

## **CHAPTER 6:**

### **CONCLUSION AND RECOMMENDATIONS**

#### **6.1 Summary and Conclusions**

The result of this research is intended to enhance our understanding of portfolio investment management, particularly in the area of Dividend-Yield Strategy investment. The result reveals that dividend yield is a key factor in the determination of "good" investment stocks, for the purpose of reaping greater investment returns. Investors should therefore, evaluate their own portfolio strategies against this Dividend-Yield Strategy.

Based on the research findings, I conclude that Dividend-Yield Strategy investment does provide superior investment returns on the KLSE as compared to the investment benchmark, which is the KLCI. As such, this research accepts the null hypothesis, which is:

H<sub>0</sub> : Investment in the 10 highest dividend yields Kuala Lumpur Composite Index ("KLCI") composite stocks will outperform the main indicator of the Malaysia stock market, namely the KLCI.

and rejects the alternative hypothesis.

The attractiveness of this strategy lies in its simplicity. It only involves an annual readjustment of the portfolio based on readily available information.

Besides using the Dividend-Yield Strategy as an offensive investment strategy to outperform the stock market, it can also be used as a defensive investment strategy to preserve capital during recessionary years.

## 6.2 Strategic Implications

The worldwide trend is moving towards investments, particularly towards stock market investments. The growth of many stock exchanges throughout the world gives rise to many more investment opportunities. Furthermore, there are many investment strategies and techniques developed by investment organisations worldwide with the intention of outperforming the stock exchanges.

For individuals, the implication of this finding is that they can adopt this simple-to-execute Dividend-Yield Strategy to achieve their investment objectives without having to rely on fund managers or asset management organisations. This allows the individual to have better control over his choice of stocks and to avoid charges and commissions levied by these organisations.

As for the investment organisations, their performances should also be compared to this Dividend-Yield Strategy performance (in addition to comparing against the KLCI). This additional comparison should result in greater challenges and expectations placed on these investment organisations and ultimately increasing the standard of investments in Malaysia.

### 6.3 Suggestions for Further Research

To date, very little research has been conducted in Malaysia in terms of testing the different investment strategies and techniques in the KLSE in order to determine their effectiveness.

Future research may be carried out in the following areas:

- Usage of a variety of investment strategies and techniques on the KLSE and compare its returns against the KLCI and the Dividend-Yield Strategy.
- Expand the Dividend-Yield Strategy further by:
  - Varying the number of stocks in the portfolio (10 stocks are used in this research) to ascertain the changes in the investment returns and the corresponding volatility.
  - Lengthening the research period to beyond 10 years.
  - Including all stocks listed in the KLSE