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International Portfolio Diversification

Chagianni, Evangelia

Business Administration Programm, School of Economic Sciences and Business, Neapolis University Pafos

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Pr. Costas Giannopoulos

Submitted By:

Chagianni Evangelia

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Abstract

The current research investigates the benefits an investor will have if he diversifies his portfolio internationally by attaining high expected return, minimizing costs and maintaining a balance between the risk and the return, the portfolio diversification process comprises of selecting the optimal combination of portfolio out of a group of portfolios for achieving a specific objective. The purpose of portfolio diversification is to maximize the expected return or minimize the financial risks or it can be a mixture of both. Qualitative research methodology has been used by the researcher for gaining significant facts related to the study from the secondary sources. The current research has discussed the major portfolio optimization theories such as Modern Portfolio Theory (MPT), Efficient Frontier, Post-Modern Portfolio Theory (PMPT), Post-Modern Portfolio Theory, Mean Absolute Deviation (MAD) Optimization, Feinstein-Thapa Modification, Mansini-Speranza Optimization and Beta Model. Modern Portfolio Theory has proved that diversification reduces the portfolio's risk and international diversification provides greater benefits of diversification and relies on various economic factors.