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ANALYSIS OF STYLE DRIFT: EVIDENCE FROM MALAYSIAN SUKUK FUND

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Abstract: *Investors make their decisions on what is known about a fund through all information regarding the strategies and fundamentals of investment fund. Reliable information is essential in order to make effective investment decisions and to construct an optimal portfolio return. However, funds can be incorrectly classified when evaluating them and making allocation decisions. The misclassification or style drift can also have impacts on fund performance. This study tries to identify the class asset on sukuk fund return, and to examine the style drift of sukuk fund from the return-based style analysis. The findings indicate that majority of sukuk funds invest mainly in short term money market and sukuk to generate fixed income for investors. The result also shows that only a few sukuk funds indicate significant drift in its style from the original objectives.*

Keywords: *Investment Style, Asset Allocation, Return-Based Style Analysis, Style Drift, Sukuk Funds*

Introduction

Investors allocate their investments in different asset classes as a vital strategy to set expectations for risk tolerance and potentially to escalate returns. Their investment decisions are based on style or objective of a managed fund (Brown, Harlow & Zhang, 2015; Elton, Gruber, Brown & Goetzmann, 2014; Kim, Shukla & Tomas, 2000). These styles of funds are disclosed in fund prospectus by the fund provider which also consists of investment policy, objective, risks and fees (Bams, Otten & Ramezanifar, 2017). In other words, the style analysis illustrates the investment style of the securities within a portfolio that helps investors to construct diversified portfolios.

According to Bernstein (1995), equity investment style is the process of classifying assets into broad classes that influences the way investors make asset class allocation decisions.

Researchers such as Fama and French (1992, 1993) and Sharpe (1992) had documented several different analyses of equity investment style to identify the asset allocation and performance measurement. One of the seminal works is Sharpe (1992) who developed the return-based style analysis (RBSA hereafter). RBSA measures the portfolio returns and funds optimization with respect to the investment style groupings and market exposures on the basis of past performance. The prime goal is to determine the best mimicking strategy that is in accordance with the investment style of the fund (Annaert & Van Campenhout, 2007; Waring & Siegel, 2003). The main advantages of RBSA compared to Fama and French (1992, 1993) factor model are simplicity, objectivities and better predictor (Brown & Goetzmann, 1997; Gallo & Lockwood, 1997; Lobosco, 1999).

Nevertheless, other studies suggested that the fund's prospectus is not the best material for investors to obtain information about the fund in searching for the right fund to match the risk-return acceptance level (e.g. Ainsworth, Fong & Gallagher, 2008; Bams et al., 2017; Kim et al., 2000). DiBartolomeo and Witkowski (1997) and Ainsworth et al. (2008) found return patterns are being seriously misclassified and contrasted from the assigned benchmark declared in the prospectus language because the fund managers do not strictly comply with their stated objective. This style inconsistency or style drift can lead to inferior performance (Bams et al., 2017). Style drift is studied whenever a fund deviates from its initial stated objective and investment style, and shifts towards other investment style. Undeniably, this situation can undesirably affect the investors in various ways (Brown & Goetzmann, 1997; Mintzer & Littmann, 2000). Firstly, investors are easily exposed to unsought risks that are not compatible with their own personal investment targets. Secondly, the style drift may also have negative effects on fund performance, thereby exposing the investors to undesirably returns. Brown et al. (2015) documented that fund managers who operate stated fund objectives with an inconsistent style are less likely to have high returns and make asset allocation errors compared to peer funds. Therefore, style drift contributes to a vibrant conflict of interest between managers and investors. In addition, the most common way to capture these changes in style exposures over time is to measure using RBSA (Waring & Siegel, 2003).

