Because the most responsive investors exit first, going forward, a poorly performing fund is likely to have a greater proportion of less responsive investors leading to lower sensitivity of flow of funds to performance".*

While the above is an academic citation, tables in Appendix 1 are a more down to earth description of the phenomenon. Table 1 presents performance migration between 1970-1990. It can be seen that the fund ranked 1 during 1970-80 slips to rank 151 during 1980-1990. In Table 2, the fund ranked no 1 during 1993-99 slips to rank 410 between 1999-2005. The story is no different for the rest of the top 20.

[1] "A Randown Walk Down the Wall Street" by Burton G. Malkiel
[2] "Never Judge a Book by its Cover: Why Indexing Can Make Sense for Emerging Markets" by Paul C Lohrey, CFA, Jan 2010
[3] "Return Persistence and Fund Flows in the Worst Performing Mutual Funds" by Jonathan B Berk and Ian Tonks, Nov 2007

The GCC Experience

In our GCC experiment, we asked ourselves two questions:

- Do GCC funds outperform their benchmark? (in other words generate alpha)
- And if so, do they do it consistently?

Our lab test involved the following:

We screened nearly 80 funds that invest in MENA/GCC, KSA, Kuwait and UAE to test for out performance and persistency in performance

Country Focus	No of funds		
	Conventional	Islamic	Total
GCC/Mena	16	7	23
Saudi Arabia	11	12	23
Kuwait	16	8	24
UAE	7	1	8
Total	50	28	78

All of the funds enjoyed at least four years of historical track record. We did not restrict the universe by size though we make a mention of it. We code these funds since the idea is to examine the findings rather than naming the funds.

Funds with MENA/GCC mandate

Funds with GCC/MENA mandate generated alpha but did not maintain their outperformance over the years

All funds in this group generated alpha over the four-year period examined (Appendix 2) and in some cases outperformed their benchmark by a substantial premium. The highest alpha (fund V) was over 27%, which is exceptional considering the four-year period, although we have to bring to the reader's attention that the fund is very small in size. A total of 13 out of 23 funds generated an alpha of over 10%. This feature is not only applicable to small or very small funds. Even large funds have been able to substantially outperform their benchmark. For example, three large funds, Fund I, Fund B and Fund C, generated a 16.20%, 14.64%, 13.30% outperformance respectively.

It is worth noting that most of the fund managers outperformed their benchmark in bear markets (2006 and 2008) but struggled to outperform in bull markets (2007 and 2009). Two conventional funds (funds U and L) generated negative alpha in three out of four years, indicating a very poor performance relative to the benchmark and their peers. Islamic funds were doing slightly better as five out of seven funds generated positive alpha during the four-year period.

In regard to the second question on the persistence in performance, it is noticed that only two conventional funds were able to generate consistent alpha most of the time (at least three years out of four years examined). Fund V was able to outperform its benchmark in all of the years.

Another angle to check for persistency is to examine peer group performance through positioning fund managers into various quartiles[4].

Only four conventional funds showed consistent performance versus their peers and remained either in the first or second quartile throughout the study period. One fund, Fund M was in the third quartile in 2006 but has been able to move up to the second quartile in 2007 and stay in the first two quartiles since then. Therefore, we categorized it as having consistently better performance than its peers. However, most of the funds moved from top quartile to bottom quartile during the four-year period, not being able to retain a stable performance versus their peers.

All the Islamic funds showed lack of persistency in their performance over the four-year period.

Conclusion

	Conventional	Islamic
Outperformance	Yes	Yes
Persistence in Performance	No	No

Portfolio Strategy

The end investor is always faced with the issue of portfolio strategy. Should we invest in winners/losers/also-rans? In order to examine this, we constructed a portfolio that would invest only in winners/losers/also-rans each year. Our findings indicate that for conventional funds investing in top quartile funds yields the best result while for Islamic funds investing with also-rans (mid quartile) may be the best approach.

Funds with KSA mandate

Many of the funds with KSA mandate generated alpha and consistency was slightly better versus the benchmark but not versus peers

With respect to outperformance, conventional funds enjoyed a better track record than Islamic funds as eight out of 11 funds managed to show positive alpha while only six out of 12 Islamic funds could show outperformance (Appendix 3). Conventional funds showed a relatively narrow range of alpha, as it went from 4.52% to -1.75%. The highest alpha is much lower than for MENA/GCC funds (fund C). However, the margin of outperformance was better for Islamic funds, as the highest alpha was 17% (generated by a very small fund - Fund P) and the lowest -5.58%.

