THE FACULTY OF BUSINESS AND LAW'S RESEARCH COMMITTEE CORDIALLY INVITES YOU TO A PUBLIC LECTURE ENTITLED:

*RISK-SHIFTING BEHAVIOUR IN THE MALAYSIAN MANAGED FUND INDUSTRY: AN ANALYSIS OF CONVENTIONAL AND ISLAMIC FUNDS*

Investment fund managers, acting in accord with modern finance theory, formulate their investment decisions on the basis of returns and risk. Higher returns will on average be earned by taking on higher risk. Prior research has found evidence that managers of conventional funds whose performance in a given period is lagging behind that of their benchmark appear to take on more risk in the hope of improving their returns. With the growth of Islamic investment funds that are governed by Islamic law (Shariah law), the question arises as to whether Islamic fund managers demonstrate similar behaviour in increasing their risk profiles in response to lagging performance.

Malaysia is an emerging economy in the rapidly developing South-east Asian economic region that, over the last decade, has developed also as the centre for Islamic finance in the region. The presence of both conventional and Islamic investment funds in the Malaysian managed fund industry presents a setting in which to identify possible behavioural and cultural differences in the performance of fund managers. We employ the conceptual framework of tournament theory to look for evidence of risk-shifting behaviour in the performance of fund managers in Malaysia. We view investment portfolio management as a multi-period, multi-game tournament, wherein relative fund return performance in an interim ranking period influences risk-taking behavior in the subsequent period. We use both non-parametric contingency table analysis and parametric panel data econometric analysis to identify the strategic responses of funds identified at interim ranking stages as likely to be ultimate “winners” or “losers”. Overall we find evidence of tournament behaviour among conventional fund managers but not among managers of Islamic funds, suggesting that Shariah law principles may lead to different risk-taking behaviour on the part of Islamic funds.

**Presenter Bio:** Professor Terrence Hallahan’s research focus is the analysis of financial markets, in particular the performance of managed funds and the behaviour of investors. Professor Hallahan has 23 years’ experience in teaching and learning in finance and related disciplines, with a strong record of innovation in teaching practice and integrating research into teaching.

**When:** Wednesday 28th November 2012  
**Time:** 12.30 – 2.00pm (light lunch followed by presentation from 1.00 – 2.00pm)  
**Where:** Room 1105, Level 11, 300 Flinders Street Melbourne

**RSVP:** 24th November 2012  
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