

ABSTRACT

The emergence of Islamic unit trust in the Malaysian unit trust industry is reflection of a strong desire among Muslims in general and investors in specific, to have a fund intermediary which is in compliance with *Syari'ah* principles. However, its implementation has only come into success after continuous effort and commitment from the government. Unfortunately after almost 10 years of operation in the market, Islamic unit trust has only managed to capture a minuscule proportion in the unit trust market, besides receiving several negative perceptions.

This study tries to determine the significant similarities and differences between Islamic and conventional unit trust from the Malaysian perspective. In addition, the performance of both types of funds based on the selected sample is worked on to conform the hypothesis. The findings from the test employed are very important to either validate the aforementioned negative perceptions or to reject it as a baseless allegation. Besides, the study also suggests several recommendations in order to promote the acceptance of Islamic unit trust specifically and the whole unit trust industry in general.