Outperformance was generated in both bear market such as in 2008 and in bull market such as in 2007. 2009 was a difficult year for the majority of the funds, whether conventional or Islamic.

In terms of persistency in performance, conventional funds fared better than MENA/GCC mandate funds as seven out of 11 funds posted positive alpha at least three out of four years while Islamic funds showed less mettle with 50% of the funds generating positive alpha in at least three years.

[4] Fund managers that come within the top 25% of the performance chart would be placed in the first quartile and so on.

Checking the persistency of the performance from a quartile distribution, the findings are in line with the previous analysis: only one fund (conventional) demonstrated consistency in its out-performance. The rest of the funds showed inconsistent performance.

Conclusion

	Conventional	Islamic
Outperformance	Yes	No
Persistence in Performance	No	No

Portfolio Strategy

In terms of portfolio strategy, investing with bottom quartile performer funds yielded the best results both for conventional and Islamic funds.

Funds with Kuwait mandate

Only about half of the funds generated alpha and few maintained their performance in Kuwait

Surprisingly, less than half of the conventional funds generated alpha. The gap between the best and worst alpha was actually quite large: Fund A posted the best outperformance of 9.68%, while at the same time; Fund K posted a negative alpha of -9.45%. The Islamic funds fared a bit better with six funds out of eight posting positive alpha, but still a relatively wide range of alpha as it went from +4.59% to -10.93%.

The persistency in the performance of the conventional funds is in line with the findings for the KSA mandate and MENA/GCC mandate funds. Only four funds were able to outperform their benchmark at least three out of four years. The Islamic funds did much better with six out of eight funds maintaining positive alpha at least three years. Three funds have not been able to beat the market at least once (Funds J, M and S). Overall, 2009 was a very challenging year for Kuwait funds and very few of them were able to generate positive alpha during that year.

Versus their peers, the funds did not show much consistency in maintaining their performance throughout the years. Only three funds (Funds B, A and O, all large funds) demonstrated consistently better performance, while the rest of the funds showed inconsistent or even lower performance.

Conclusion

	Conventional	Islamic
Outperformance	No	Yes
Persistence in Performance	No	No

Most of the funds generated alpha and out-performance was not maintained in UAE

Portfolio Strategy

Our findings show that the most rewarding investment strategy would have been to invest with top quartile conventional funds and mid quartile Islamic funds.

Funds with UAE mandate

About a third of the funds did not generate alpha. Here again, the gap between the best performing fund (Fund B with +7.53% over the benchmark) and the worst performing fund (Fund F with -11.43% over the benchmark) was quite large.
Three funds (Funds B, D and E) demonstrated sustained outperformance in three years. Two of them (Funds B and D) are very small. Fund F had only one year of positive alpha. Only Fund D managed to post a positive outperformance in 2009.

Versus their peers, all of the funds demonstrated inconsistency.

Low market institutionalization, market inefficiencies, index concentration, lack of liquidity and the speculative nature of the markets may explain the easiness to generate alpha

Conclusion

	Conventional	Islamic
Outperformance	Yes	Yes
Persistence in Performance	No	No

Portfolio Strategy

Once again, the best investment strategy would have been to invest with the bottom quartile performers, although this is worth noting the low range of results.

Conclusion

Lack of persistency might be due to high turnover of managers, early development stage of the GCC asset management industry, inadequate risk management practices and fund size

While professional fund managers managing money in international stock markets find it difficult to generate alpha, GCC fund managers seem to enjoy alpha generation capabilities. Why is this so?

The very low level of institutionalization in the GCC markets means that there is no zero-sum game between winning and losing asset managers as it would be the case in more advanced markets. The fact that managers are able to outperform easily could also be due to market inefficiencies in general and index concentration in particular. Most of the markets are top heavy in few stocks that account for a large share of the market capitalization. Lack of liquidity reduces this population set even further. This eases the task of the fund manager in terms of research, tracking market rumours, etc. Also, the retail and speculative nature of the markets, means that information gleaned out of “party conversations” are more valuable than “DCF based” fundamental analysis being carried out by non-local research analysts.

