The Relationship between portfolio management and of Return mediating role of liquidity - (Empirical Study in Khartoum stock exchange - Sudan)

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Abstract.

The study aimed to examine the relationship between the Variables of portfolio management diversification, marketability and return the mediating role liquidity. Research sample consist of investors in Khartoum stock exchange in Khartoum state Sudan. The sample was taken by random probability sampling. In addition for that researcher depended on questionnaire for data collection, the sample was taken from the investors who were still own the investment portfolio. This was done to facilitate the distribution of questionnaires and the accuracy of answers given by the investors. Research sample 400 investors the total response rate 81.75% the analysis technique used in this research is quantitative data analysis technique using Path Analysis modeling using (AMOS v 25). The results revealed the relationship between portfolio management and return it positive because it different form zero at 0.05 level of significance. And the relationship between diversification and liquidity it not significance because it different from zero at 0.05 level of significance. And the relationship between liquidity and return it not significance because it different from zero at 0.05 level of significance. The mediating role of liquidity on the relationship between marketability and return it positive because it different from zero at 0.05 level of significance. The mediating role of liquidity on the relationship between diversification and return it not support because it different from zero at 0.05 level of significance. The recommendation is Khartoum stock exchange management should take care of marketing the financial securities. And make it easy to increase the efficiency of market. Should improve the fundamental and technical analysis of market for individual investors to anticipate the price of securities according to available information about the price in the past. Also the investors need to be flexible with market environment to change the percentage weight of their portfolio assets according to market study.

Keywords: portfolio management, marketability, diversification, liquidity, return.

1. Introductions

must take into account the correlation between the assets When investor selecting an to diversify his portfolio components, to be Take into account the diversification of the issuer, and therefore the failure of any The paper does not affect the other assets do not collect all the eggs In one basket Bin Musa Kamal – 2008). They conclude that there is a vast difference between "potential gains" from an ex-post analysis and "realized gains" from an ex-ante analysis (Stephen Lee† & Simon Stevenson 2000). The discount for lack of marketability can be large even when the length of marketability restriction is very short.(Francies a .long staff ,1995) Liquidity risk is a critical issue for most investors, particularly those that are either very large or are Leveraged - Estimation of trading costs associated with liquidity Needs can be efficiently accomplished through our tick based model, as well as other models of cost Christopher Kantos,2010) The diversity in investment lead to minimize the risks -Profit distributed to shareholders considered as the most important indicators that financial securities investors depend on to make decision Sudan because there are variety of investment portfolio in addition (shahama) bond certificate(Seham mohmed ali, 2010). (Sankaran and Patil, 1999) The factors are involved in minimizing liquidity cost and total transaction cost (reduce trading turnover, minimize taxes, trade only to liquidated part of portfolio by trading relatively liquid stock. By submit limit orders to buy or sell secured stock at prices that approximate the specialist quote. lack of quality of accounting information(profitability per share and net dividends and the company's ability to meet its obligations) & necessary information on the areas of investment of the most important factors influencing the composition of the portfolio – it effect the investor decision making. That there followed a strategy to diversify the portfolio is working to spread risk and avoid losses and increase yield.(yassin2011)The existing studies in general examined the effects of trading costs (Guiso, Haliassos, & Jappelli, 2002), geographical proximity (Coval & Moskowitz, 1999), successful exploitation of informational advantage (Ivkovic et al., 2008).

2. Literature review and previous studies

All securities are first traded in the primary market, and the secondary market provides liquidity for these securities. (Frank J. Fabozzi, 1999).The dissemination of information (trading data, prices and announcements of companies listed on the exchange). Investors are more willing to trade if prompt and complete information about trades and prices in the market is available ⁽Kristina Levišauskait, 2010).The principle of diversification is based on an important piece of advice they do not lay eggs in One basket. Where portfolio management aims to achieve a balance between Risk and return, the overall risk of the portfolio is : (-   Bin   musa kamal(2008) The findings indicate that the variables pertaining to investment characteristics such as active trading, usage of internet and telephone as trading platforms and saving for retirement objective improve portfolio diversification. The relationship between frequent trading and better diversification is consistent with Fuertes et al. (2014). Argue that individual investors, who are active, obtain and process wider financial and economic information and, through active trading they learn more about efficient processing of information leading to hold diversified portfolio. The main objective behind all the investment process is Achieve "return" and in the light of this objective is the design plans Future financial ⁽-Binmusa kamal(2008).