From other perspective, the contemporary innovations in Islamic finance have transformed the innovations of its industry especially in the area of sukuk or Islamic fixed income securities (Kamarudin, Kamaluddin, Manan & Ghani, 2014). Sukuk fund is a diversified portfolio which consists majorly of Islamic bond and other proportion of securities under the principles of Shariah as an alternative to the conventional funds. Notably, Malaysia is the major sukuk market in the world and keeps getting the attention from the worldwide investors to observe the potential this type of asset class (Bakar, 2018). Nonetheless, there are still limited researches in this respect despite the fact that the prevalence of sukuk has increased among corporate issuers and investors. The empirical evidences concerning the effect of sukuk fund returns have yet to be analyzed in detail and comprehensive due to the lack of data (Zakaria, Isa & Abidin, 2012).

As a result of the drawbacks identified in this section, the limitation of empirical evidence on sukuk funds with regard to the impact of misclassification on performance is worth considering. Thus, this paper aims to examine the sukuk fund from two perspectives; (1) to identify the class asset on sukuk fund return; and (2) to examine the style drift of sukuk fund from the RBSA analysis.

The remainder of the paper is structured as follows. The following section is about literature reviews as well as theoretical discussion which lead to the hypothesis development. The methodology and empirical results are presented in the subsequent chapter. The paper is finally followed by the discussion and conclusion chapter.

Literature Review

The study on equity style analysis has long stirred interests of many groups of people including financial advisors, money managers, and academicians to describe the characteristics of an investment portfolio. The style analysis later might reveal how the investment portfolios are being constructed according to one's tolerance towards risks. There are few approaches used to examine the fund's investment style; (1) RBSA (Sharpe, 1988, 1992); (2) Portfolios-composition based approach; (3) Data development analysis (Alexakis & Tsolas, 2011). The RBSA is particularly used to assess the strategies on making asset allocation (Faff, Gharghori, Ip & Nguyen, 2012). When Sharpe (1988, 1992) first introduced the RBSA, Sharpe used the term "effective asset mix" and "attribution analysis" to explain the RBSA. However, in recent years, the term RBSA is often used to describe Sharpe's method. The term is used to emphasize on the reliance on past returns as opposed to other methods of style or attribution analysis that do not rely on returns. Among the authors who have adopted RBSA approach includes Faff et al. (2012), Das and Rao, (2013), Dor and Jagannathan, (2002), and Domian and Reichenstein (2008).

Faff et al. (2012) employed RBSA to assess the asset allocation strategies of managed and superannuation fund managers in Australia. The data observed were monthly returns for 447 managed funds and 453 superannuation funds for the period January 1990 to December 2011. The researchers stated that RBSA approach suits better when analyzing with multi-sector funds, which investments are made across a number of asset classes. The study found that riskier fund classes have greater exposure to riskier benchmarks. Superannuation fund managers appeared to adopt a much more conservative investment strategy compared to managed fund managers.

Das and Rao (2013) in their study evaluated the performance of socially responsible funds by examining the fund's investment style. They adopted RBSA to analyze the performance of 94 U.S. socially responsible mutual funds. The fund style was used as a benchmark in order to separate the performance that was attributed to style and selection. They found that socially responsible funds were underperformed and it was more pronounced and common compared to what had been documented previously. Active management of mutual funds also was identified to be the crucial determinant of their performance in socially responsible investing industry. These results concluded that actively managed socially responsible funds outperformed their passively managed counterparts.

Majority of the previous literature documented used data from overseas like the U.S, Australia, and Spain. However, even with the vast previous literatures available adopting the RBSA (e.g. Castellanos & Alonso, 2004; Das & Rao, 2013; Domian & Reichenstein, 2008; Dor & Jagannathan, 2002; Faff et al., 2012), in the context of the Malaysian market, the evidence of previous literature on Malaysian sukuk funds is hardly to be found. Thus, this paper aims to fill in this gap.

