

4-9-2016

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

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Recommended Citation

"Portfolio Weights and Capture Ratio Analysis: A Look at Performance in the Consumers Staples Sector 2010-2015" (2016). *Stander Symposium Posters*. 703.

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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

Periods of Analysis: 2010-2015, 2010-2016

Sector Analyzed:

- XLP= Consumer Staples Sector

Table 1: XLP Cumulative Returns

	1/4/2010 - 1/2/2015	1/4/2010 - 1/4/2016
Up/Down Capture Ratio	102%	118%
Upside	102%	109%
Downside	95%	110%
XLP US Equity	81%	87%
SPY US Equity	81%	77%

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