

## **RISK-RETURN PUZZLE IN INTERNATIONALLY DIVERSIFIED EQUITY PORTFOLIOS - THE ROMANIAN PERSPECTIVE**

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### **Abstract**

Our paper highlights the benefits derived from holding internationally diversified portfolios, from the perspective of Romanian investors, by assessing the risk and return levels for three portfolio structures, constructed with equities from: (1) Romania and emerging countries; (2) Romania and developed countries; (3) Romania and all countries analysed in this study. Moreover, we undertake a comparative analysis between the results obtained for the period January 2015-February 2018 and the results obtained during the global financial crisis, when increased correlations among global financial markets threatened their diversification potential. Our findings indicate that for both periods considered, portfolios diversified among all equity markets outperform the other two portfolio structures analysed. The performance of portfolios diversified among emerging countries equities is significantly higher than the performance of portfolios diversified with equities from Romania and the developed countries considered, during both the crisis and January -February 2018 period, but the result is reversed when analysing the results for the last six months.

**Keywords:** portfolio choice, international financial markets, financial crisis, foreign exchange risk

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