3. Concept and definition:

In Mathematical programming asset is a random variable with a stochastic distribution for future returns and portfolio is a linear combination ᵒᶠ these variables (Liu and Shenoy, 1995), or in other words every way of diversifying money among several assets is called a portfolio (Fernández andGómez, 2007), Recognizing the best portfolio of assets is one of the major challenges of financial world (Ballestero et al., 2007) is called portfolio selection. As a matter of fact, portfolio selection is the process of making a portfolio that maximizes the investor's satisfaction (Fernández andGómez, 2007), **Error! Reference source not found.** ⁽Milad Jasemi a, & others ,2011).

Portfolio Management-

is the art and science of making decisions about investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance.

Money market - in which only short-term financial instruments are traded.

Capital market - in which only long-term financial instruments are traded. The capital markets allow firms, governments to finance spending in excess of their current incomes. (Kristina Levišauskait, 2010)

4-Diversification of portfolio:

Apart from the fact that the various attempts to demonstrate the effects of diversification on performance are inconclusive because of the conflicting evidence emerging from such studies, most of the investigations carried out so far are based on the experiences of companies in industrialized economies. (Ade Oyedijo, 2012) Diversifying in several securities decreases the exposure to firm-specific factors, this leads to portfolio volatility continues to decrease. But even with a large number of assets, it is not possible to avoid all risk. All portfolios are affected by the macroeconomic factors that influence the market (Bodie et Al., 2004). (Kristian Kierkegaard & others, 2006) diversification is highly beneficial. A portfolio consisting of only five securities will have a portfolio risk only 14 percent higher than the most highly diversified Portfolio possible. When the portfolio consists of 10 assets the risk is only 7 percent higher than the most highly diversified portfolio. The more assets added to the portfolio; decrease the marginal benefit of the diversification. The largest advantage of the diversification is gained with the first five assets added to the portfolio. (Sharpe, 2000). (Kristian Kierkegaard & others, 2006).

5-Marketability:

Independency and diversification is of significance to attain optimization, and allocating asset in different type of industries is what the investor practically does to achieve optimization. Search for the window of opportunity with mathematical tools, the statistical result gives the investor an indication of the suitability of the opportunity in the perspective of the investor's aversion to risk. When allocating the portfolio from a global point of view, it is important to be aware of that the transaction costs probably will rise to a great extent (Litter man, 2003). Using standard techniques for option pricing literature and certain assumed parameter values, Long staff estimates discounts for lack of marketability (Mukesh Bajaj*, David J. Denis**& others 2007) as a function of marketability restriction period and the standard deviation of the security's returns. He concludes that marketability discounts can be economically relevant even when the period of illiquidity is relatively short.

6-Return:

Sharpe (2000) states that a portfolio's expected return is the weighted average of the expected return of the individual assets. Depending on the weight of an individual asset this asset will have a larger or smaller impact on the return of the portfolio. Alternative assets differ in their terms of expected return, but the expected return is only a part of the asset's future performance. What may influence the expected return is how volatile the asset is (Gibson, 2000).

a. **Expected rate of return**: defined as the rate of return on investment, which is expected to get the investor on him.
b. **The rate of return investigator**: is defined as the rate of return on investment that the investor gets actually.
c. **Required rate of return:** defined as the minimum rate of return of investment required by investors to compensate them to bear the risk and postpone current consumption for the future (bin Amer bin Hacene 2013).

7-<u>Liquidity</u>

Asset pricing theory suggests that liquidity only affects prices if claims to the Market portfolio display time-varying liquidity. Most empirical research on aggregate liquidity has had to rely on indirect measures constructed from liquidities of individual stocks. Using identification through heteroscedasticity to address simultaneity of order flow and returns; we find that flow strongly and permanently affects prices. We construct a directly observable ex-ante, real-time measure of illiquidity via the slope of the limit order book.

This measure is a highly significant predictor of subsequent price impact, with a coefficient that is typically close to one. From its dynamics we find that

i. The non-flow component of return volatility decreases liquidity, but the volatility of order flow does not;
ii. trading volume has only a transient effect on liquidity;
iii. Liquidity varies positively with order flow itself. Our results point to limited Risk bearing capacity, rather than asymmetric information or temporary price Pressure, as a primary determinant of market illiquidity Error.