All these can explain why fund managers outperform, but then why are they not able to do it consistently? The answer could lie with frequent change in the manager. The asset management industry in GCC relies heavily on local talents (due to language and cultural issues) which is still developing in nature. Due to the high net worth nature of the market, attracting assets under management is quite challenging given the fact that most investors feel confident playing it on their own than entrusting their money with money managers. This in turn leads to very high degree of competition to gather assets which forces managers to take more risk to perform better. This may produce high levels of tracking error leading to variable performance (and not consistent performance).

Furthermore, in many asset management firms the rules for portfolio management may not be that well designed, developed and implemented primarily due to lip service being paid to risk management. Loose definition of rules can make a manager go unchecked in terms of the risk being taken. Also, underperformance is not punished as much as outperformance is rewarded due to lack of skills in this space. This lack of accountability may be a perfect setting to take unwarranted bets in pursuit of alpha.

And finally, fund size does make a big difference. In one case, we observed a very small country-based GCC fund with a huge weight in favor of local market outperforming the peers. Managing a $300 m fund is a very different proposition compared to managing a $3 m fund.

Appendix 1: the Global Experience

Table 1	Dec 93-Dec 99		Dec 99-Dec 05	
Fund Name	**Rank***	**CAGR**	**Rank***	**CAGR**
RS Inv: Emerg Gr	1	37.54%	410	-9.35%
Janus Mercury	2	35.92%	397	-8.11%
Fidelity New Millennium	3	35.82%	229	-0.48%
Janus Twenty	4	34.89%	394	-7.72%
Fidelity Aggr Grow	5	32.70%	422	-15.67%
Van Kampen Emerg Gro; A	6	31.94%	403	-8.47%
Janus Enterprise	7	31.15%	414	-9.58%
Legg Mason Value Tr; Prm	8	31.11%	167	2.45%
Van Kampen Emerg Gro; B	9	30.90%	409	-9.17%
TA IDEX Janus Gro; T	10	30.21%	396	-8.00%
Janus venture	11	29.97%	387	-7.02%
TA IDEX Janus Gro; A	12	29.85%	401	-8.39%
Morg Stan Inst: MCG; I	13	29.47%	253	-1.22%
Putnam OTC Emerg Gro; A	14	29.1%	424	-19.25%
Phoenix Mid-Cap Gro; A	15	29.1%	402	-8.41%
Janus Growth & Income	16	28.43%	250	-1.13%
Harbor: Cap Apprec; Inst	17	28.38%	341	-4.28%
Fidelity OTC	18	28.16%	371	-6.18%
USAA Aggr Growth	19	27.84%	405	-8.51%
Putnam New Oppty; A	20	27.68%	407	-8.81%
S&P 500 Return		**23.55%**		**-1.13%**
Source: Lipper and Bogle Financial Research Center.				
*Rankings are out of 424 funds with at least $100m in assets on 12/95				

Appendix 2: MENA/GCC Funds

Table 2: Conventional Funds	Fund Size[5] (Dec 09)	Alpha[6]
Fund V	VS	27.36%
Fund W	S	21.05%
Fund T	M	17.50%
Fund I	L	16.20%
Fund O	S	13.29%
Fund N	M	12.68%
Fund D	M	11.38%
Fund M	S	11.28%
Fund K	M	9.49%
Fund F	S	8.18%
Fund L	S	6.83%
Fund G	VS	5.18%
Fund U	VS	4.86%
Fund S	L	4.32%
Fund P	M	0.93%
Fund J	M	0.43%

Table 3: Islamic Funds	Fund Size (Dec 09)	Alpha
Fund H	S	21.35%
Fund A	VS	17.38%
Fund E	M	16.40%
Fund B	L	14.64%
Fund C	L	13.30%
Fund Q	VS	6.72%
Fund R	VS	0.28%

Table 4: Conventional Funds[7]	Fund Size (Dec 09)	06	07	08	09
four years of positive alpha					
Fund V	VS	+	+	+	+
three years of positive alpha					
Fund W	S	+	+	+	-
two years of positive alpha					
Fund D	M	+	-	+	-
Fund F	S	+	-	+	-
Fund G	VS	+	-	+	-
Fund I	L	+	-	+	-
Fund J	M	+	-	+	-
Fund K	M	+	-	+	-
Fund M	S	+	-	+	-
Fund N	M	+	-	+	-
Fund O	S	+	-	+	-
Fund P	M	+	-	+	-
Fund T	M	+	-	+	-
Fund S	L	+	-	+	-
one year of positive alpha					
Fund U	VS	+	-	-	-
Fund L	S	+	-	-	-

