

## **Abstract**

The purpose of this research is to examine whether the optimal portfolio formation and selection model uses two methods, namely, a single index model and a constant correlation model to offer better investment choices for investors. The selected sample is 46 part companies from Kompas 100 listed on the Indonesia Stock Exchange. The daily closing price of 46 sample shares from February 2014 to July 2018 is considered for calculating return and risk of shares, while the IDX is used as a proxy for market indexes.

After getting the optimal portfolio, the performance of each portfolio is evaluated and analyzed, in terms of expected and risk-return. The performance measurement uses the risk-adjusted method, namely the Sharpe Treynor index and Jensen.

By using a single index model, there are only 10 of the 46 sample stocks included in the optimal portfolio. While the optimal portfolio formed using the constant correlation model consists of 7 stocks. The final results then show that the optimal portfolio formed using the single index model has better performance. The three Sharpe, terrorized, and Jensen indices provide the same performance ratings so that it can be concluded that the formed portfolio has been well-defined.

**Keywords:** Portfolio Optimal, Single Index Model, Constant Correlation Model, Kompas 100.