The Influence of Market Timing Ability, Stock Selection Skill, and Unsystematic Risk on the Performance of Sharia Stock Mutual Funds

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ARTICLE INFO	ABSTRACT
Published Online: 15 March 2025 **Corresponding Author:** **Dradjad H Wibowo**	This study aims to analyze the influence of market timing ability, stock selection skill, and unsystematic risk on the performance of Sharia stock mutual funds. A quantitative approach with purposive sampling was used to select ten Sharia stock mutual fund companies. The data interval for the Sharia stock mutual funds spans from 2018 to 2022. The data analysis method employed panel data regression with a common effect model approach. The research results indicate that market timing ability and stock selection skill positively affect Sharia stock mutual funds, meaning that an improvement in stock selection skill will lead to better performance of the Sharia stock mutual fund. Similarly, an improvement in market timing ability will enhance the performance of the Sharia stock mutual fund. In contrast, unsystematic risk negatively affects the performance of Sharia stock mutual funds, meaning that an increase in unsystematic risk can lead to a decrease in performance. This condition should be a particular concern for investment managers in managing Sharia stock mutual funds, to improve their stock selection skills and market timing ability to maintain the quality of the mutual funds they manage. Additionally, unsystematic risk should be closely monitored to avoid potential losses by diversifying the Sharia stock portfolio appropriately.
KEYWORDS: market timing ability, stock selection skill, unsystematic risk, Sharia stock mutual funds	

INTRODUCTION

Investment is one of the ways to improve the standard of living of society. Broadly, investment is the sacrifice of a certain amount of current resources with the hope of obtaining compensation or benefits in the future (Desiyanti, 2017). Investment is also intended to meet future uncertain needs, so people will sacrifice part of their income to fulfill those needs (Anggraini & Hanif, 2024; Fitriasuri & Simanjuntak, 2022). Most investors desire investments that provide a high rate of return. However, in investing, there is the term "high risk high return," which means that the return is aligned with the level of risk. There are various investment products classified according to their risk levels, ranging from low-risk products such as deposits and bonds, to high-risk ones such as foreign exchange and stocks. Therefore, if someone desires a high-return investment, they must choose high-risk investments, such as stocks. To minimize the risks in stock investments, one can diversify through stock mutual funds managed by investment managers.

The development of mutual funds in Indonesia has been quite promising. The Financial Services Authority (OJK) recorded the total Net Asset Value (NAV) of Sharia stock

mutual funds in 2022 at 21.93%, with a total NAV of IDR 111.444 billion, the second highest after Fixed Income Mutual Funds at 27.56%. This shows that Sharia stock mutual funds have attracted a lot of interest. Indonesia, with its majority Muslim population, can also invest in Sharia stock mutual funds, which have been available since July 1997 (Indonesia Stock Exchange, 2024). The issuance of Sharia stock mutual funds began with Danareksa's product, Danareksa Sharia Stock Mutual Fund.

Currently, Sharia mutual funds are an attractive investment option for people who want to invest under Islamic law. Sharia mutual funds are an alternative investment that places funds only with debtors who do not violate Sharia law, both in terms of the fundamentals and operations of the company, under the fatwa of the Indonesian Ulema Council (MUI) (Sa'adah, 2017). In Sharia mutual funds, the securities that make up the portfolio are those that do not contradict the principles of Sharia in the capital market, such as Sharia stocks, Sukuk, and other Sharia-compliant securities. A Sharia mutual fund is considered to comply with Sharia principles in the capital market if its contracts, management methods, and portfolio do not contradict Sharia

principles, as regulated by the OJK regarding the application of Sharia principles in the capital market (Peraturan Otoritas Jasa Keuangan Republik Indonesia Nomor 33/POJK.04/2019 Tentang Penerbitan Dan Persyaratan Reksa Dana Syariah, 2019).

