



**Country Risk and Risk Premium for Portfolio Investments: An Examination
of D-8 Countries**

By

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A thesis presented to Bahria University, Islamabad in fulfillment of the requirements for the
degree of MS (Finance)

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Dedication

I dedicate this work to the torch bearers of my life, my parents who sacrificed their comfort for my education and my teachers who were a constant source of support and encouragement during my learning process.

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ABSTRACT

After globalization opened the doors of international investment opportunities, country risk variable is added to the list of aspects which needs to be assessed to evaluate an investment opportunity. Goals of the investors must be crystal clear before building an international security portfolio. To incorporate the changing needs of investors, prior to the investment, expected rate of return mirroring the country risk premium (CRP) is essential. Country risk of D-8 countries were analyzed in regard to Annualized Relative Standard Deviation (ARSD) benchmarked against US Dow 30 Index & Pakistan Stock Index and it was determined that on the positive end, Malaysia takes the lead of being the best country with low ARSD and Egypt was considered to be the worst with the higher ARSD. Further analysis of country wise CRP established that, every country is unstable resulting a positive Country Risk Premium, whereas Malaysia being one of the country with negative CRP, ranking as the preferable execution option consequently as compared to US market.