Abstract

Objective Insurance industry’s performance continues to elevate due to the rise of middle class population. Not only does it offer health benefits, it now also offers investment. Unit Link is used as an investment tool. Conventional Unit Link and Syariah Unit Link are two types of Unit Link. Both types of Unit Link is admitted under different markets, which is IDX Composite Index and Jakarta Islamic Index, respectively. This paper is a performance comparison study between Conventional Unit Link against IDX Composite Index, Syariah Unit Link against Jakarta Islamic Index, and Conventional Unit link against Syariah Unit Link. This is to investigate if the Unit Link products are able to outperform its market, furthermore, which of the two types of Unit Link performs superiorly comparing to the other.

Method The research samples that are collected is from one company. The time frame used in this paper is September 2007 – September 2012, taking into account the Global Financial Crisis. In comparing performances, this paper uses these models: Sharpe’s Index, Treynor’s Index, and Jensen’s Alpha. These models will be applied to Conventional Unit Link, Syariah Unit Link, IDX Composite Index, and Jakarta Islamic Index. The results to the models will be compared, as the following: Conventional Unit Link against IDX Composite Index, Syariah Unit Link against Jakarta Islamic Index, and Conventional Unit Link against Syariah Unit Link.

Results Based on the results, Sharpe’s Index and Jensen’s Alpha of Conventional Unit Link is lower than that of IDX Composite Index. The same result shows for Syariah Unit Link against Jakarta Islamic Index. The results also shows that Treynor’s Index and Jensen’s Alpha of Conventional Unit Link is higher than Syariah Unit Link.

Conclusion Therefore, for the 5-year time frame, both Conventional and Syariah Unit Link underperformed its market. In addition, Conventional Unit Link performs superiorly comparing to Syariah Unit Link. However, as Unit Link’s nature is a long-term investment, it it best to be looked at a longer time frame.