As one of the investment instruments, Sharia mutual funds have criteria different from conventional mutual funds. The distinction lies in the selection of investment instruments and investment mechanisms, which must adhere to Islamic Sharia law (the Quran and Hadith). The transaction mechanism in mutual funds in the technical economic concept of Islam (muamalah) operates using a Wakalah contract between the investor and Investment Management, and a Mudharabah contract between the Investment Manager and the company (Arnianti et al., 2021).
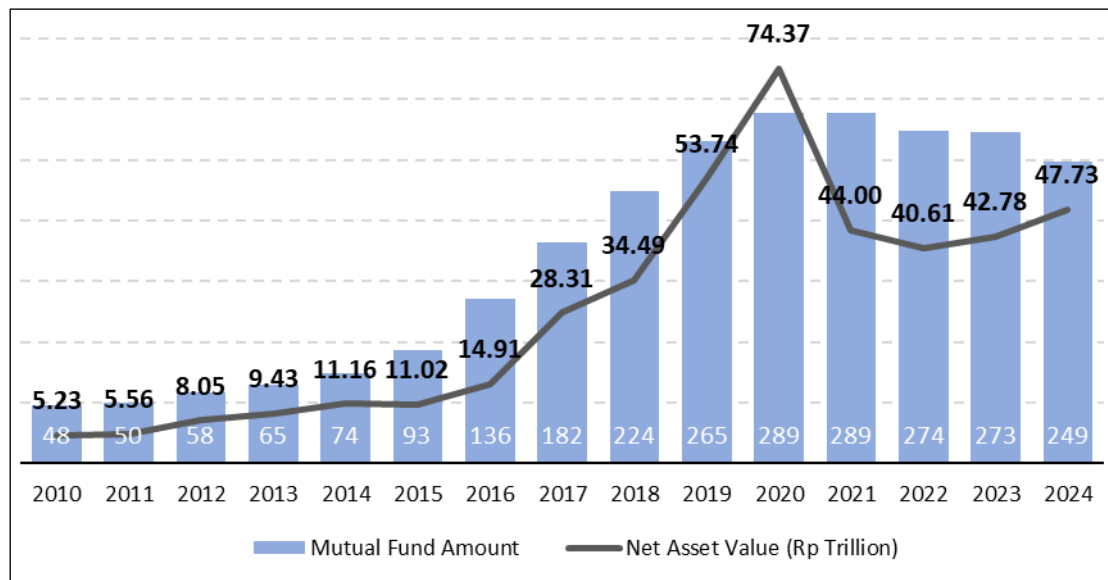

Figure 1. Development of Sharia Mutual Funds in Indonesia
Source: OJK (2025)

From 2010 to 2024, Sharia mutual funds have shown significant growth. In 2010, there were 48 mutual funds with a total net asset value (NAV) of IDR 5.23 trillion, while by the end of 2024, the number had increased to 249 Sharia mutual funds with a total NAV of IDR 47.73 trillion. NAV is often used as an indicator of how well a mutual fund is being managed by its investment manager. A high NAV of Sharia stock mutual funds indicates that the mutual fund is performing well and generating profits. Conversely, a low NAV suggests that the mutual fund has poor performance, which can be detrimental to investors. However, it is important to note that NAV is not an absolute indicator of a mutual fund's performance.

The performance of a mutual fund is a result of the work or achievements of the investment manager in managing the mutual fund, measured by the assets under management (AUM) and the number of units held by the investment manager (Adams et al., 2018). AUM can fluctuate based on the flow of funds in and out, as well as changes in market prices due to market conditions, which ultimately affect the NAV of the mutual fund (Elton & Gruber, 2013).

To increase the NAV of a mutual fund, investors need to understand the factors that influence the performance of the fund. Knowledge of these factors can serve as a guide for investors in choosing profitable stock mutual fund products,

so that when market conditions are favorable, higher returns can be achieved, and when market conditions are poor, the investor's funds can be protected from significant losses. Therefore, it is crucial to identify the factors that can affect the NAV of Sharia stock mutual funds.

In addition to NAV, investors can also assess a mutual fund's performance based on the investment manager's ability to create the right portfolio composition. For investors who wish to invest in stock mutual funds, there are two essential skills that an investment manager must possess: market timing ability and stock selection skill (Hutomo & Sutrisno, 2022; Rahman et al., 2018). Both of these abilities are related to return and risk. Risk refers to the probability that some unfavorable events will occur, resulting in losses for the mutual fund investment (Darmawan, 2023).

In this study, the factors being identified include stock selection skill, market timing ability, and unsystematic risk. Other factors, such as the longevity of the fund, are not included in the observations, and macroeconomic factors are also excluded.

