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A Portfolio Weighting Strategy For a Portfolio of 9 Large Cap Healthcare Stocks: The Case for Capture Ratios, 2010 - 2015

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Weighting Strategies for Healthcare Sector Stocks

By: Mitch Schleyer

Advisor: Dr. Robert Dean & Dr. Trevor Collier

Study Purpose:

- Develop Capture Ratio Weighting Strategies for XLV Sector (Healthcare)

Weighting Model:

$$W_i = \frac{U_i/D_i}{\sum U_i/D_i}$$

$$WU_i = U_i / \sum U_i$$

$$WD_i = D_i / \sum D_i$$

Where:

- W_i = % invested in ith stock
- U_i/D_i Upside Downside Capture Ratio
- U_i = Upside Capture Ratio
- D_i = Downside Capture Ratio

Periods of Analysis: 2010-2015, 2010-2016

Sectors Analyzed:

- XLV = Healthcare Sector
- Number of stocks per sector = 9

Table 1: XLV Cumulative Return

	1/4/2010 - 1/2/2015	1/4/2010 - 1/4/2016
Up/Down Capture Ratio	178%	192%
Upside	209%	231%
Downside	138%	144%
XLV US Equity	139%	156%
SPY US Equity	81%	77%

Conclusions:

- XLV Up Down Capture Ratio outperforms both the XLV Sector and SPY for both time periods
- Upside Capture Ratio outperforms both XLV and SPY
- Downside Capture Ratio outperformance is mixed
- Upside Ratio provides maximum performance