ABSTRACT

Defensive stocks is a type of stock that can be used as an alternative investment by investors in forming an investment portfolio. This type of stock has a low market risk with a rate of return that quite favorable. Based on this, the irregularities relationship between risk and return happened, which in defensive stocks, stocks return tend to be more profitable in the low level of the total risk .

This study was conducted to analyze the effect of distress risk, firm size, book to market ratio, price earnings ratio, and debt to equity ratio to defensive stocks return. Every data were collected from a variety data sources during the period of 2010-2014, on the manufacturing companies that are defensive. The analytical method that used in this research is multiple linear regression analysis to test the classic assumption, the coefficient of determination (R^2), F statistical, and hypotheses through statistical t test.

The test results in this study explains that the variable of distress risk and book to market ratio has a significant negative effect, while the variable of firm size has no significant positive effect as well as the variable of the price earnings ratio and the variable of debt to equity ratio has no significant positive effect. These variables have a R^2 of 27.1%, thus 72.9% return of defensive stocks can be explained by other factors.

Keyword : return on defensive stocks, distress risk, firm size, book to market ratio, price earning ratio, and debt to equity ratio.