Market timing ability refers to an investment manager's ability to assess the capital market conditions to determine the right time to buy and sell stocks in the portfolio composition (Anita, 2013). Investment managers typically look at the closing prices and returns for each day of each month on the

stock list in the capital market. This allows them to predict when stock returns will rise or fall, so when a selected stock begins to decline, the manager can switch to a better stock at the right time.

In theory, investment managers must be able to analyze market conditions and predict the optimal timing for buying and selling the investment products they manage. Market timing ability enables investment managers to minimize risk by determining the right time to buy and sell stocks in the Sharia stock mutual fund portfolio as a precaution against changes in market conditions. Therefore, the better the market timing ability of the investment manager, the better the performance of the mutual fund (Anita, 2013; Hutomo & Sutrisno, 2022; Lailiyah & Setiawan, 2020; Sabila et al., 2019; Wicaksono & Sampurno, 2017). However, market timing ability does not always affect the performance of Sharia stock mutual funds (K. A. Putri, 2017; Wicaksono & Sampurno, 2017). This creates a research gap regarding the effect of market timing ability on the performance of Sharia stock mutual funds. Based on these conditions, this study proposes the first hypothesis (H1): Market timing ability affects the performance of Sharia stock mutual funds.

Stock selection skill is the ability of an investment manager to select the right stocks for a mutual fund to provide optimal returns (Pambudi et al., 2023). This ability allows the investment manager to enhance performance and returns on the investment portfolio. With this skill, the investment manager will always monitor the conditions of stocks listed on the capital market and analyze the current economic and business conditions. As a result, the investment manager can predict which stocks will experience increases or decreases in value amidst a country's economic conditions. For example, during the COVID-19 outbreak in 2020, which affected every business sector except those in the healthcare industry, investment managers shifted their focus to pharmaceutical and healthcare equipment stocks, including them in their Sharia stock mutual fund portfolios.

Properly selecting Sharia-compliant stocks, especially in a weakening market, can yield high returns and increase the NAV, thereby improving the performance of Sharia stock mutual funds (Anita, 2013; Lailiyah & Setiawan, 2020; Pambudi et al., 2023; Sabila et al., 2019). However, a study by Sihombing et al. (2023) found a different result, indicating that stock selection skills do not significantly affect the performance of mutual funds. Given this finding, this study seeks to verify whether or not stock selection skill affects the performance of Sharia stock mutual funds, leading to the formulation of the second hypothesis (H2): Stock selection skill affects the performance of Sharia stock mutual funds.

In the world of investment, there are two types of risks: systematic risk and unsystematic risk. Unsystematic risk refers to risks that can be eliminated through diversification and generally only affect the related company, not the market as a whole (IDX Islamic, 2023). Examples of unsystematic risks include credit risk, liquidity risk, and operational risk. Systematic risk, on the other hand, refers to risks that cannot be eliminated through diversification. These risks are generally difficult to avoid and are influenced by macroeconomic factors, which can affect the entire market. Examples of systematic risk include inflation risk, interest rate risk, currency fluctuation risk, and market volatility risk.

Unsystematic risk is measured by investors using the standard deviation formula. A high standard deviation indicates a high portfolio risk, and vice versa. With this knowledge, investors can make more informed decisions when selecting investment products. Unsystematic risk typically impacts only the related company, where internal factors of the company contribute to its occurrence. Examples of factors influencing unsystematic risk include liquidity risk, credit risk, and management risk. If a company listed on the capital market faces such risks, it will affect the investment return and ultimately impact the NAV of the Sharia stock mutual fund.

Therefore, investors should consider unsystematic risk when deciding to invest in stock mutual funds. Although this risk can be mitigated through portfolio diversification, it is important to remember that the "high risk, high return" theory suggests that risk and return are inseparable. Hence, if an investor desires high returns, they must also accept higher risks.

Fatimah et al. (2024) and Jannah & Asytuti (2024) argue that unsystematic risk has an insignificant effect on the performance of Sharia mutual funds. In contrast, Putri (2017) and Lailiyah & Setiawan (2020) claim that unsystematic risk significantly affects the performance of Sharia stock mutual funds. The differences in previous studies provide a basis for testing the influence of unsystematic risk on the performance of Sharia stock mutual funds. Therefore, the third hypothesis (H3) is as follows: Unsystematic risk affects the performance of Sharia stock mutual funds.

