

# **Higher Moments with Foreign Investment; A Thailand's Perspective**

## **ABSTRACT**

This paper finds that the distribution of returns of 15 major emerging stock markets is not normal during January 1999 – December 2007, thus higher moments i.e. skewness cannot be disregarded in portfolio selection. To determine the optimal portfolio consisting of 15 emerging stock indices alternatives, polynomial goal programming (PGP) which the incorporation of investor's preferences for skewness can be integrated is employed. The empirical findings represent that a major change in the optimal portfolio construction is arisen when incorporating skewness into an investor's portfolio decision. Also, foreign exchange hedging, the choice of various investment horizons, and short sales restriction do influence the performance of the foreign portfolio. Finally, the portfolio performance is gauged by using Sharpe, and Treynor (two-moment performance measure), and Prakash and Bear's (three-moment performance measure). The evidence suggests that performance ranking of portfolios is diverse depending on the measure utilized.

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