The liquidity of such a portfolio – **defined** as the cost of executing information less trade – is the dominant quantity in theories that attempt to explain why liquidity matters to investors.
Liquidity –expected or unexpected cash outflows to be met at some point in time; Time horizon, Tax concerns, Legal and regulatory factors,Unique circumstances.
Liquidity and liquidity risk

The recent turmoil in financial markets which began in the middle of 2007 strongly indicates that liquidity is a very important issue for financial institutions to consider. When talking about liquidity, we can distinguish between two kinds of liquidity, i.e., market liquidity and funding liquidity. (Bogdan Bilaus, 2010).

- **Definition Market liquidity** is the ability of a market participant to execute a trade or liquidate a position with little or no cost, risk or inconvenience.
- **Funding liquidity** is the ability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses.

8. Sources of research

Primary Sources: Questionnaire and The study secondary data and discussion with the officials of the Khartoum stock exchange, companies. Various other reports are collected from the stock exchange and companies magazines. Published books, financial journals, and websites.

9. Sample size:

Title (The mediating role of liquidity on the relationship between portfolio management and return "case study Khartoum stock exchange"

10. Research problem

Portfolio management is difficult in different global economic circumstances faced by the investors over the entire world the impact of factors like (diversification of financial assets, liquidity, return of portfolio investment Marketability of financial securities, liquidity management). Have direct impact on the portfolio performance. In the republic of Sudan most of investors are retire so they don't have knowledge.

11. Hypothesis

H1: Does diversification has positively influence on return
H2: Does Marketability has positively influence on return
H3: Does diversification has positively influence on liquidity
H4: Does Marketability has positively influence on liquidity
H5: Does liquidity has positively influence on return
H6: Does liquidity mediate positively influence between diversification and return
H7: Does liquidity mediate positively influence between Marketability and return

12. Importance of research.

1. 1. The books and articles of the research topic is significance especially in republic of Sudan because the portfolio construction it still in beginning phase and all the Sudanese companies try to know in depth knowledge about it. Before joining in investment activities
2. To emphasizes the important of teaching the portfolio management in Sudanese university and trying to add it as new subject to (business administration, commerce, economic) specialization.

13. Research objectives.

1. To test the relationship between diversification and risk?
2. To test the relationship between the liquidity and return?
3. To test the relationship between the marketability and liquidity?
4. Does the liquidity mediate the relationship between diversification and return?
5. Does the liquidity mediate the relationship between diversification and return?

13.Research framework

Figure (1) Research framework
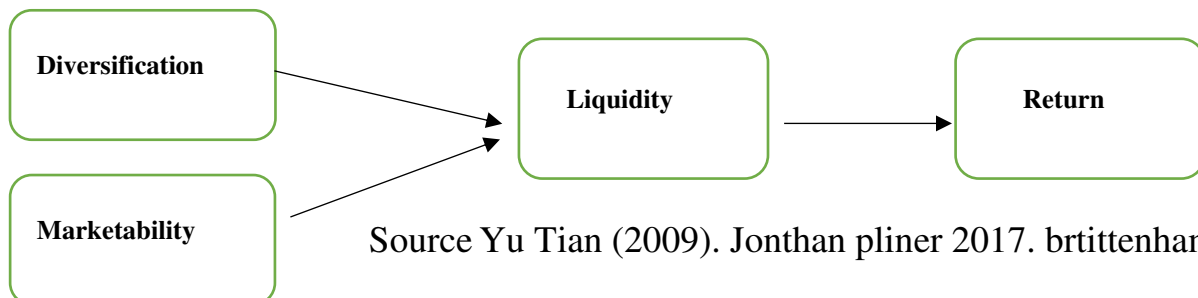
Source Yu Tian (2009). Jonthan pliner 2017. brtittenham 2012

14. Research border

The scope of the thesis is with special reference to "KSE" Financial and quantities statement. Futuristic – prepared and approved prior to defined period of time.

Goa oriented – for the purpose of attaining a given objective.

Components – income - return , liquidity, marketability, diversification expenditure and employment of capital.

15. Research analysis and discussion
1. Research methodology:
The purpose of this study was to explore the impacts of portfolio management on of return it seeks to explore the impacts of this factors, the current research is qualitative in nature. Based on the analysis of the results of the study and previous literatures, this research provides some explanation on how investor behaves in construct and manages

the investment portfolio. The main instrument is data collection using questionnaire method, interviewing experts from deferent sections gave great opportunity to explore the challenges that facing the   investor and answering our research question.