Table 5: Islamic Funds	Fund Size (Dec 09)	06	07	08	09
four years of positive alpha					
Fund Q	VS	+	+	+	+
Fund C	L	+	+	+	+
three years of positive alpha					
Fund A	VS	+	-	+	+
Fund B	L	+	+	+	-
Fund E	M	+	+	+	-
two years of positive alpha					
Fund H	S	+	-	+	-
Fund R	VS	-	+	-	+

[5] VS (Very Small): < USD 20 million; S (Small): Between USD 20 and 50 million; M (Medium Size): Between USD 50 and 100 million; L (Large): Over USD 100 million
[6] calculated as CAGR of the performance of the fund's benchmark between 2006 and 2009 minus the CAGR of the fund's return over the same period
[7] + means 'positive alpha ; - means "negative alpha"

Table 6: Conv'l Funds	Fund Size (Dec 09)	2006[8]	2007	2008	2009
Consistently Better Performance					
Fund V	VS	1	1	1	1
Fund W	S	1	1	2	2
Fund T	M	2	2	1	1
Fund M	S	3	2	2	2
Inconsistent					
Fund L	S	2	4	4	1
Fund G	VS	4	4	3	1
Fund P	M	4	3	4	2
Fund F	S	2	4	3	2
Fund K	M	3	2	3	3
Fund U	VS	3	2	4	3
Fund D	M	4	4	1	3
Fund I	L	1	1	2	3
Fund S	L	3	1	3	4
Fund O	S	1	3	2	4
Fund N	M	2	3	1	4
Consistently Lower Performance					
Fund J	M	4	3	4	4

Table 7: Islamic Funds	Fund Size (Dec 09)	2006	2007	2008	2009
Inconsistent					
Fund C	L	3	2	3	1
Fund R	VS	4	1	4	1
Fund Q	VS	3	3	3	2
Fund A	VS	1	4	1	2
Fund H	S	2	3	1	3
Fund B	L	2	1	2	3
Fund E	M	1	2	2	4

Table 8:	Conventional Funds				Islamic Funds			
Year	Top	Bottom	Mid	Benchmark	Top	Bottom	Mid	Benchmark
2006	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
2007	$1.51	$1.39	$1.49	$1.52	$1.44	$1.63	$1.79	$1.46
2008	$0.86	$0.74	$0.72	$0.70	$0.71	$1.01	$1.46	$0.62
2009	$0.96	$0.84	$0.81	$0.85	$0.81	$1.21	$2.00	$0.72

Source: Markaz Research, Zawya, Fund fact sheets

[8] 1 means 1st quartile, 2 means 2nd quartile, etc

Appendix 3: Country Level Funds – Saudi Arabia

Table 9: Conventional Funds	Fund Size (Dec 09)	Alpha*
Fund C	M	4.52%
Fund J	S	3.86%
Fund I	S	3.71%
Fund A	S	3.20%
Fund E	L	3.05%
Fund G	M	1.39%
Fund D	M	0.76%
Fund F	M	0.57%
Fund K	M	-0.23%
Fund H	L	-0.33%
Fund B	L	-1.75%

Table 10: Islamic Funds	Fund Size (Dec 09)	Alpha*
Fund P	VS	17.00%
Fund M	L	4.89%
Fund Q	L	3.18%
Fund V	VS	2.16%
Fund O	M	1.16%
Fund S	L	0.03%
Fund R	M	-0.44%
Fund L	M	-1.67%
Fund U	L	-2.14%
Fund Z	L	-2.30%
Fund T	L	-2.90%
Fund N	S	-5.58%

Table 11: Conventional Funds	Fund Size (Dec 09)	06	07	08	09
four years of positive alpha					
Fund E	L	+	+	+	+
three years of positive alpha					
Fund K	M	-	+	+	+
Fund G	M	+	+	+	-
Fund H	L	+	+	+	-
Fund F	M	-	+	+	+
Fund I	S	+	+	+	-
Fund J	S	-	+	+	+
two years of positive alpha					
Fund C	M	+	-	+	-
Fund D	M	+	-	+	-
Fund A	S	-	+	+	-
Fund B	L	-	+	+	-

