

**MARIA DE LA O GONZALEZ**

UNIVERSITY OF CASTILLA-LA MANCHA, Spain

**FRANCISCO JAREÑO**

UNIVERSITY OF CASTILLA-LA MANCHA, Spain

## **PERFORMANCE OF ISLAMIC VS. CONVENTIONAL SECTOR PORTFOLIOS**

### **Abstract:**

This paper studies the Islamic stock market in comparison with the conventional stock market for the period from January 1996 to December 2015. Specifically, the empirical study aims to analyse the behaviour of conventional vs. Islamic sector portfolios through the use of not only classical but also recent performance measures. In addition, for robustness, this paper analyses whether the performance results of conventional and Islamic sector portfolios depend upon the stage of the economy, by splitting the whole sample period into three sub-periods: pre-crisis, crisis and post-crisis. The main results confirm that, in general, the best performing sector is Health Care, while the worst performing sector is Financials. Furthermore, Islamic portfolios provide higher returns than conventional portfolios during the full period as well as the three sub-periods. This could be due to the fact that the low level of uncertainty and speculation in Islamic finance and the prohibition of interest rates that negatively affect the economic evolution would justify the greater profitability obtained by the Islamic sectors, even along the crisis sub-period.

### **Keywords:**

Islamic stock market; Conventional stock market; Islamic principles; Performance measurement

**JEL Classification:** G11, G15, O57