

## ABSTRACT

Septian Wahyu Saputro, 2014 THESIS. Title: “Application Single Index Model and Stochastic Dominance in the analysis of Optimal portfolio of stocks (study on the Jakarta Islamic index (JII) on the Indonesia stock exchange (IDX) of the period 2009 to 2012)”

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This research using direct application of stochastic dominance and single index model to solve portfolio selection problem. The purpose of this research is to analyze an optimal portfolio of stock investment on Jakarta Stock Exchange by using stochastic dominance and single index model. Beside, it is also to figure out whether there are differences of portfolio return and risk on the stock chosen by using stochastic dominance compare with single index model.

This research used the secondary data and sample selection was conducted by purposive sampling method. The data sample consists of 14 selected stocks (from JII) obtained for 42 months, during the period Juny 2009 - November 2012. Independent sample t-test was used to analyze the differences of portfolio return on the stock chosen by using stochastic dominance and single index model.

Based on process and data analyzes, stochastic dominance can produce twelve stocks portfolio candidates and single index model can produce nine stocks portfolio candidates. Empirical result indicate that significantly there is the difference of portfolio return and risk on the stock chosen by using stochastic dominance and single index model. The conclusion from this research is the single index model can produce an optimal portfolio better than stochastic dominance.