Table 12: Islamic Funds	Fund Size (Dec 09)	06	07	08	09
four years of positive alpha					
Fund V	VS	+	+	+	+
Fund Q	L	+	+	+	+
three years of positive alpha					
Fund M	L	+	+	+	-
Fund R	M	-	+	+	+
Fund S	L	-	+	+	+
Fund O	M	-	+	+	+
two years of positive alpha					
Fund L	M	+	-	+	-
Fund U	L	-	+	+	-
Fund W	L	-	+	+	-
Fund P	VS	+	-	+	-
one year of positive alpha					
Fund T	L	-	-	+	-
Fund N	S	-	-	+	-

Table 13: Conventional Funds	Fund Size (Dec 09)	06	07	08	09
Consistently Better Performance					
Fund G	M	2	2	2	2
Inconsistent Performance					
Fund J	S	3	2	3	1
Fund K	M	3	2	4	1
Fund F	M	4	1	2	1
Fund E	L	2	1	3	2
Fund I	S	1	3	1	2
Fund A	S	4	1	2	3
Fund C	M	1	4	1	3
Fund H	L	1	3	4	3
Fund D	M	2	4	1	4
Fund B	L	3	3	3	4

Table 14: Islamic Funds	Fund Size (Dec 09)	06	07	08	09
Inconsistent Performance					
Fund O	M	2	3	4	1
Fund Q	L	1	3	2	1
Fund R	M	4	1	3	1
Fund V	VS	1	2	4	2
Fund S	L	4	2	3	2
Fund U	L	3	1	4	2
Fund M	L	2	1	1	3
Fund T	L	4	3	2	3
Fund W	L	3	2	3	3
Fund L	M	2	4	1	4
Fund N	S	3	4	2	4
Fund P	VS	1	4	1	4

Table 15:	Conventional Funds				Islamic Funds			
Year	Top	Bottom	Mid	Benchmark	Top	Bottom	Mid	Benchmark
2006	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
2007	$1.43	$1.69	$1.51	$1.41	$1.35	$1.48	$1.46	$1.41
2008	$0.67	$1.05	$0.69	$0.61	$0.66	$0.98	$0.69	$0.61
2009	$0.79	$1.31	$0.87	$0.77	$0.72	$1.30	$0.85	$0.77

Source: Markaz Research, Zawya, Fund fact sheets

Appendix 4: Country Level Funds – Kuwait

Table 16: Conventional Funds	Fund Size (Dec 09)	Alpha
Fund A	L	9.68%
Fund G	L	6.31%
Fund B	L	6.29%
Fund O	L	6.02%
Fund I	L	3.69%
Fund H	L	0.84%
Fund L	L	0.74%
Fund P	L	-0.25%
Fund N	L	-0.26%
Fund C	L	-2.19%
Fund E	L	-2.73%
Fund M	L	-3.02%
Fund D	S	-5.91%
Fund J	S	-7.91%
Fund F	M	-8.52%
Fund K	VS	-9.45%

Table 17: Islamic Funds	Fund Size (Dec 09)	Alpha
Fund X	M	4.59%
Fund V	VS	3.82%
Fund U	VS	2.50%
Fund T	L	1.93%
Fund Q	VS	1.82%
Fund W	L	1.03%
Fund R	M	-0.99%
Fund S	VS	-10.93%

Table 18: Conventional Funds	Fund Size (Dec 09)	06	07	08	09
four years of positive alpha					
Fund A	L	+	+	+	+
Fund B	L	+	+	+	+
three years of positive alpha					
Fund G	L	+	-	+	+
Fund O	L	-	+	+	+
two years of positive alpha					
Fund C	L	+	+	-	-
Fund H	L	+	+	-	-
Fund I	L	+	+	-	-
Fund K	VS	+	-	-	+
Fund L	L	-	+	+	-
Fund N	L	-	-	+	+
Fund P	L	-	+	-	+
one year of positive alpha					
Fund D	S	-	-	+	-
Fund E	L	+	-	-	-
Fund F	M	+	-	-	-
no positive alpha					
Fund J	S	-	-	-	-
Fund M	L	-	-	-	-