METHODS

This study uses a quantitative approach to identify the influence of Market Timing Ability (MTA), Stock Selection Skill (SSS), and Unsystematic Risk (UR) on the Net Asset Value (NAV) of Sharia stock mutual funds in Indonesia from January 2018 to December 2022. The purposive sampling technique is used to select samples that meet the observation criteria, which in this case are the Sharia stock mutual funds that were registered during the observation period. The collected sample consists of 10 Sharia stock mutual fund companies, as detailed in Table 1.

Table 1. List of Research Samples

No	Mutual Fund Name	Investment Manager	Effective Date
1	Batavia Dana Saham Syariah	PT. Batavia Prosperindo Aset Manajemen	16/07/2007
2	Manulife Syariah Sektoral Amanah	PT. Manulife Aset Manajemen Indonesia	16/01/2009
3	BNP Paribas Pesona Syariah	PT. BNP Paribas Aset Management	09/04/2007
4	Trim Syariah Saham	PT. Trimegah Aset Management	26/12/2006
5	Sucorinvest Sharia Equity Fund	PT. Sucorinvest Aset Management	22/10/2013
6	Panin Dana Syariah Saham	PT. Panin Asset Management	20/06/2012
7	PNM Ekuitas Syariah	PT. PNM Investment Management	26/07/2007
8	Mandiri Investasi Atraktif Syariah	PT. Mandiri Manajemen Investasi	19/12/2007
9	Cipta Syariah Equity	PT. Ciptadana Asset Management	16/04/2008
10	Principal Islamic Equity Growth Syariah	PT. Principal Asset Management	06/08/2007

Source: Bareksa (2023)

The data used in this study is secondary data. The data that will be used for this research includes the Net Asset Value (NAV) of Sharia stock mutual funds and portfolio returns, which are processed by the mutual fund platform available on the Bareksa platform (www.bareksa.com). The risk-free return is taken from the interest rate data published by Bank Indonesia (BI), while the market return is derived from the monthly closing prices of the Jakarta Islamic Index (JII) from January 2018 to December 2022, as listed on Yahoo Finance. The secondary data collection uses the documentation technique from each mutual fund company obtained from the Bareksa platform. The NAV of Sharia stock mutual funds, Market Timing Ability (MTA), Stock Selection Skill (SSS), and Unsystematic Risk (UR) are calculated using appropriate formulas.

The performance of mutual funds is measured by the NAV of the Sharia stock mutual fund owned or the return provided to investors who have invested in the mutual fund. A mutual fund is considered to perform well when the investment manager can provide returns higher than the market return (Putri & Haryanto, 2014).

Investors can assess the ability of the investment manager using the Treynor-Mazuy model developed in 1966. This model uses a regression equation where the alpha or intercept can be used as a measure of the investment manager's Stock Selection Skill (SSS), and gamma can be used as a measure of the investment manager's Market Timing Ability (MTA). This allows investors to make more informed decisions when selecting mutual fund products. The performance of Sharia stock mutual funds is measured using the Sharpe ratio method. The Sharpe ratio measurement model can be applied to all mutual funds (Putri & Haryanto, 2014). The higher the Sharpe ratio, the better the performance of the mutual fund (Lailiyah & Setiawan, 2020). The Sharpe ratio is calculated using the following formula:

$$Sp = \frac{\overline{Rp} - \overline{Rf}}{\sigma p}$$

Where:
Sp = Value of Sharpe Ratio
Rp = Average return of portfolio
Rf = Average risk-free return
σp = Standard Deviation of portfolio return

Market Timing Ability (MTA) refers to an investment manager's ability to predict changes in stock prices, allowing them to position their portfolio in such a way that it generates returns exceeding the market return. On the other hand, Stock Selection Skill (SSS) refers to the investment manager's ability to select the right stocks to include in the portfolio, which is expected to generate returns in line with the investor's expectations. The measurement of MTA and SSS is done using the Treynor-Mazuy Model, and the formula is as follows:

$$(Rp - Rf) = \alpha + \beta(Rm - Rf) + \gamma(Rm - Rf)^2$$

Where:
Rp = Portfolio Return
Rf = Risk-Free Return
Rm = Market Return
α = Alpha or constant as an indication of Stock Selection Skill
β = Beta or regression coefficient
γ = Gamma as an indication of Market Timing Ability

