

## **ABSTRACT**

### **VALUE AT RISK AND EXPECTED RETURNS OF PORTFOLIO COMPANIES LISTED ON LQ45 INDEX PERIOD 2013-2016**

**BY**

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The objective of this study is to investigate whether there is a positive relationship between Value at Risk and Expected Portfolio Returns in Indonesia Stock Exchange. The population of this study is companies listed on LQ45 index period 2013-2016 and the sample is 20 companies that meet the criteria. Markowitz method was used to form 65 portfolios consist of 2 combination of stock that has a negative correlation.

The result shows that there is no positive relationship between Value at Risk and Expected Portfolio Returns. On the contrary, the correlation coefficient indicated that there is a negative relationship between the variables, means that there is an inverse relationship (high return low risk and vice versa). It proves the assumption of a rational investor is avoiding risk (risk averse). This result is also supported by the findings from Schrodgers Global Investment Trends Survey 2015 which shows that 63 percent of investors in Indonesia prefer to allocate their investments in instruments with low and medium risk levels. However, it does not mean the concept of high-risk high-return is not applicable in Indonesia because the result is not significant.

**Keyword: Value at Risk, Markowitz Method, Portfolio.**

