

**INFLATION HEDGING PORTFOLIO CONSTRUCTION WITH  
INFLATION BETA APPROACH BASED ON LQ45 EQUITIES FROM  
2007-2013**

**THESIS**

**Presented as Partial Fulfillment of the Requirements for the Degree of  
Sarjana Ekonomi (S1) in Management Program Economics Faculty  
Universitas Atma Jaya Yogyakarta**



**Compiled by:**

**Tegar Satya Putra**

**Student ID Number: 10 12 18362**

**ECONOMICS FACULTY UNIVERSITAS ATMA JAYA YOGYAKARTA**

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**Faculty of Economics**

**Universitas Atma Jaya Yogyakarta**

**I hereby recommend that the thesis prepared under my supervision by**

**Tegar Satya Putra**

**Student ID Number: 10 12 18362**

**Thesis Entitled**

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**Universitas Atma Jaya Yogyakarta**

**Advisor,**



**Prof. Dr. J. Sukmawati Sukamulja. MM**

**Yogyakarta, May 29, 2014**

This is to certify that the thesis entitled

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**Presented by**

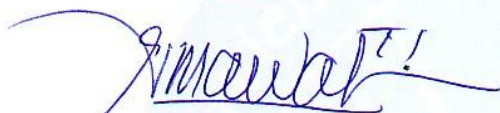
**Tegar Satya Putra**

**Student ID Number: 10 12 18362**

Has been defended and accepted on July 17, 2014 towards fulfillment of the  
requirements for the Degree of Sarjana Ekonomi (S1)  
In International Business Management Program  
Economics Faculty, Universitas Atma Jaya Yogyakarta

**Examination Committee**

**Chairman**



**Prof. Dr. J. Sukmawati, MM.**

**Member**



**Th. Diah Widiastuti, SE., M.Si.**



**Drs. Felix Wisnu I, MBA.**

Yogyakarta, July 17, 2014

In behalf of Dean of Economics Faculty  
Universitas Atma Jaya Yogyakarta  
Vice Dean I



**A. Jatmiko Wibowo, SE., SIP., MSF.**

## AUTHENTICITY ACKNOWLEDGEMENT

I, Tegar Satya Putra hereby declare that I compiled the thesis with the following title:

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2007-2013”**

Is really my own thinking and writing. I fully knowledge that my writings does not contain others' or part (s) of others' writing, except for those that have been cited and mentioned in the references.

Yogyakarta, 29<sup>th</sup> May 2014



Tegar Satya Putra

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**Tegar Satya Putra**

**Sukmawati Sukamulja**

International Business Management Program, Economics Faculty  
Universitas Atma Jaya Yogyakarta  
Jalan Babarsari 43-44, Yogyakarta

**ABSTRACT**

Markowitch Modern Portfolio theory is undeniably the most famous portfolio approach to diversify risks that investors face in investing their money. This portfolio construction approach may be effective to diversify investment's risks. However, Markowitch Modern Portfolio Theory only diversifies unsystematic risks. In other hand systematic risks tend to be ignored. One of the systematic risks that investors face is inflation. Inflation reduces investment return, which resulted in investors' loss. The immense effect of inflation to the investment shows that new approach in constructing portfolio is essentially needed. Based on that fact, this research was conducted with several objectives, they are: (1) To analyze inflation hedging ability of Indonesia equity instruments using inflation beta approach, (2) To examine effect of inflation beta approach on risk and return of portfolios, (3) To investigate effect of inflation beta approach on portfolios' performance. (4) To explore future representativeness of inflation beta approach with the construction of ex- ante portfolio.

*Keywords: Inflation Hedging, Inflation Beta, Portfolio*