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:

\[ W_i = \frac{U_i/D_i}{\sum U_i/D_i} \]
\[ UW_i = \frac{U_i}{\sum U_i} \]
\[ DW_i = \frac{D_i}{\sum D_i} \]

Where:
- \( W_i \) = % invested in \( i \)th stock
- \( U_i/D_i \) = 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

<table>
<thead>
<tr>
<th></th>
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</thead>
<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>
</tbody>
</table>

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