2. Measurement

Measures for all constructs were taken from the existing literature. Moreover, the questionnaire items were adapted from different sources. First we measured diversification using 10 items from   Shigeri nouri , marwn (2007).. Liquidity measured by 9 items by Yu Tian (2009). Marketability measured by 7 items Jonthan pliner 2017. brtittenham 2012. Return measured by 8 items by Malaz khalafallah (2014).

3. Sample and Data analysis

A literature survey can help anyone to enlighten that a significant portion of portfolio scholars considered investors as their subject of study because historically, a well-educated individual has shown the higher probability to create a healthy venture as compared to his non-educated counterparts (Kennedy and Drennan 2001; Cooper et al. 1994; R.Roy 2017). Base on this context selected (384) investors at Khartoum stock exchange. To analysis our data (R.Roy 2017) said to test the validity and reliability of the conceptual model and then creating structural models were constructed to assess the model fitness, to testing hypotheses in PM recommend to use SPSS and AMOS.

Table 1: Demographic information

	Variable	Frequency	Percent
Gender	Male	155	50.2
	Female	154	49.8
Age	less than 25	30	9.7
	25-35	118	38.2
	36-45	61	19.7
	above 45	100	32.4
Education	under graduate	27	8.7
	Graduate	166	53.7
	post graduate	110	35.6
Specialization	Engineering	40	12.9
	Medical	36	11.7
	Social	64	20.7
	Others	168	54.4
	Missing systems	1	0.3
Activities	special sectors	126	40.8
	government sector	105	34.0
	free business	44	14.2
	Others	34	11.0
Experience	less than 5	100	32.4
	5-10	87	28.2

	10-15	58	18.8
	15-20	34	11.0
	more than 20	29	9.4
	Missing systems	1	0.3
Total		**309**	**100%**

Source: prepared by researcher from statistical analysis results 2018.

4. Measurement model: reliability and validity

Measurement model is used for the qualitative assessment of validity and reliability of the constructs included in a study (Henseler et al. 2009). In this research, we first conducted an   exploratory and confirmatory factor analysis (EFA) and (CFA), to verify whether the predetermined sets of variables were interrelated in the hypothesized manner.

5. Exploratory Factor Analysis

Exploratory Factor Analysis (EFA) is a statistical approach for determining the correlation among the variables in a dataset. This type of analysis provides a factor structure (a grouping of variables based on strong correlations). In general, an EFA prepares the variables to be used for cleaner structural equation modeling. An EFA should always be conducted for new datasets. To assess the impact of portfolio management, such as Diversification and Marketability on return, structural equation modeling has been employed and a measurement model of these constructs has been assessed. Figure 1 reveals that reflective indicators have been used for the measurement of latent constructs and non-causal relationship has been studied among different constructs, by drawing path.
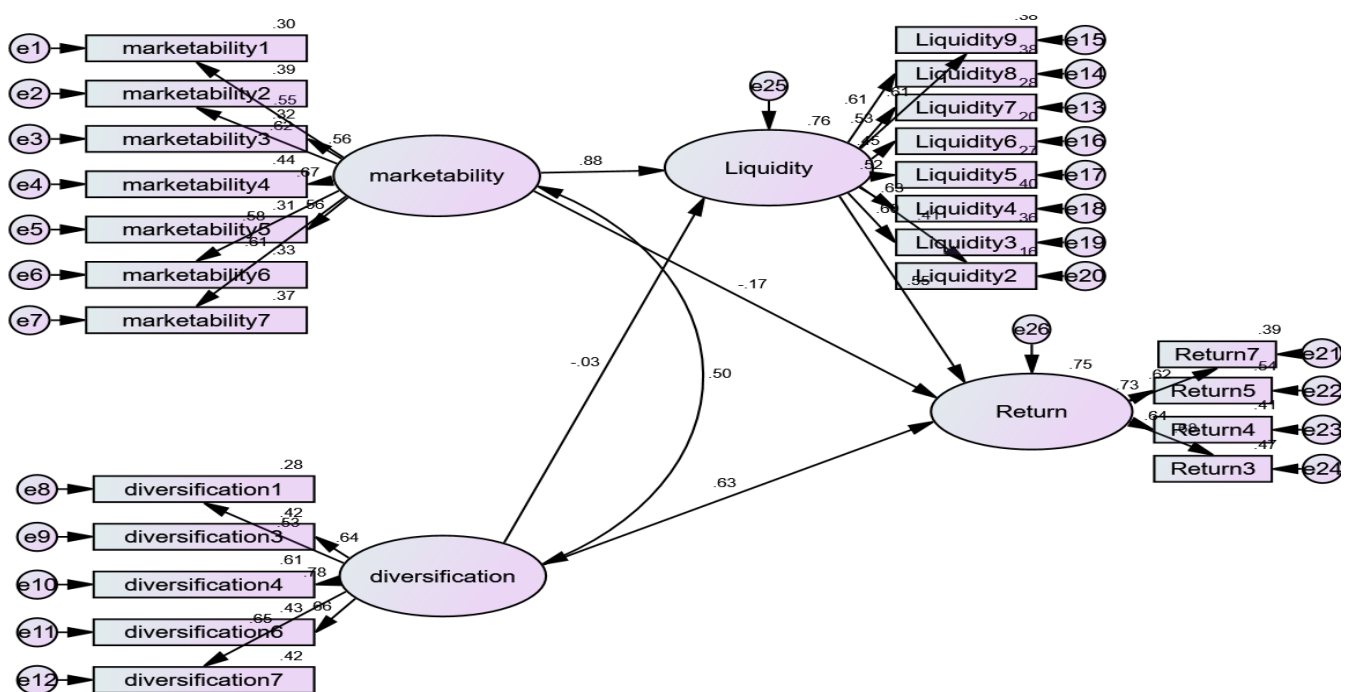

