

ABSTRACT

With the growing public interest in investing in Indonesia's capital market, it is essential to carefully select a good stock portfolio to make informed investment decisions. The purpose of this study is to evaluate the Smart Alpha portfolio valuation in Indonesia for non-consistent companies and to examine two types of investment strategies—active and passive—to achieve an optimal portfolio within the LQ45 stock index from 2018 to 2023. The objective of this research is to identify the best-performing alpha group in forming an optimal investment portfolio for non-consistent companies in the LQ45 index and to determine the better strategy between active and passive investments. The ultimate goal is to provide recommendations on which investment strategy can maximize the stock portfolio for these non-consistent companies. The research methodology used in this study is quantitative. The sample consists of 49 non-consistent companies within the LQ45 index. Stocks will be grouped based on their alpha coefficient, and the best-performing group will be selected to form the portfolio. This portfolio will then be subjected to both active and passive investment strategies to determine which strategy is more effective in enhancing portfolio returns. Portfolio performance will be measured using the Sharpe Index, leading to the determination of the optimal portfolio. The research results show that during the period from February 2018 to January 2023, the stocks of the 49 companies exhibited strong performance, as evidenced by the returns generated. The high-alpha stock group outperformed the low-alpha group, as indicated by the higher Sharpe Index. Active strategies produced a higher Sharpe Index compared to passive strategies, suggesting that active strategies can better maximize the returns of the stock portfolio for these 49 companies.

Keywords: *High Alpha, Low Alpha, Portfolio, Active Strategy, Passive Strategy*