Internet Appendix A241: Islamic Stocks
Illustrative Reverse Engineered Pitch Template Example

Pitcher's Name	Yue Dong (UQ Summer Scholar)	FoR category	Islamic Stock Index	**Date Completed**	02/02/2018
(A) Full reference	Al-Khazali, O., Lean, H. H., & Samet, A. (2014). Do Islamic stock indexes outperform conventional stock indexes? A stochastic dominance approach. *Pacific-Basin Finance Journal, 28,* 29-46.				
(B) Basic Research Question	Whether Islamic stock indexes outperform conventional stock indexes?				
(C) Key paper(s)	● Davidson, R., & Duclos, J. Y. (2000). Statistical inference for stochastic dominance and for the measurement of poverty and inequality. *Econometrica*, *68*(6), 1435-1464. ● Hayat, R., & Kraeussl, R. (2011). Risk and return characteristics of Islamic equity funds. *Emerging Markets Review*, *12*(2), 189-203. ● Hussein, K., & Omran, M. (2005). Ethical investment revisited: evidence from Dow Jones Islamic indexes. *The Journal of Investing*, *14*(3), 105-126.				
(D) Motivation/Puzzle	The Islamic finance industry has seen a tremendous growth and innovation during the last decade. The demand of Islamic financial instruments is growing at a high pace. Many individual and institutional investors seek to invest only in stocks that are compliant with the Islamic laws (i.e., Sharia). The investment in companies that are compliant with Islamic laws is consistent with socially responsible and ethical investment, where investors select their stocks based on their religious beliefs. The empirical evidence on the performance of ethical investments compared to their conventional counterparts shows that these ethical investments do not outperform their conventional peers. The authors are interested in examining whether returns earned by investors who are tracking the Dow Jones Islamic indexes are significantly different from those of the conventional indexes from a portfolio performance perspective.				
THREE	**Three** core aspects of any empirical research project i.e. the "**ID**io**T**s" guide				
(E) Idea?	The core idea of this paper is to employ the stochastic dominance (SD) approach to find out whether Islamic stock indexes outperform conventional stock indexes. For performance comparisons, the authors select two groups of indexes namely: the Islamic and the conventional stock indexes. It includes daily returns of 18 indexes, nine Islamic and nine conventional, Dow Jones stock indexes.				
(F) Data?	The daily returns of these selected indexes are obtained from Datastream. These indexes are: Asia Pacific, Canadian, Developed Country, Emerging Markets, European, Global, Japanese, UK, and US indexes. For each of these indexes, the authors choose the conventional index that matches with its Islamic peer. The whole sample period is from January 2, 1996 to December 31, 2012 as well as three sub-periods which are defined by different trends in the market. As markets are impacted by different events and economic conditions, the authors consider three sub-periods: period 1 (from January				

	2, 1996 to December 31, 2000) which includes the Asian financial crisis, period 2 (from January 2, 2001 to December 31, 2006) which is the pre-financial crisis and period 3 (from January 2, 2007 to December 31, 2012) which includes the recent global financial crisis.
(G) Tools?	In this study, the authors employ the SD test proposed by Davidson and Duclos (2000) to find out whether Islamic stock indexes outperform conventional stock indexes. They apply the Davidson and Duclos (2000) test to investigate the characteristics of the entire distribution for Islamic stock indexes and conventional stock indexes, instead of only considering the mean and standard deviation. Three forms of SD have been taken into account, including first-order, second-order and third-order SD.
TWO	**Two** key questions
(H) What's New?	This paper is the first comprehensive study that compares the performance of Islamic stock indexes and their conventional counterparts by using robust statistical techniques (SD versus MV) based on daily returns. In addition, to capture structural changes and the impact of financial crises, the authors split the study period into three sub-periods.
(I) So What?	The previous studies mainly rely on the MV approach, which depends on the stock return normality and quadratic utility functions hypotheses. However, empirically, financial returns are shown not to be normally distributed and therefore relying on the MV approach can be misleading. The authors apply the robust SD approach, which does not assume any specific distribution for the stock returns and it incorporates the information on the entire distribution of stock returns and not only the two first moments (i.e., the mean and variance) as it is in the MV. The findings will be different with the prior literature and have additional implications for market participants.
ONE	**One** bottom line
(J) Contribution?	This paper contributes to the literature on Islamic finance and to a broader extent to the literature on ethical and socially responsible investing. Also, this paper examines the impact of the recent financial crisis on stock markets. The findings of this study may have implications for individual, domestic institutions, international investors, and policy makers. Indeed, investors tracking Islamic indexes outperform those tracking conventional indexes during economic meltdown.
(K) 3 key findings	1. In 2007–2012 European, US, global Islamic indexes dominate conventional ones. 2. Islamic indexes outperform their conventional peers during global financial crisis. 3. Islamic investing performs better than conventional investing in meltdown economy.