Portfolio Weights and Capture Ratio Analysis: A Look at Performance in the Consumers Staples Sector 2010-2015

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Weighting Strategies for Consumer Staples Stocks

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Study Purpose:
• Develop Capture Ratio Weighting Strategies for XLP Sector

Weighting Model:

\[ W_i = \frac{U_i}{\sum U_i} \]

\[ UW_i = \frac{U_i}{\sum U_i} \]

\[ DW_i = \frac{D_i}{\sum D_i} \]

Where:
• \( W_i \) = % invested in \( i \)th stock
• \( \frac{U_i}{D_i} \) = Up/Down Capture Ratio
• \( U_i \) = Upside Capture Ratio
• \( D_i \) = Downside Capture Ratio


Sector Analyzed:
• XLP = Consumer Staples Sector

Table 1: XLP Cumulative Returns

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<tr>
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<tbody>
<tr>
<td>Up/Down Capture Ratio</td>
<td>102%</td>
<td>118%</td>
</tr>
<tr>
<td>Upside</td>
<td>102%</td>
<td>109%</td>
</tr>
<tr>
<td>Downside</td>
<td>95%</td>
<td>110%</td>
</tr>
<tr>
<td>XLP US Equity</td>
<td>81%</td>
<td>87%</td>
</tr>
<tr>
<td>SPY US Equity</td>
<td>81%</td>
<td>77%</td>
</tr>
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Conclusions:
• XLP Up Down Capture Ratio outperforms both the XLP Sector and SPY for both time periods
• Upside Capture Ratio outperforms both XLP and SPY
• Downside Capture Ratio outperforms both XLP and SPY
• Up/Down Capture Ratio provides maximum performance