Unsystematic Risk in this study is measured using the variation in the closing data of the Jakarta Islamic Index (JII) at the end of each month from January 2018 to December 2022. Unsystematic risk is measured using the standard deviation of the fluctuations in monthly return values (Gumilang & Herlambang, 2017) with the following formula:

$$\sigma = \sqrt{\frac{1}{n-1} \sum_{i=1}^{n} (Xi - \overline{Xi})^2}$$

Where:
σ = Standard Deviation Value
n = Number of Samples
Xi = Market Return
$\overline{Xi}$ = Average Market Return

The data analysis method used in this study is panel data regression, which is a regression technique that combines time series data with cross-sectional data (Gujarati & Porter, 2015). Iqbal (2015) explains that the steps for panel data regression begin with model selection, classical assumption tests, and model feasibility tests. The regression models proposed in this study include the common effect model, fixed effect model, and random effect model. The technique used to select the most appropriate model with the available data includes the Chow test, Hausman test, and Lagrange multiplier (LM) test. The classical assumption tests applied include normality test, multicollinearity test, and heteroscedasticity test (Iqbal, 2015). The final tests conducted include the F-test and t-test, which are used to verify the research hypotheses.

RESULTS AND DISCUSSION

The history of the birth of the Indonesian Sharia capital market began with the issuance of the first Sharia mutual fund on July 3, 1997, by PT Danareksa Investment Management (Indonesia Stock Exchange, 2024). According to data published by the Financial Services Authority (OJK), the development of Sharia mutual funds in December 2024 shows that the number of mutual funds issued has reached around 274 units, with a total NAV of IDR 40.61 trillion. Generally, the development of Sharia mutual funds, particularly for Sharia stock mutual fund products, is influenced by the net asset value managed by investment managers who possess Market Timing Ability (MTA) and Stock Selection Skill (SSS) in analyzing returns and risks. One risk that needs to be considered is Unsystematic Risk (UR), which affects the related companies.

Based on the results of the model selection tests (Chow test and LM test), the common effect model was chosen as the appropriate panel data regression model to explain the effect of MTA, SSS, and UR on NAV. The classical assumption tests used included the multicollinearity, normality, and heteroscedasticity tests. The results of the three classical assumption tests for the selected model have been met, meaning that the common effect model can be used to explain the effect of Market Timing Ability (MTA), Stock Selection Skill (SSS), and Unsystematic Risk (UR) on the performance of Sharia stock mutual funds (NAV). The output of the data analysis with the common effect model is shown in Table 2.

Table 2. Common Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.004875	0.002900	1.680953	0.0996
SSS	0.872959	0.201611	4.329906	0.0001
MTA	0.001557	0.000230	6.771040	0.0000
UR	-0.165337	0.068640	-2.408772	0.0201
R- Squared	= 0.523993	Adj. R-Squared	= 0.492949	
F-statistic	= 16.87910	Prob(F-statistic)	= 0.000000	

Source: Output EViews-10

The common effect model uses Ordinary Least Squares (OLS) calculations, meaning that there is no difference between mutual funds. Unlike the fixed effect and random effect models, which show differences between mutual funds and across observation periods, the common effect model indicates that mutual funds have the same constant (intercept) and regression coefficients (slope). This means that the average performance of each Sharia stock mutual fund is relatively the same (no significant difference). Similarly, the effects of MTA, SSS, and UR on NAV will be the same for each mutual fund (no significant difference in impact among Sharia mutual funds).

The model's ability, represented by the independent variables MTA, SSS, and UR, explains the dependent variable NAV moderately. This is indicated by the Adjusted R-squared value of 0.492949, meaning that the three independent variables (MTA, SSS, and UR) explain 49.3% of the variation in the dependent variable NAV. The F-statistic value of 16.87910 with a very small probability (less than 0.05) shows that the formed model can be used to explain the influence of the independent variables (MTA, SSS, and UR) on the dependent variable (NAV). The t-test results also show expected values. The probability values of the t-statistics for all three variables are very small (less than 0.05). This indicates that all three research hypotheses are accepted.

