



Weighting Strategies for Consumer Discretionary and Utility Stocks

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Study Purpose:

- Develop Capture Ratio Weighting Strategies for XLY and XLU Sectors

Weighting Model:

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

Where:

- W_i = % invested in i th stock
- U_i = Upside Capture Ratio
- D_i = Downside Capture Ratio

Periods of Analysis: 2010-2015, 2010-2016

Sectors Analyzed:

- XLY = Consumer Discretionary
- XLU = Utilities
- Number of stocks per sector = 10

Conclusions:

- XLY Up Down Capture Ratio outperforms both the XLY Sector and SPY for both time periods
- Upside Capture Ratio outperforms both XLY and SPY
- Downside Capture Ratio outperforms both XLY and SPY

Table 1: XLY Cumulative Returns

	1/4/2010 - 1/2/2015	1/4/2010 - 1/4/2016
Up/Down Capture Ratio	241.74%	291.04%
Upside	238.05%	272.64%
Downside	236.05%	295.47%
XLY US Equity	138.77%	156.07%
SPY US Equity	81.27%	77.38%

Table 2: XLU Cumulative Returns

	1/4/2010 - 1/2/2015	1/4/2010 - 1/4/2016
Up/Down Capture Ratio	54.75%	40.03%
Upside	51.40%	35.79%
Downside	53.52%	38.63%
XLU US Equity	52.64%	38.96%
SPY US Equity	81.27%	77.38%

- XLU Up Down Capture Ratio outperforms XLU Sector but not SPY
- Upside underperforms both XLU and SPY
- Downside outperformance mixed