Figure 1 structural equation modeling

9

5.1 Factor structure for IV

Factor structure refers to the inter correlations among the variables being tested in the EFA. Using the pattern matrix below as an illustration, all variables into single factors - more precisely, they "load" onto factors. using Maximum Likelihood as method, the summary of results was showed in Table (2) and the SPSS output attached in appendix B3. As shown in Table (2) below all the remaining items has more than recommended value of at least 0. 5 in measure of sample adequacy (MSA) with (KMO) (above the recommended minimum level of 0.60), and Bartlett's test of sphericity is significant (p<.01). Thus, the items are appropriate for factor analysis.

Structural equation modeling analysis as shown in Table 2:

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.790
Bartlett's Test of Sphericity	Approx. Chi-Square	412.623
	Df	10
	Sig.	.000
I invest in different economic sectors		.693
I change the percentage weight of portfolio assets according to market study.		.755
I invest in different financial securities type.		.836
The components of my portfolio consists of different time range		.689
My investment portfolio contain securities of ancient companies in the market		.667
The information available about quality of price of financial securities.	.620	
Financial information in cash flow statement helps me to determine the prices of securities.	.663	
I get the information of companies performance in fair time and cyclical	.592	
profit distributed on stock it the main indicator of sell & buy	.629	
I face difficulty to marketable of financial securities	.727	
the brokers increase the efficiency the marketable of financial securities	.719	
I anticipate the price of securities according to available information about the price in the past.	.699	

Source: prepared by researcher from statistical analysis results 2018.

Variables loaded significantly on factor with Coefficient of at least 0.5, * Items deleted due to high cross loading.

Source: prepared by researcher from statistical analysis results 2018.

5.2 Factor structure for DV

Structural equation modeling analysis as shown in Table 3:

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.830
Bartlett's Test of Sphericity	Approx. Chi-Square	537.775
	Df	15
	Sig.	.000
I use the scientific models for evaluate the return for purpose of making financial decision		.712
I compare the expected return with the nature of investment for take the investment decision		.704
the information provide by financial analysis help me to take the right decision		.763
I invest in company securities according to it past performance		.674
I invest in institutions that issue the financial securities according to information available about higher management		.765
I put in my consideration inflation rate to calculate the expected return		.703

Variables loaded significantly on factor with Coefficient of at least 0.5,

* Items deleted due to high cross loading.

Source: prepared by researcher from statistical analysis results 2018.

