

**THE RELATIONSHIP BETWEEN PORTFOLIO  
DIVERSIFICATION STRATEGIES AND PROPERTY  
COMPANIES STOCK PRICE**

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**Submitted in Partial Fulfillment  
Of the Requirement for the  
Bachelor of Business Administration  
(Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT  
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## LETTER OF SUBMISSION

NOVEMBER 2007

The Programme Coordinator  
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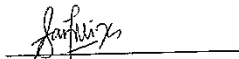
Dear Sir,

### SUBMISSION OF PROJECT PAPER

Attached is the project paper titled "THE RELATIONSHIP BETWEEN PORTFOLIO DIVERSIFICATION STRATEGIES AND PROPERTY COMPANIES STOCK PRICE" to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you

Yours sincerely



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## **ACKNOWLEDGEMENT**

In The Name of ALLAH, the most Gracious and Most Merciful of All.

All praises to the Almighty Allah, God of the Universe, the most merciful and benevolent for His blessing that that gave me the strength, inspiration and patience in completing this project paper. This study is a product of combined efforts of many individuals.

This project was being done as a partial of fulfillment for the requirement of Bachelor of Business and Administration (Hons). Finance. Given three and half months to complete this research was quite a big challenge for me since there is still a lot to be done but with so little time. However, these obstacles that I have gone through in order to ensure that this research project is a success had made me a better person with all the needed quality of successful individuals. Besides, this research had given me the opportunity to gain new knowledge of the current issues on finance before continuing with future endeavor challenges.

This research would never be complete without the help of my advisor, Puan Nor Hazila bt Ismail . Her ideas and suggestions inspire me in completing this project paper. Knowing that she's quite a busy woman, I really appreciate the time that she's willing to spare to me in order to ensure I'm in the right track.

## ABSTRACT

This study analyzed the relationship between portfolio diversification strategies of eighteen selected listed property companies on the movement of stock prices for 11-year period from 1996 to 2006. The diversification strategies on long-term trend in stock price are tested using monthly transaction data of property stock. This data obtained from Bursa Malaysia as well as from Data Stream. The dependent variable for this study is property company stock price that is measures its volatility using coefficient of variation and independent variable is the portfolio diversification. The dependent and independent variables are analyzed by using simple regression, and multi-regression. The result shows that there is relationship exists between all independent variable and dependent variable. Meaning that there is a relationship between portfolio diversification strategies and the stock price and the relationship exist is a positive relationship. Positive relationship means, if independent variable increase, the dependent variable will also increase.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

Diversification is a familiar term to most investors. In the most general sense, it can be summed up with this phrase: "Don't put all of your eggs in one basket." Diversification can be defined as a risk management technique that mixes a wide variety of investments within a portfolio. The rationale behind this technique contends that a portfolio of different kinds of investments will, on average, yield higher returns and pose a lower risk than any individual investment found within the portfolio.

According to Jim McWhinney (2005), the concept of diversification is to create a portfolio that includes multiple investments in order to reduce risk. It aims to maximize return by investing into different areas that would each react differently to the same event.

With so many investments to choose, it may seem that diversification is an easy objective to achieve, but that opinion is only partially true. The need to make wise choices still applies to a diversified portfolio. Furthermore, it is possible to over-diversify the portfolio, which will negatively impact the returns. Most investment professionals agree that, although it does not guarantee against loss, diversification