ABSTRACT

Investment refers to the allocation of a certain sum of money at the present time with the anticipation of obtaining future returns. While assessing potential profits in investing is essential, investors also need to consider the possibility of losses that may occur. Portfolio formation can be done to optimize returns and minimize risk. One effective approach to constructing a portfolio is the Multi Index Model. This model considers more than one factor that can affect stock movements, with the factors used in this study being JCI and exchange rates. This research results a portfolio consisting of three blue chip stocks, namely ADRO with a proportion of 34.593%, ANTM with a proportion of 19.802%, and BBRI with a proportion of 45.605%. For risk estimation, Expected Shortfall (ES) is more precise because it considers losses beyond the Value at Risk (VaR) level. The results obtained are the VaR value of 13.833% and ES of 37.432% for the next month. The maximum possible loss that investors will receive for the next month is 37.432%.

Keywords: Portfolio, Multi Index Model, Blue Chip Stocks, Value at Risk, Expected Shortfall