

ABSTRACT

This study aims to calculate the risk-adjusted return of portfolios formed based on factor investing strategy. The study uses monthly return data for non-financial stocks listed on the Kompas 100 index from July 2015 to June 2020. The 2x2 intersections scheme on the Fama and French A Five-Factor Asset Pricing Model is the basis for portfolios formation. Sharpe ratio and Treynor ratio represent the risk-adjusted return to measure the portfolios performance. Based on risk-adjusted returns, the Small Market Equity and High Book to Market Equity portfolios perform well when the market is in normal condition, but experience a deep decline when the market is depressed. Robust Operating Profitability and Conservative Investment portfolios perform well under various market conditions and are the best among others when the market is depressed. All of these portfolios outperform the market and each pair of their respective characteristics at the end of the investment period. However, the four portfolios failed to provide a positive excess return when compared to a risk-free asset. Therefore, investing in a risk-free asset is more profitable than the portfolios formed in the study.

Keywords: factor investing, market equity, book to market equity, operating profitability, investment, risk free asset

ABSTRAK

Penelitian ini bertujuan untuk menghitung *risk-adjusted return* portofolio yang dibentuk berdasarkan strategi *factor investing*. Penelitian menggunakan data *return* bulanan pada saham-saham non finansial yang tercatat di indeks Kompas 100 periode Juli 2015 sampai dengan Juni 2020. Skema persimpangan 2x2 dalam Fama dan French *A Five-Factor Asset Pricing Model* menjadi dasar pembentukan portofolio. Kinerja portofolio diukur berdasarkan *risk-adjusted return* yaitu rasio Sharpe dan rasio Treynor. Berdasarkan *risk-adjusted return*, portofolio *Small Market Equity* dan *High Book to Market Equity* berkinerja baik saat pasar dalam kondisi normal, namun mengalami penurunan yang dalam saat pasar mengalami tekanan. Portofolio *Robust Operating Profitability* dan *Conservative Investment* berkinerja baik pada berbagai kondisi pasar dan menjadi yang terbaik di antara portofolio yang lainnya saat pasar dalam kondisi tertekan. Keempat portofolio memberikan kinerja lebih baik dari pasar dan setiap pasangan karakteristiknya masing-masing pada akhir periode investasi. Meskipun demikian, keempat portofolio tidak berhasil memberikan *excess return* positif ketika dibandingkan dengan aset bebas risiko. Oleh karena itu, berinvestasi pada aset bebas risiko lebih menguntungkan dibandingkan dengan portofolio yang dibentuk dalam penelitian.

Kata kunci: *factor investing*, *market equity*, *book to market equity*, *operating profitability*, *investment*, aset bebas risiko