



**UNIVERSITI TEKNOLOGI MARA**

**THE PERFORMANCE OF EQUITY  
PORTFOLIO**

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## ABSTRACT

Various researches have been done to evaluate the performance of the portfolio. Since the early stage investors and fund manager are lack of knowledge and experience in portfolio construction, this study is conducted to guide them. The purpose of the study are to determine the securities included in the equity portfolio, to identify allocation of each equity and to analyse the performance of the equity portfolio. The data are secondary data that consist of the data from year 2007 to 2016 which consist of the return index (RI) and the beta of the 60 securities listed in Kuala Lumpur composite Index (KLCI) and the FTSE Bursa Malaysia Kuala Lumpur Index Top 100 Index (FBMKLCI 100) which act as the return of the market. All the RI will be calculated to obtain the holding period yield (HPY) of the securities. The discount rate of Malaysia 12-month Treasury bills will be used as the risk free rate. Only the securities that pass Sharpe Single Index Model will be set into the portfolio. The performance of the portfolio will be analysed by using the Treynor and Sharpe Portfolio Performance Measure. The data calculated and evaluated by using Microsoft Office Excel. It was found that only 44 out of 60 securities have sufficient data and four of them pass the Sharpe Simple Index Model. The risk-adjusted performance of portfolio was at the superior. The *t*-test shows that there is no significance different between the return of the portfolio and the market.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 INTRODUCTION**

Chapter 1 of this research paper is about the overview of the study. This chapter inclusive of background of the study which tells the summary of the research that will be conducted, the problem statement which stated the issue of the study, the research questions that need to get answered from the study, the research objectives tells the reader about the aims of the paper, the significances of the study able to inform the reader what can be helped by the study, the scope of the study tells about the sample collected, the limitation that will be faced by the researcher and the meaning of each terms used in this study.

### **1.2 BACKGROUND OF STUDY**

The researches about the performance of the portfolio has been conducted decades already. This research is intended to study about the equity portfolio of the securities in Malaysia.

The strategies used in constructing the portfolio is called passive equity portfolio which is an efforts to imitate the performance of the specific benchmark (Reilly & Brown, 2012) in this case the FTSE Bursa Malaysia Kuala Lumpur Composite Index Top 100 (FBMKLCI 100) Index. The evidence shows that the stock markets all around the world are fairly efficient. Thus, the passive manager also need to buy and sell the securities over a period due to the index fund cash flows and the actions that change the structure of the benchmark itself like the index rebalancing.

This paper use the sampling technique where only some of the securities under the benchmark is chosen to be put into the portfolio which is the securities under FBMKLCI 100 Index that passes the Simple Single Index Model (Sharpe, 1963). By using this technique, this study able to avoid the problem of the need to buy huge amount of securities. With this technique, the investors only need to buy the stocks that represent the benchmark index.