While the study on investment style has gained attentions of many researchers, it appears relevant to ask whether or not fund managers actually remain true to self-reported fund

indicators. This is because the style classifications are only useful if fund managers adhere to self-reported fund indicators (Brown & Goetzmann, 1997). It is crucial that a fund manager's self-stated investment objective should be able to convey information to the investors at its highest accuracy, particularly about how the portfolio should be managed. However, previous studies had shown there was a substantial number of funds that deviated from their investment style (e.g. diBartolomeo & Wikowski, 1997; Brown & Goetzmann, 1997; Kim et al., 2000; Kim, White & Stone, 2005). Having style drift could lead to an undesired effect on the fund's performance, risk and other fund attributes which may contribute to the failing of meeting the expectations of investors (Ainsworth et al., 2008). Besides that, there is also an issue in understanding style drift is in terms of how to define and measure a fund's style (Ainsworth et al., 2008).

According to Cooper, Gulen and Rau (2005) changes in the self-stated style of mutual funds in the U.S. had proven to affect fund's flow with greater fund inflows experienced by funds that associate their name with styles that are more known and popular at that particular point of time. They also stated that fund managers do not always adhere to maintaining a portfolio consistent with their stated philosophy. In regard to this, diBartolomeo & Witkowski (1997) and Brown & Goetzmann (1997) also found that there was a misclassification problem suffered by some funds and most likely to affect its possibility to deliver the expected risk-return as what the investors desired.

Moreover, diBartolomeo & Witkowski (1997) documented that around 40% of the analysed funds were misclassified. The funds observed were both classified in a lower-risk category as well as higher-risk category. Funds that are classified in higher-risk category tend to perform with better results than the average ones. Besides that, authors also analysed the factors that may have contributed towards misclassification problem. They found that the possibility of funds misclassification is lower if it belongs to larger management company. However, the risk of having fund misclassification is found to be higher if it involves large funds. This is due to greater complexities and difficulties associated with larger funds in managing the asset to be in line with their investment styles. Similarly, Kim et al. (2000) also found that 46% of the funds are classified based on their respective categories, however 54% were misclassified. They performed the discriminant analysis where the variables tested were used as the explanatory factors to examine fund classification.

Brown and Goetzmann (1997) investigated the accuracy of mutual fund classification system and they also attempted to investigate whether the mutual fund classification system is relevant to be used in explaining the differences in future returns of funds. From the study, they concluded that the current classification system is inefficient. As the existence of conflict of interest between the managers and investors is identified, the authors had proposed an empirically determined classification system based on fund returns which was stated to be able to reduce the incentives for managers to deviate from their original investment styles. As a result, they found that the new proposed system has greater capability in explaining the future variability of fund returns.

Cao, Illiev and Velthuis (2017) in their study stated that investors are likely to pick small-cap funds with the assumption that the risk exposures will be relatively low. This has led fund managers to become specialists in particular styles to provide information on the investment set and will also explain the risk exposures to investors. This is particularly true if managers adhere to the stated style however in the event of deviation, investors will be exposed to

unanticipated risks. Besides, it is also worth knowing that if there is a possibility of obtaining gains though in the short-term, this could also lead the managers to deviate from their given objectives due to labour market pressures. This situation presents a conflict of interest between managers and investors. They found that larger and older small-cap funds are more likely to hold mid- and large-cap stocks. It is consistent with funds deviating from their objective over time.

Given all the findings documented from previous studies, it is important to take note that the difference in underlying assets characteristics may change overtime, to a certain extent deviation from the original fund's investment style on a long-term basis is inevitable. This could be potentially true if a fund manager is passively holding the same stocks over time. For example, the stock might be a small-cap stock and over time may grow up and become a large-cap stock (Bams, et al., 2017). Style deviation to a certain extent may be accepted however if it is too much, it can be an indicator that fund managers have changed the investment strategy and could be moving away from the fund's stated objective. Therefore, this situation could affect investors' level of risk and return. Nonetheless, if the degree of deviation is too large, it might unconsciously shift investor's investment objectives over the long-run period. Thus, it is crucial for investors to take into account the degree of the style deviation to ensure that they are still in line with their long-term investment objectives.

