

Portfolio analysis based on Markowitz model

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Abstract

This paper focused on Portfolio Analysis that set-up among 15 selected stocks traded in *Kuala Lumpur Stock Exchange (KLSE)*. Markowitz model (1959) is the main idea which used to build up the optimal portfolio in order to achieve the objective of maximize the return and minimize the risk. There are few scenarios are considered in constructing the optimal portfolio, such as risk-free, taxes, transaction cost and benchmark portfolio. The results suggest that almost all of the funds should place into *T-bill* and little bit in other stocks when constructing the Portfolio with risk-free asset. However, when the desired target of investment in higher, the investors are suggested to lower the portion of investment into risk-free asset. While transaction cost is considered, solution recommend that AMMB, NESTLE and CASRLBERG should be invest. AMMB and NESTLE show as the potential stocks for investor in Portfolio with taxes. Even though, there is no feasible solution when benchmarking KLSE in Matching Portfolio. Result in hedging case also implies that AMMB has the potential to be invests and only several stocks, such as AFFIN, BAT, TANJONG, PUBLIC and CARLSBERG would consider in the investment.

Keywords and phrases : Markowitz Portfolio Theory, expected return, risk, risk-free asset, transaction cost, taxes, Benchmark Portfolio.

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