5.3 Factor structure for MEM

Table (4) Factor structure for MEM

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.877
Bartlett's Test of Sphericity	Approx. Chi-Square	1385.619
	Df	105
	Sig.	.000
I prefer the investment the can convert to cash quickly.		.544
I always evaluate and measure the liquidity by specific mechanism		.580
I manage the cash flow by good financial planning.		.714
. I invest in government securities. Because of fast liquidation.		.721
The broker agents get fair commission in liquidation process.		.623
I study the numbers of marketable securities (supply & demand) to determine my ability to portfolio liquidation.		.583
Financial securities that I own it able me change the components of investment portfolio assets.		.540

For secure my capital the securities I owned has fast liquidity.	.585

Variables loaded significantly on factor with Coefficient of at least 0.5,

 * Items deleted due to high cross loading.

Source: prepared by researcher from statistical analysis results 2018.

Table (5) Descriptive Statistics (mean and standard deviation) and Reliability analysis

	Mean	Std. Deviation	Return	Diversification	Marketability	liquidity
Return	3.68	.657	1			
Diversification	3.56	.573	.642**	1		
Marketability	3.67	.621	.489**	.483**	1	
liquidity	3.81	.609	.687**	.627**	.582**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Source: prepared by researcher from statistical analysis results 2018.

6. Measurement Model (Confirmatory Factor Analysis)

Measurement model is used to find out the relationship between items and latent variables. In the proposed model, 24 items were loaded on three exogenous factors (diversification, marketability, liquidity) and one endogenous factor (return). Descriptive statistics and correlation of the variables used in the study are given in Table 2. Confirmatory factor analysis was done in order to measure the reliability and validity shown in (Figure1).

Table (6) **Model Fit Indices of all variable in data set.**

Measure	Estimate	Threshold	Interpretation
CMIN	149.695	--	--
DF	53	--	--
CMIN/DF	2.824	Between 1 and 3	Excellent
CFI	0.902	>0.95	Acceptable
SRMR	0.061	<0.08	Excellent
RMSEA	0.077	<0.06	Acceptable
PClose	0.001	>0.05	Terrible

Source: prepared by researcher from statistical analysis results 2018.

The next step is to examine composite reliability as well as convergent and discriminant validity. Table 7 shows composite reliabilities, average variance extracted (AVE), and the squared interconstruct correlations. The composite reliabilities equal .79 to .78, which is considered very well. AVE is a measure of the convergent validity of the model's constructs and should be .50 or higher (Hair et al., 2010).

Table (7) Model Fit Indices of all variable in data set.

	CR	AVE	MaxR(H)	marketability	diversification
marketability	0.792	0.353	0.795	0.655	
diversification	0.787	0.429	0.806		0.505

Source: prepared by researcher from statistical analysis results 2018.

7. Reliability Analysis

For Cronbach's alpha the score of 0.7 and above (Hair et al. 2010) is considered to be adequate. The construct reliability was assessed using composite reliability (CR) and Cronbach's alpha (α). For composite reliability, the score of 0.6 and above (Bagozzi and Yi 1988) and In the present study, the value of (CR) **Composite reliability and average variance explained are shown in Table 8:**

Table (8) Cronbach's Alpha for Study Variables

Construct	Variable	Number of items	Cronbach's alpha
Independent variable	Diversification	5	.783
	Marketability	7	.790
Dependent variable	Return	6	.814
Mediator variable	Liquidity	8	.775

Source: prepared by researcher from statistical analysis results 2018.

8. **Relationship between portfolio management and return**

However, when diversification & marketability goes up by 1 standard deviation, Return goes up by (0.615), (0.322) sequence standard deviations. While, The probability of getting a critical ratio as large as (6.298) (4.237) sequence in absolute value is less than 0.001. In other words, the regression weight for diversification& marketability in the prediction of Return is significantly different from zero at the 0.001 level (two-tailed).

Table (9) Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P
Return	<---	marketability	.444	.105	4.237	***
Return	<---	diversification	.846	.134	6.298	***

Source: prepared by researcher from statistical analysis results 2018.

H1: diversification has positively influence on return Support

As regards the relation between diversification and return the results are consistent with previous findings, and reflect Diversification has positively influence on return (Ade Oyedijo.2009) as investments that seek to track their benchmarks at the lowest possible costs. Successful investors employ superior due diligence, focusing on a firms' people, philosophy, process, and, lastly, performance all at a cost competitive with indexing. Fortunately (Donaldson and other2013) Investors often spread their wealth not just across a limited number of asset classes; they do not behave (fully) rationally when spreading their wealth among the various asset categories either. (Deutsche bundesbank 2011) Moreover, the sustainability of the return is achieved not only by high profitability, but also by such factors as optimal capital structure, good level of corporate governance, accountability and high innovative potential. Determining these factors has helped us to prove hypothesis on achieving shareholder value sustainability. (Julia Bistrova and Natalja Lace 2013). The index investor can be quick idea of the change in the yield of various portfolio securities positively or negatively as soon as his knowledge of direction of change in state index, market without the need to pursue financial performance of each sheet separately (berk2010). The common way to think about diversified portfolio is to analyzed one contain large number of securities, a return variance of portfolio of group of securities is lower than average variance of individual securities unless all securities are perfectly correlated. (apollon.2014, patil 1999, devassal 2001).