Thus, it is equally crucial also to know the extent of style deviation by quantifying it and to put mutual funds in terms of investment style deviation (Bams et al., 2017). Hence, based on the literature in this research, our testable hypothesis is:

H_0: There is no significant different in style drift and asset allocation from funds' original objective.

Research Methodology

Data Collection

The sample of this study was selected based on the prospectus of unit trust funds issued by the asset management companies in Malaysia and the Federation of Investment Managers Malaysia (FIMM). There are 18 funds under the category of sukuk or Islamic bond funds available within January 2013 to December 2017 as shown in Table 1.

Table 1: List of Selected Sukuk and Islamic Bond Unit Trusts

Fund (Fund Objective)	Asset Allocation
Amanahraya Syariah Trust (Fixed Income)	Minimum 70% will be invested in Sukuk, 30% in Islamic Money Market Instruments
AMB Dana Arif (Balanced)	70% to 98% will be invested in Sukuk and Shariah-compliant money market instruments, 2% to 30% in Shariah-compliant liquid assets
AmDynamic Sukuk - Class A (Fixed Income)	70% to 98% will be invested in sovereign, quasi-sovereign and corporate Sukuk, at least 2% will be invested in liquid assets
AmBon Islam (Fixed Income)	70% to 100% will be invested in Sukuk and Islamic money market securities, 30% in Shariah-compliant liquid assets

CIMB Islamic Enhanced Sukuk (Fixed Income)	70% to 98% in Sukuk, 40% in Unrated Sukuk, 0% to 20% in Shariah-compliant equities, up to 10% may be invested in warrants, at least 2% in Shariah-compliant liquid assets
CIMB Islamic Sukuk (Balanced)	70% to 98% in Sukuk, 28% in other permissible investments, 40% in Unrated Sukuk, at least 2% in Shariah-compliant liquid assets
Dana Al-Fakhim (Fixed Income)	May be invested in short-term debentures, money market instruments and placement in short-term deposits
Eastspring Invt Dana Wafi (Fixed Income)	Minimum 70% in Sukuk, minimum 1% in Islamic Deposits or Islamic liquid assets
Hwang AIIMAN Income Plus (Balanced)	Minimum 80% in Sukuk, minimum 20% in cash and Islamic money market instruments
Kenanga Bon Islam (Fixed Income)	About 50% to 98% in Sukuk, 2% to 50% in cash
Libra Asnita Bond (Fixed Income)	About 70% will be invested in quoted Shariah-compliant equities and equity-related securities, minimum 2% in Islamic liquid assets
MAAKL As-Saad (Fixed Income)	Nearly 100% in money market
MIDF Amanah Shariah Money Market (Balanced)	About 90% will be invested in Islamic Deposits, Islamic Money Market Instruments, 10% in Islamic Short-Term Debt Instruments
Pacific Dana Murni (Fixed Income)	Minimum 95% in Sukuk, 5% in cash and other Shariah-compliant liquid assets
RHB Islamic Bond (Fixed Income)	Minimum 60% in Sukuk, minimum 5% in Shariah-compliant liquid assets
PB Sukuk (Fixed Income)	Minimum 75% to 98% may be invested in Sukuk, others in Shariah-compliant liquid assets
PMB Sukuk (Balanced)	Minimum 70% to 99.5% in Sukuk
Public Sukuk (Fixed Income)	Minimum 75% to 98% in Sukuk, others in Shariah-compliant liquid assets

Source: Fundsupermart Malaysia

As for asset classes to show the styles of unit trusts such as growth stocks, value stocks, cash, sukuk, and international stocks, data collected from various website are presented in Table 2. These asset classes were selected based on Lau (2008).

