CONCLUSION

The research was carried out to identify the benefits of diversification opportunities for Indian investor from Nifty50 from the National index of India. To do so further the study tried to find whether risk adjusted portfolios using co-integration technique can outperform the portfolios which is simply based on Single Index Sharpe Model. Total 50 securities were obtained and calculated to excess return to beta ratio and constructed Sharpe single index model and tested in a scenarios such as portfolio constructed with whole indexes which has given 8 securities having equal weights and another using the knowledge of co-integration with exclusion of one securities. However both set of portfolios are bifurcated under techniques like equal weights portfolio using an Excel software.

After thorough empirical analysis along with comparative studies, it has been noted that if investor build an optimal portfolio using Sharpe single index model, one can get a set of securities and weights that provide optimum result. The investor has to be aware about Co-integration approach to build an optimal portfolio because there is possibility of existence of co-integration among selected stocks. An investor build an optimal portfolio using Sharpe single index model Portfolio Return is 12.37% and Total portfolio Risk is 0.7381. An investor used Co-integration approach (Equal weight) to build an optimal portfolio then Portfolio Return is 14.02% and the total portfolio Risk using co-integration is also 0.6110. An investor used Co-integration approach (Market capitalization weight) to build an optimal portfolio then Portfolio Return is 15.99% and total portfolio Risk using co-integration is also 0.5615. Thus, an investor can build an optimal portfolio using co-integration approach which helps to increase portfolio return and reduce portfolio Risk.

Further can be concluded that due to co-integrating relationship between Indian market and securities, domestic portfolio diversification benefits are not available for Indian investors. However, apart from Indian markets, rest of other countries or say regional countries are also needs to explore for further researcher to have an international portfolio diversification. This is a really serious concern for those who are looking for high return with low risk where diversification opportunity is very low. So further investor can target those markets where markets are not Co-integrated with each other.