

ASSET ALLOCATION OF PAIRED STOCK OF PORTFOLIO OF MINIMUM RISK

ROSNAH MOHD AKASAH
2000349598

BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA

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ABSTRACT

Five low valued stocks in the trading and services sector, which are recommended by Dynaquest in March, April, May and June 2002, are chosen as units of analysis in this study. Average weekly price is used to calculate the expected return for those stocks. The period for the price is from May 2001 to June 2002. Risk of portfolios in term of variance, standard deviation and coefficient of variation are examined. In addition, correlation between each stock when they are paired together in one portfolio is also calculated. Further studies are done on the stocks in order to select the best portfolio. The best portfolio is the one that has the higher return associated with given level of risk with various weightage values. Moreover, the rank of mean and risk in term of standard deviation and coefficient of variation will determined to select the best portfolio and percentage allocate for each stocks in the portfolio. From this research, the best paired portfolio in term of mean is 100% in WARISAN, in term of risk is 100% in BARMADA and in term of coefficient of variation is 25% in MBMR and 75% in WARISAN.