Hypothesis 1 in this study suggests that Market Timing Ability has an effect on the NAV of Sharia stock mutual funds. This is evidenced by the partial regression coefficient test for MTA. The slope value for MTA is 0.001557. This indicates a positive or direct relationship between Market Timing Ability and the NAV of Sharia stock mutual funds. That is, if Market Timing Ability increases, the NAV of the

Sharia stock mutual fund will also increase. Similarly, if Market Timing Ability decreases, the NAV of the Sharia stock mutual fund will decrease. According to Pambudi et al. (2023), the performance of Sharia stock mutual funds is considered to improve when the performance index, measured by the Sharpe ratio, is positive. The higher the Sharpe ratio, the better the performance of the mutual fund. When the performance of the Sharia stock mutual fund improves, the return obtained by investors will also increase and is expected to reach optimal levels.

The growth effect of Market Timing Ability on the NAV of Sharia stock mutual funds can be shown through the slope value for Market Timing Ability. If Market Timing Ability increases by 1%, the NAV of the Sharia stock mutual fund will increase by 0.15%. Conversely, if Market Timing Ability decreases by 1%, the NAV of the Sharia stock mutual fund will decrease by 0.15%. This aligns with the theory that an investment manager must have the ability to predict and determine the right time to invest the investor's funds into investment products. According to Treynor & Mazuy (1966), when the value of y (gamma) is positive, it indicates a good Market Timing Ability of the investment manager.

Market Timing Ability relates to the investment manager's ability to predict the right time to buy and sell stocks when managing the investor's portfolio (Pambudi et al., 2023; Sabila et al., 2019). The better the investment manager is at predicting when to buy and sell stocks, the more stable the returns will be and could potentially be higher than the expected return. If the investment manager has strong abilities in this area, it will increase investor confidence and attract potential investors.

Market timing ability also reflects the investment manager's market forecasting ability to achieve abnormal returns (Sabila et al., 2019). Investment managers must continue to monitor market conditions to provide the best returns for the mutual fund they manage. Proper market timing can result in high returns when market conditions are favorable (bullish). On the other hand, if market timing is attempted during unfavorable market conditions (bearish), it may yield poor returns.

The findings of this study are consistent with the research by Pambudi et al. (2023), Hutomo & Sutrisno (2022), Lailiyah & Setiawan (2020), Sabila et al. (2019), and Anita (2013), which state that Market Timing Ability has a significant positive effect on the performance of Sharia stock mutual funds. However, market timing ability does not always affect the performance of Sharia stock mutual funds. In some cases, market timing ability does not provide a significant impact on the performance of Sharia stock mutual funds, as revealed by Rachmah & Juniar (2018), Putri (2017), and Wicaksono & Sampurno (2017).

Hypothesis 2 in this study suggests that Stock Selection Skill affects the NAV of Sharia stock mutual funds. This is evidenced by the partial regression coefficient test for SSS. The slope value for Stock Selection Skill is 0.872959. This value shows a positive or direct relationship between Stock Selection Skill and the NAV of Sharia stock mutual funds. This means that if Stock Selection Skill increases, the NAV of Sharia stock mutual funds will also increase. Similarly, if Stock Selection Skill decreases, the NAV of Sharia stock mutual funds will decrease. If the investment manager has the ability to select the right stocks for the investor's portfolio, it will provide higher returns than expected, thereby increasing investor confidence and attracting other investors to invest in Sharia stock mutual funds.

According to Pambudi et al. (2023), an investment manager must be able to select the right stock composition to maximize profits and predict when economic conditions will worsen and when they will improve, so that the return from the mutual fund can achieve optimal results. The performance of Sharia stock mutual funds will improve if the investment manager's stock selection skill increases. An investment manager of a Sharia stock mutual fund must be able to select stocks in such a way that the portfolio is optimized to increase the value of the Sharia stock mutual fund (Pambudi et al., 2023; Sabila et al., 2019).

The growth effect of Stock Selection Skill on the NAV of Sharia stock mutual funds can be shown through the slope value for Stock Selection Skill. If Stock Selection Skill increases by 1%, the NAV of Sharia stock mutual funds will increase by 87%. Conversely, if Stock Selection Skill decreases by 1%, the NAV of Sharia stock mutual funds will decrease by 87%.

