

ABSTRACT

The increasing of shares volume in Indonesia happened from 2013 – 2017. This proves that there is an increasing in interest and awareness of the Indonesian people on investing. Therefore, investors need to do an optimal portfolio analysis to maximize return and minimize the risk. The purpose of this research is to create an optimal portfolio using single index model and constant correlation model. To create an optimal portfolio, the researcher used monthly data of return from 26 stocks that consistently listed in LQ45 from 2013 – 2017. The calculation of optimal portfolio performance formed is done to know which method has better optimal portfolio formation. The performance of each portfolio formed is evaluated by using Sharpe ratio, Treynor ratio, and Jensen ratio.

The result of single index model method observed that only 10 stocks out of 26 stocks sampled stocks are qualified to be included in optimal portfolio. While for constant correlation model consist of 6 stocks. Conclusively, the research revealed that optimal portfolio constructed by using single index model has better performance compare with constant correlation model. Sharpe ratio, Treynor ratio, and Jensen ratio are showed the same result performance.

Keyword: construction optimal portfolio, single index model, constant correlation model, performance optimal portfolio