H2: Marketability has positively influence on return support.
The investors they could Cleary predict the development of market even though they we sometime highly conscious the over valuation f market during speculative bubble (jonson 2002) Statistical analysis on whether there is relationship between the investors opinions on market ability to recover. The result is that there is no relation correlation between perceived ability of market to recover and current valuation of market (jonson 2002). This study has similar finding with study of Asset location is a simple but powerful tool to add long-term value to a portfolio on an after-tax basis. When setting return expectations, look at after-tax results, as this will reflect the actual money available to meet a portfolio's objectives (Donaldson and other2013)In general, investors value marketability. Therefore, other things being equal, investors will pay more for an asset that is readily marketable Benjamin M. Friedman, ed.1982).

8. Relationship between portfolio management and liquidity

However the probability of getting a critical ratio as large diversification and marketability (5.64) (5.603) sequence in absolute value is less than 0.001. In other words, the regression weight for diversification and marketability in the prediction of liquidity is significantly different from zero at the 0.001 level.

H3: Diversification has positively influence on liquidity   not support

According to formulation of acerbi the liquidity of assets consisting portfolio is built into value f the portfolio via a so called liquidity policy the valuation of portfolio becomes convey optimization problems capital structure effect the market value of the facility. Through its effect on expected cash flows as well a cost of money or both (jabber 2006). This paper shows strong effects of liquidity on optimal portfolio selection (Ana González, 2007)

H4: Marketability has positively influence on liquidity support

There is significant positive relationship between market volatility and return. The statistical analysis was not able to prove that there is relationship between information sources investor focus on asset what sort of companies they invest in. Decreased the importance of own institution and information from media when making investment decision, suggest too emphasis on more fundamental perspectives (jhonson 2002).

The direction of during the last few days does not affect the direction of stock tomorrow. Without incurring large transaction costs or price concessions. All else equal, the more marketable an asset, the higher the price an investor will be willing to pay for the asset. The lack of marketability of an asset is costly to investors because it potentially causes the investor to miss opportunities to allocate capital to alternative uses, such as liquidity or portfolio rebalancing. (Mukesh Bajaj, 2003) market liquidity has a positive impact on informational efficiency, the increase of liquidity leading to greater efficiency.

Managers expected to earn bench mark return. Regard prior performance or skill level all managers expected return going forward are the same the bench mark expected return If the information set at the times the investment would flow to the managers' predictability better return (Juraj Hruskaa, 2015) (B.berk 2014). Estimation of trading costs associate with liquidity needs can be efficiency an accomplished through our models (kanots 2010).

9. Liquidity has positively influence on return   not support

The probability of getting a critical ratio as large as 1.395 in absolute value is .163. In other words, the regression weight for Liquidity in the prediction of Return is not significantly different from zero at the 0.05 level.

Weak economic performance and lack of access to security and stability the theory of quantification f liquidity risk need to be bettered   by more effort (ya tain 2009).

There is strong positive relationship between flows and return they consider the stock worth buying solely based on recent high stock price increases and positive future out lock (Jonson 2002). We end that expected stock returns are related cross-section ally to the sensitivities of returns to °actuations in aggregate liquidity. Adjusted for exposures To the market return as well as size, value, and momentum factors. (Lubo·s Pastor2002)

The mediating role of liquidity on the relationship between portfolio management and return

The structural model reveals the same value of model fit. The low index of R2 square (Coefficient of Determination) (i.e. 0.68 and 0.78) justifies the underlying theoretical model. However, The indirect (mediated) effect of diversification on Return is -.023. That is, due to the indirect (mediated) effect of diversification on Return, when diversification goes up by 1, Return goes down by 0.023. This is in addition to any direct (unmediated) effect that diversification may have on Return. While, the indirect (mediated) effect of marketability on Return is .682. That is, due to the indirect (mediated) effect of marketability on Return, when marketability goes up by 1, Return goes up by 0.682. This is in addition to any direct (unmediated) effect that marketability may have on Return.