Table 2: Asset Classes' Indices

Asset Class	Description	Source of Data
Growth Stocks	*MSCI Malaysia Growth Index as quoted in MYR used to represent growth stock.	www.msci.com
Value Stocks	*MSCI Malaysia Value Index as quoted in MYR used to represent Value stock.	www.msci.com
Cash	Islamic fixed deposit profit rate to represent Malaysian Islamic money market instrument	Bank Negara Website
Sukuk	Bloomberg Malaysian Sukuk Ex-MYR Index is used as index for this asset class which represents Malaysia fixed income markets.	Bloomberg terminal
International Stocks	*MSCI World Index as quoted in MYR is used to represent all international stock indexes.	www.msci.com

* MSCI indices developed by Morgan Stanley Capital International

According to Sharpe (1992), the selected asset classes should follow some criteria since the usefulness of the analyzed results is highly dependable on the asset classes. The criteria are that all asset classes should be (i) mutually exclusive or asset classes should be in one class only; (ii) exhaustive or it represents all assets within the same class, and (iii) the return of the asset classes should have low correlations or different standard deviation if the correlations are high to ensure they represents the specific category.

In order to fulfill the objectives of the study, style analysis (Sharpe, 1992) was used. Sharpe (1992) used quadratic programming to conduct RBSA in order to examine the changes in the funds' asset allocation based on the changes in the returns of major asset classes. According to Sharpe (1992), style analysis has two major constraints: (1) the sum of all coefficients factors is equal to 100% and (2) coefficients of all factors must be positive. Negative coefficients show that there are short positions in asset classes. However, Sharpe (1992) argued that fund managers rarely use the short position strategy as fund managers use buy-and-hold investment strategy. Thus, by prohibiting negative coefficients in the model, it will provide better and more usable results. This analysis is basically based on Sharpe's (1992) generic factor model which is as follows:

$$\widetilde{R_\iota} = [\, b_{i1}\widetilde{F_1} + b_{i2}\widetilde{F_2} + b_{i3}\widetilde{F_3} + \ldots + b_{in}\widetilde{F_n} \,] + \widetilde{e_\iota} \qquad (1)$$

where

$\widetilde{R_\iota}$ = return of fund *i*

b_{in} = sensitivity of fund *i* to factor *n*

$\widetilde{F_n}$ = return factor *n* of fund *i* represent the asset class benchmark

$\widetilde{e_\iota}$ = non-factor return of asset *i* of mean zero with the assumption that the non-factor returns are uncorrelated

Based on this equation (1) and the constraints of this analysis, the coefficient (b_{in}) indicates the weight of each asset class within the portfolio/unit trusts. This model was used to analyse the style of each of the selected Islamic bond fund. The style obtained from all period's analysis was compared to the original objective stated in the prospectus of each unit trust in order to examine whether there is any style drift or not.

The funds' returns and asset classes' return were calculated based on equation (2). The net asset value (hereafter NAV) of each unit trust was used to calculate the continuous compounding return and used as the dependent variable (Domian & Reichenstein, 2009; Lau, 2008; Sharpe, 1992). Meanwhile, the return of each asset class was calculated using asset class index and 1-month Kuala Lumpur Inter-Bank Offer Rate (hereafter KLIBOR) as independent variables (Lau, 2008). The calculation of the continuous compounding return for each unit trust is as follows:

$$R_{j,t} = \ln (P_{j,t} / P_{j,t-1}) \quad (2)$$

and

$$R_{f,t} = \ln (1 + (r_{f,t}/12)) \quad (3)$$

where:

$R_{j,t}$ = The continuously compounded return of unit trusts fund *j* at time *t* or benchmarks portfolio for month t

$P_{j,t}$ = The NAV for unit trust fund *j* at time *t* or the asset class index at the end of month t

$R_{f,t}$ = The continuous compounding risk free rate of interest for month t

$r_{f,t}$ = 1-month KLIBOR

Subsequently, the R^2 or proportion of the variance in return as explained by the asset classes within the unit trust is calculated as follows:

$$R^2 = 1 - [\ Var(\tilde{e}_t) / Var(\tilde{R}_t)\ ] \quad (4)$$

Equation (4) shows that the variation of returns of unit trusts can be explained by (i) the variation of returns of each asset class within the unit trust or *style* which is represented by R^2, and (ii) the residual returns due to active management or *the selection* which is represented by $Var(\tilde{e}_t) / Var(\tilde{R}_t)$.