Table 19: Islamic Funds	Fund Size (Dec 09)	06	07	08	09
three years of positive alpha					
Fund R	M	+	+	+	-
Fund T	L	+	+	+	-
Fund U	VS	+	+	+	-
Fund V	VS	+	+	+	-
Fund W	L	+	+	+	-
Fund X	M	+	+	+	-
two years of positive alpha					
Fund Q	VS	+	-	+	-
no positive alpha					
Fund S	VS	-	-	-	-

Table 20: Conventional Funds	Fund Size (Dec 09)	06	07	08	09
Consistently Better Performance					
Fund B	L	1	2	1	1
Fund A	L	1	2	1	1
Fund O	L	4	1	1	1
Inconsistent Performance					
Fund I	L	1	1	3	2
Fund G	L	1	3	1	2
Fund C	L	2	1	4	4
Fund K	VS	2	4	4	2
Fund F	M	2	4	4	4
Fund H	L	3	2	3	3
Fund P	L	3	2	4	1
Fund L	L	3	1	2	4
Fund N	L	3	3	2	2
Fund M	L	4	3	2	3
Fund D	S	4	4	2	3
Consistently Lower Performance					
Fund E	L	2	3	3	3
Fund J	S	4	4	3	4

Table 21: Islamic Funds	Fund Size (Dec 09)	06	07	08	09
Inconsistent Performance					
Fund T	L	1	3	2	4
Fund R	M	1	3	4	4
Fund Q	VS	2	4	1	2
Fund V	VS	2	2	1	3
Fund W	L	3	1	3	1
Fund X	M	3	1	3	1
Fund U	VS	4	2	2	2
Consistently Lower Performance					
Fund S	VS	4	4	4	3

Table 22:	Conventional Funds				Islamic Funds			
Year	Top	Bottom	Mid	Benchmark	Top	Bottom	Mid	Benchmark
2006	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
2007	$1.35	$1.23	$1.19	$1.30	$1.27	$1.21	$1.30	$1.23
2008	$0.76	$0.63	$0.70	$0.72	$0.69	$0.64	$0.77	$0.59
2009	$0.75	$0.57	$0.62	$0.65	$0.53	$0.47	$0.63	$0.55

Source: Markaz Research, Zawya, Fund fact sheets

Appendix 5: Country Level Funds – UAE

Table 23: Funds	Fund Size (Dec 09)	Alpha
Fund B	VS	7.53%
Fund D	VS	6.82%
Fund G*	S	4.13%
Fund H	L	0.89%
Fund E	L	0.20%
Fund C	VS	-3.87%
Fund A	M	-4.31%
Fund F	S	-11.43%

** Islamic Fund*

Table 24: Funds	Fund Size (Dec 09)	06	07	08	09
three years of positive alpha					
Fund B	VS	+	+	+	-
Fund D	VS	-	+	+	+
Fund E	L	+	+	+	-
two years of positive alpha					
Fund A	M	+	+	-	-
Fund C	VS	+	+	-	-
Fund G*	S	+	-	+	-
Fund H	L	-	+	+	-
one year of positive alpha					
Fund F	S	-	+	-	-

** Islamic Fund*

Table 25: Funds	Fund Size (Dec 09)	06	07	08	09
Inconsistent					
Fund D	VS	4	2	2	1
Fund A	M	3	2	4	1
Fund G*	S	2	4	1	2
Fund B	VS	1	3	2	2
Fund C	VS	2	4	3	3
Fund H	L	4	1	1	3
Fund F	S	3	1	4	4
Fund E	L	1	3	3	4

** Islamic Fund*

Table 26: Year	Funds Top	Bottom	Mid	Benchmark
2006	$1.00	$1.00	$1.00	$1.00
2007	$1.56	$1.59	$1.53	$1.48
2008	$0.49	$0.56	$0.50	$0.47
2009	$0.56	$0.60	$0.58	$0.62

Source: Markaz Research, Zawya, Fund fact sheets

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Kuwait Financial Centre "Markaz"
Media and Communications Department
Tel: +965 2224 8000 Ext. 1814
Fax: +965 2249 8740
Postal Address: P.O. Box 23444, Safat, 13095, State of Kuwait
Email: info@markaz.com
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