UNIVERSITI TEKNOLOGI MARA

RIPPLE THEORY OF RISK AND RETURN: A CONTEMPORARY APPROACH ON MEASURING EXPECTED RATE OF RETURN

RUZZLE AFFANDEE
2015165491

BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
KOTA KINABALU, SABAH

JUNE 2018

ACKNOWLEDGEMENT

It required a lot of patience, motivation and guidance to complete this study. Assistance from those who directly and indirectly involved are crucial in the completion of this paper.

First and foremost, my praise and grateful to the Almighty Allah SWT for His blessings, wisdom and protection throughout completion of this research.

My gratitude also convey to my supervisor Associate Professor Dr. Imbarine bin Bujang for his guidance and patience to supervised, monitored and give correction when necessary in successful completion of this paper. Not to forget to the associate advisor, Madam Siti Rahayu Beli for her support and suggestions for betterment of this research.

Lastly, but certainly not the least, thank you for endless encouragement and motivation to my family, my classmates and my friends that helped me in many ways to complete this research.

Sincerely,

Ruzzle Affandee

LIST OF CONTENTS

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Primordial section of this paper will explain the backbone of this study including the background, problem statement, objectives and question, scope and limitations as well as the originality of the study. Hence, this section merely the introductory chapter to capsulize the intention of the writer to the targeted reader and/or to the society at large. Furthermore, this section will also emphasize the significance of study reflecting the intended group of beneficiaries from the result of this study.

1.1 Background of Study

In order to really understand the objectives of this study, it is necessary here to clarify the meaning of investment. Investment as defined by the Cambridge Dictionary (2018) represent the act of concentring one's money, effort and time with sole objectives to aggrandizing the initial deposit and gain more advantages. This refers to as the act of obtaining return or yield from any given asset. However, for every return they expected to receive, there is always risk conjoined for every portfolio taken by the market players, be it internal or external risk (Harvey, 2012). Study of risk and return correlation of an investment has been broaden by time in which the disciples introduced the market with the Risk and Return Trade-off.

To date there has been little agreement in regard this theory whereby over time the trade-off become less and less relevance as the studies conducted by the scholars previously suggested multifarious results in regard of the rapport between the risk and return of an asset i.e. positively-related or negatively related or no correlation. Hence, it caused disorder in