Data Analysis

Based on Table 3, the result indicated that generally almost all the selected funds invest majorly in money market instrument with the minimum investment level of 53.1% to maximum of 100%. However, only a few fund that actually invest small proportion of fund into sukuk such as AmBon Islam, CIMB Islamic Enhanced Sukuk, CIMB Islamic Sukuk, Libra Asnita Bond and MIDF Amanah Shariah Money Market. The result also showed that some funds also invest in global, value and growth stock but in a very small proportion compared to money market securities and sukuk.

In general, majority of the funds do not show any change in its style when compared to funds' original objective especially fixed income fund. However, the RBSA showed that AMB Dana Arif, CIMB Islamic Sukuk, Hwang AIIMAN Income Plus, and MIDF Amanah Shariah Money Market which originally categorised as balanced fund have shown drift in the investment style that leads to the objective change to fixed income fund. This is because majority of these funds focusing on money market securities to generate fixed income for the fund holder. Table 3 also shows that PMB Sukuk fund's asset allocation style remained aligned with fund original objective as the fund invested 55% in money market securities and 45% of mixed investment in stock market.

Referring to all funds' asset allocation plan as stated in fund's prospectus, it can be clearly seen that almost all funds plan to allocate the fund mostly in mixed sukuk and money market securities. Although some funds illustrated drift in their fund style of investment, all these funds still follow their assets allocation fund. However, drift in fund style compared to the original objective will affect the investor since they invest based on the fund objective that aligns with their investment objective, and any drift in style leads to mismatch between investor's investments objectives.

In Table 3 also, the result of R-square (R^2) represents the ability of style analysis to explain variation in fund monthly return. The result shows that style analysis for all funds have strong ability to explain variation in funds' monthly return. *R2* for all funds which was within the range of 70% to 99% of variation in monthly returns of funds could be explained by funds' style based on RBSA.

Result in Table 3 also shows that Dana Al-Fakhim, Hwang AIIMAN Income Plus, Kenanga Bon Islam, and MIDF Amanah Shariah Money Market were significant at 1%, while only AmBon Islam and Pacific Dana Murni were significant at 5%, and Amanahraya Syariah Trust, AmDynamic Sukuk - Class A, CIMB Islamic Enhanced Sukuk, CIMB Islamic Sukuk, Libra Asnita Bond,MAAKL As-Saad, and PMB Sukuk were only significant at 10% . These indicate that RBSA is significant to explain variation in funds' monthly return. This indirectly shows that style drift that deviate from funds' original objective for CIMB Islamic Sukuk, Hwang AIIMAN Income Plus, and MIDF Amanah Shariah Money Market were significant based on RBSA.

Monthly return variation of AMB Dana Arif, Eastspring Invt Dana Wafi, RHB Islamic Bond, PB Sukuk,and Public Sukuk was found to be insignificant to be explained by RBSA. Thus, it also shows that style drift shown by AMB Dana Arif was not significant and it cannot be explained by result of RBSA.

