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**AN ANALYSIS OF THE GAINS FROM
ASIA-PACIFIC PORTFOLIO DIVERSIFICATION :
AN INDONESIAN PERSPECTIVE**

A thesis presented in partial fulfilment of the requirements
for the degree of Master of Business Studies
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Abstract

This study examines the level of gains for Indonesian investors who diversify their portfolios into Asia-Pacific stock markets compared to purely domestic diversification. The study covers the national stock markets of Australia, Hongkong, India, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan, and Thailand over the period 1990-1994 and 1992-1994.

The two overlapping periods were chosen because there was an improved performance of both the Indonesian market and the Asia-Pacific markets for the latter period, in terms of both increased return and reduced risk. Potential gains from Asia-Pacific diversification are shown to exist for the period 1990-1994. In contrast, the period 1992-1994 indicates that the Indonesian investors cannot significantly benefit from the Asia-Pacific diversification.

Thus this study indicates that the Indonesian investors should diversify their portfolios within the Indonesian stock market instead of diversifying into Asia-Pacific portfolios.

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Dedication

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