The findings of this research are reinforced by previous studies such as Pambudi et al. (2023), Lailiyah & Setiawan (2020), Sabila et al. (2019), and Anita (2013). However, the study by Rachmah & Juniar (2018) does not support these findings. According to their study, Stock Selection Skill does not significantly affect the performance of Sharia stock mutual funds in Indonesia. According to Sihombing et al. (2023), stock selection is an important aspect of financial analysts' roles, which directly affects mutual fund performance. However, if mutual funds are managed passively, stock selection becomes less relevant because such funds aim to mimic index performance rather than actively select individual stocks. In such cases, the success of the mutual fund is tied to the overall market performance, minimizing the impact of stock selection on its relative success or failure.

Hypothesis 3 in this study suggests that Unsystematic Risk affects the NAV of Sharia stock mutual funds. This is evidenced by the partial regression coefficient test for UR. The slope value for Unsystematic Risk is -0.165337. This indicates a negative or inverse relationship between unsystematic risk and the NAV of Sharia stock mutual funds. That is, if Unsystematic Risk increases, the NAV of Sharia

stock mutual funds will decrease. Conversely, if Unsystematic Risk decreases, the NAV of Sharia stock mutual funds will increase.

The growth effect of Unsystematic Risk on the NAV of Sharia stock mutual funds can be shown through the slope value for Unsystematic Risk. If Unsystematic Risk increases by 1%, the NAV of Sharia stock mutual funds will decrease by 16.5%. Conversely, if Unsystematic Risk decreases by 1%, the NAV of Sharia stock mutual funds will increase by 16.5%.

This result is consistent with the assumption that Unsystematic Risk affects the NAV of Sharia stock mutual funds (Lailiyah & Setiawan, 2020; K. A. Putri, 2017). However, it contradicts the studies by Fatimah et al. (2024) and (Jannah & Asytuti, 2024), which claim that Unsystematic Risk does not affect the NAV of Sharia stock mutual funds.

Essentially, risk is related to the return expected by investors. If the risk is high, the return will also be high. Unsystematic Risk is related to the selected stocks of a company in the portfolio. When the investment manager is unable to anticipate the risks from the selected company stocks, it can affect the NAV of the Sharia stock mutual fund. The better the investment manager is at managing these risks, the higher the NAV of the Sharia stock mutual fund will be. If the manager fails to manage the risks, it could lead to a decrease in the NAV.

CONCLUSION

Market timing ability and stock selection skills are two fundamental abilities that investment managers must possess in managing their investment portfolios, particularly for Sharia stock mutual funds. These two skills have a significant impact on the performance of the investment portfolio. Market timing ability and stock selection skills represent the investment manager's capability to analyze market conditions and predict the right time to buy and sell investment products with the appropriate portfolio composition that aligns with the funds under management. The better these two abilities, the better the performance of the Sharia stock mutual funds they manage. Consequently, the returns provided will be more optimal, ultimately increasing the net asset value (NAV) of the Sharia stock mutual funds.

In addition, the ability to anticipate unsystematic risk is also an important performance parameter for Sharia stock mutual funds. Unsystematic risk represents the composition of the company stocks selected in the portfolio. Therefore, the ability to minimize unsystematic risk will help improve portfolio performance, which in turn increases the NAV of the Sharia stock mutual fund. Essentially, if both investors and investment managers wish to invest in Sharia mutual funds, they must consider their respective risk profiles so that their investment needs are aligned with the investment product. If someone intends to invest in Sharia mutual funds, especially Sharia stock mutual funds, they must understand that stock investments inherently carry high risks due to market conditions and potential changes in the companies involved. If this can be analyzed optimally, it can yield better returns than expected.

The findings of this study provide valuable insights for investment managers in managing Sharia stock mutual funds. They must enhance their stock selection skills and market timing ability to maintain the quality of the mutual funds they manage. Furthermore, investment managers must also pay close attention to unsystematic risk, which could affect mutual fund performance, in order to avoid potential losses. Therefore, proper diversification of Sharia stock portfolios is a crucial strategy that should be applied to minimize risks and ensure the mutual fund's performance remains stable.

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