Table 3: Return-Based Style Analysis Result

Fund	Original Objective	Sukuk	Cash	Global	Growth	Value	Style	R^2	t-stat
Amanahraya Syariah Trust	Fixed Income	0	0.752	0	0.235	0.013	Fixed Income	0.848	-1.778*
AMB Dana Arif	Balanced	0	0.861	0.04	0.099	0	Fixed Income	0.958	-1.614
AmDynamic Sukuk - Class A	Fixed Income	0	0.876	0	0.051	0.073	Fixed Income	0.732	1.911*
AmBon Islam	Fixed Income	0.024	0.91	0	0	0.066	Fixed Income	0.976	-2.227**
CIMB Islamic Enhanced Sukuk	Fixed Income	0.146	0.531	0.001	0.243	0.08	Fixed Income	0.778	-1.969*
CIMB Islamic Sukuk	Balanced	0.086	0.764	0	0.041	0.109	Fixed Income	0.949	-1.806*
Dana Al-Fakhim	Fixed Income	0	0.961	0	0.009	0.03	Fixed Income	0.939	-5.513***
Eastspring Invt Dana Wafi	Fixed Income	0	1	0	0	0	Fixed Income	0.997	-1.487
Hwang AIIMAN Income Plus	Balanced	0	0.958	0	0	0.042	Fixed Income	0.971	-2.950***
Kenanga Bon Islam	Fixed Income	0	0.944	0	0.028	0.028	Fixed Income	0.853	-2.823***
Libra Asnita Bond	Fixed Income	0.088	0.882	0	0.029	0	Fixed Income	0.976	-1.693*
MAAKL As-Saad	Fixed Income	0	0.897	0	0	0.103	Fixed Income	0.953	-1.841*
MIDF Amanah Shariah Money Market	Balanced	0.004	0.996	0	0	0	Fixed Income	0.999	-5.775***
Pacific Dana Murni	Fixed Income	0	0.961	0	0.039	0	Fixed Income	0.99	-2.059**
RHB Islamic Bond	Fixed Income	0	0.818	0	0	0.182	Fixed Income	0.94	-0.568
PB Sukuk	Fixed Income	0	0.863	0	0	0.137	Fixed Income	0.903	-1.551
PMB Sukuk	Balanced	0	0.55	0.081	0.28	0.09	Balanced	0.706	-1.728*
Public Sukuk	Fixed Income	0	0.857	0	0	0.143	Fixed Income	0.903	-1.575

Note:*** represent significant at 1%, **represent significant at 5%, and * represent significant at 10%.

Conclusion and Discussion

This research applied the RBSA model to identify the class asset on sukuk fund return and the style drift of sukuk fund in Malaysia. The result of this research was twofold. Firstly, more than two third of the sukuk funds' investment objectives are to seek return by investing primarily in fixed income and another one thirds are in balanced funds. Nonetheless, the results shows that regardless of the investment objective, either in fixed income fund or balanced fund, most of the funds were invested mainly in short term money market (cash) and sukuk in order to generate income for investors.

Secondly, the result indicates that only a few sukuk funds had shown significant drift in its style from the original objectives. Interestingly, none of the fixed income sukuk funds was drifted from its investment style. However, most of the balanced sukuk funds provided strong support for style drift from theoretical point of view. This is in consistent with studies conducted by researchers such as Bams et al. (2017), Brown and Goetzmann (1997), Mintzer, and Littmann (2000). This condition can be viewed as an indicator of investment strategy switching that could deviate from the fund's stated objective by fund managers (Bams et al., 2017). Hence, these findings could be used by academic researchers, investors (institutional and individual) and practitioners as a guidance regarding asset allocations and style investing in sukuk fund, not only for the knowledge of conventional viewpoints to evaluate equity style portfolios, but also the eccentric nature of Islamic equity style funds within Malaysian context. It is important for investors to take into consideration the fund managers' behaviour in making investment decision on behalf of their clients to shape their finances and optimal portfolio strategies. Therefore, this research helps to attain the knowledge in this area.

Our focus in this research was solely limited on the sukuk fund in Malaysia. As such, the scope of our work could be expanded by looking at other various dimensions by future researches for potential interesting extensions. For example, one possible study could compare the style drift of sukuk fund and bond fund in a way to establish a comparison between Islamic and conventional perspective. Furthermore, investigations from the standpoints of the cross-country could deliver interesting outcomes too. Future developments of this research also should increase the number of asset class indices that represent different benchmarking to create better comparison. Lastly, future research could also analyse the linkages between the style drift of sukuk and other financial and accounting variables to measure the fund performance which received limited attention in the literature.

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