Table (10) Indirect Effects (Group number 1 - Default model)

	diversification	marketability
Liquidity	.000	.000
Return	-.023	.682

Source: prepared by researcher from statistical analysis results 2018.

While table (11) show Significance for Indirect Effects, the indirect (mediated) effect of diversification on Return is not significantly different from zero at the 0.05 level (p=.642 two-tailed). The indirect (mediated) effect of diversification on Return is significantly different from zero at the 0.01 level (p=.007 two-tailed).

Table (11) Indirect Effects - Two Tailed Significance (BC) (Group number 1 - Default model)

	diversification	marketability
Liquidity	...	...
Return	.642	.007

Source: prepared by researcher from statistical analysis results 2018.

10. liquidity mediate positively influence between diversification and return   Not support

Lack of quality of accounting information the necessary information of the area of investment the most important factors influencing the composition of portfolio (yassin 2011). The existing studies show that effect of trading cost. The existing studies in general examined the effects of trading costs (Guiso, Haliassos, & Jappelli, 2002). The availability of detailed information on investor categories enables us to provide more accurate and detailed evidence on investors' heterogeneous trading behavior and their different impacts on return volatility. (Che,2011)

Historically, broker/dealers have provided liquidity to the markets, by serving as intermediaries between sellers and buyers of investments. Flow and returns a" stylized fact about illiquidity is that it increase in down markets there is no significance

relationship between illiquidity and contemporaneous or lagged returns, instead the data show. A previously un documented negative relation with order flow. (Johnson 2009). Profit distributed to shareholders considered as most important indicator that financial securities investors depend on making decision.(Ya tain 2009). Liquidity risk are critical issue for most investor particularly those are either very large or are leveraged (kantos 2010).

11.liquidity mediate positively influence between Marketability and return Support

We review the theories on how liquidity affects the required returns of capital assets and the empirical studies that test these theories.. Liquidity-based asset pricing empirically helps explain : stock returns, reduction in stock liquidity result in a reduction in stock prices and an increase in expected stock returns, (3) the yield differential between on- and off-the-run Treasuries, (4) the yield spreads on corporate bonds, (5) the returns on hedge funds, (6) the valuation of closed-end funds, and (7) the low price of certain hard-to-trade securities relative to more liquid counterparts with identical cash flows, . (Yakov Amihud1,2005)
In other words, liquidity will be at its worst exactly when you need to sell! Of course, for investors with little need to sell their bond holdings, illiquidity is irrelevant, weaker market liquidity is a good reason to own a greater percentage of high-quality assets in your portfolio. (janney Montgomery scott llc,2014).

The analysis of changes in the number of transactions (one of the indicators characterizing stock liquidity) was positively affected by size of a company and return on assets (Rasa Norvaišien,2014).

12. Finding:

1. The results revealed the relationship between portfolio management and return it positive because it different form zero at 0.05 level of significance.

2. The relationship between 4. Marketability and liquidity it positive because it different from zero at 0.05 level of significance. Except the relationship between diversification and liquidity not significance at level 0.05.

3. The relationship between Liquidity and return it not significance because it different from zero at 0.05 level of significance.

4. The mediating role of liquidity on the relationship between Marketability and return it positive because it different from zero at 0.05 level of significance. Except the liquidity mediate positively influence between diversification and return. Not significance at level 0.05.

5. Previous loss it make investors more attention. Beside The knowledge of investors about market helps them to take right decision. Also The Financial information in cash flow statement helps investors to determine the prices of securities.

13. Recommendations:

1. This research shows that education of investors is immensely important for the present day investors in Khartoum. Investors, before making investments, need to collect investment related information from the internet and consult with friends, peers and investment experts before making investments.
2. Khartoum stock exchange management should take care of marketing the financial securities. And make it easy to increase the efficiency of market should improve the fundamental and technical analysis of market for individual investors to anticipate the price of securities according to available information about the price in the past.

14. **Limitations and Future Research Directions**

Some investors rejected to fill the questionnaire because the think it related to information by taxation directorate.

15. Future researches should be done through secondary data.it provides larger and higher-quality databases than would be unfeasible for any individual researcher to collect on their own .

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