The Performance of Concentrated Portfolios Of High Quality (HQ) Stocks In Highly Volatile Markets: The 2008 – 2013 Experience

By: Dede Ferry
Advisor: Dr. Bob Dean, Dr. Trevor Collier

Study Objective
• Determine if concentrated HQ portfolios outperform the S&P 500 in a period of high market volatility

Research Approach
• S&P 500 stocks are ranked by S&P quality rankings
• S&P 500 stocks with A+, A, & A- rankings are included in the analysis
• A+, A, A- ranked stocks are further sorted by size
• 3 concentrated portfolios of 30 stocks each established
  (1) Mega Cap (MMC)
  (2) Large Cap (LC)
  (3) Mid Cap (MC)
• Portfolio weighting strategy
  • Revision to the mean

Hypothesis
Yearly and overall period concentrated HQ portfolio returns generate positive alpha vs. S&P 500

Findings
• Only MC portfolio generated positive alpha 08-13
• All portfolios generated positive alpha when rebalanced in 09
• MMC and LC portfolios generated positive alpha in 2008 recession year
• Only the MC portfolio showed consistent outperformance on a yearly basis