



Returns to High Quality Concentrated Portfolios vs. S&P 500 2007-2013



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Study Objective:

Determine if concentrated portfolios of high quality stock out perform the S&P

Periods Analysis:

2007 – 2013
 2009 – 2013

Portfolios Analyzed

Mega Cap
 Large Cap
 Mid Cap

Portfolio Weighting Models

$$1.) (P_{it}) / (\bar{P}_{LT}) = W_i$$

$$2.) (\bar{P}_{it}) / (P_{it}) = W_i$$

$$3.) (MC_{it}) / (\bar{MC}_{it}) = W_i$$

$$4.) (\bar{MC}_{it}) / (MC_{it}) = W_i$$

Where:

P_{it} = Price of stock

\bar{P}_{it} = Mean price of all stocks

MC_{it} = Market cap of the stock

W_i = Assigned weight

t = Time in years

i = i^{th} stock

Conclusions

•2007 – 2013

- Mega Cap: 3 of 4 portfolios outperformed S&P. Highest alpha for mkt.cap mean/mkt.cap portfolio
- Large Cap: 3 of 4 concentrated outperformed S&P. Highest alpha for price mean/price portfolio
- Mid Cap: All portfolios outperformed S&P. Highest alpha for price mean/price portfolio.

•2009 – 2013

- Mega Cap: Only mkt.cap mean/mkt.cap outperformed S&P
- Large Cap: 2 of 4 portfolios outperformed S&P. Highest alpha for mkt.cap mean/mkt.cap
- Mid Cap: All portfolios outperformed S&P. Highest alpha for mkt.cap mean/mkt.cap portfolio

•Summary:

- Long term concentrated portfolios consistently outperform S&P across size of portfolio. Short term rebound period results were mixed: mid cap portfolios had superior alpha.

Portfolios

Mega Large Cap				
	12/31/07 - 12/31/2013		3/31/2009 - 12/31/2013	
	Portfolio Return	Alpha	Portfolio Return	Alpha
1.)	35.10%	35.10%	127.55%	-4.71%
2.)	38.78%	38.78%	129.97%	-2.29%
3.)	43.32%	43.32%	147.34%	15.08%
4.)	22.08%	22.08%	104.09%	-28.17%
5.)	26.32%		132.26%	

Large Cap				
	12/31/07 - 12/31/2013		3/31/2009 - 12/31/2013	
	Portfolio Return	Alpha	Portfolio Return	Alpha
1.)	22.80%	22.80%	123.38%	-8.88%
2.)	44.43%	44.43%	137.63%	5.37%
3.)	41.76%	41.76%	143.20%	10.94%
4.)	38.35%	38.35%	102.35%	-29.91%
5.)	26.32%		132.26%	

Mid Cap				
	12/31/07 - 12/31/2013		3/31/2009 - 12/31/2013	
	Portfolio Return	Alpha	Portfolio Return	Alpha
1.)	33.67%	33.67%	156.06%	23.80%
2.)	88.64%	88.64%	291.67%	159.41%
3.)	84.47%	84.47%	366.04%	233.78%
4.)	62.28%	62.28%	175.75%	43.49%
5.)	26.32%		132.26%	

- 1.) Price/Price Mean
- 2.) Price Mean/Price
- 3.) Mkt.Cap Mean/Mkt.Cap
- 4.) Mkt.Cap/Mkt.Cap Mean
- 5.) SPY Returns