



**A VALUE-AT-RISK DECOMPOSITION OF SYSTEMATIC VaR  
and FOREX VaR OF EQUITY PORTFOLIO:  
THE CASE OF ASEAN-5**

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**ABSTRACT**

The total systematic VaR of equity portfolio is decomposed into two types of risks: Foreign exchange risk and Equity risk. For international investment, investors have to consider both foreign exchange volatility and correlation between equity portfolio return and foreign exchange rate return. To decompose VaR of each portfolio, a risk factor mapping is applied in this paper for equity portfolio of ASEAN-5 countries: Indonesia, Malaysia, Philippines, Singapore and Thailand. Not only is determining the extent of foreign exchange risk involved in this paper, but identifying the proportion of marginal forex VaR and marginal equity VaR is also involved. The averages of marginal forex VaR proportion for each portfolio disclose that Indonesia, Malaysia and Philippines portfolio have a higher foreign exchange risk than Singapore and Thailand portfolio. Furthermore, the result also provides the effect of foreign exchange risk in financial crisis period.