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Drosophila Eye Model to Study the Role of Steroid-Responsive Ecdysone Pathway in Alzheimer's Disease

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Fundamentally Based Portfolio Weighting Models: A Multi-Factor Approach

By: John Klingler
Advisors: Dr. Robert Dean & Dr. Trevor Collier

• **Study Purpose:**
Determine if a fundamentally-weighted multi-factor model outperforms the market

• **Weighting Factors:**
1. Price to Book (P/B)
2. Price to Sales (P/S)
3. Price to Earnings (P/E)
4. Price to Cash Flow (P/CFL)
5. Earnings Growth (EG)

• **Weighting Model:**
  Example:
  \[ WP/B_i = \frac{Avg. \, P/B}{P/B(i)} \]

  \[ MFW_i = WP/B_i + WP/S_i + WP/E_i + WP/CFL_i + WEG_i \]

• **Weighting Model Adjustments:**
Original Multi-Factor weighting model adjusted to give higher weight to the Price to Sales factor

**Periods of Analysis:** 2014

**Sectors Analyzed:**
- XLV = Healthcare
- XLY = Consumer Discretionary
- XLP = Consumer Staples

### Table 1

<table>
<thead>
<tr>
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<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>XLV</td>
<td>23.34%</td>
<td>11.74%</td>
<td>22.42%</td>
<td>24.28%</td>
<td>36.86%</td>
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<tr>
<td>XLY</td>
<td>7.96%</td>
<td>11.74%</td>
<td>17.80%</td>
<td>19.18%</td>
<td>24.14%</td>
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<tr>
<td>XLP</td>
<td>15.72%</td>
<td>11.74%</td>
<td>16.55%</td>
<td>17.74%</td>
<td>21.69%</td>
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</table>

### Table 2

<table>
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<tr>
<th>Sector</th>
<th>Multi-Factor</th>
<th>1st Stage Adj.</th>
<th>2nd Stage Adj.</th>
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<tbody>
<tr>
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<td>$6.1</td>
<td>$6.20</td>
<td>$6.90</td>
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<tr>
<td>XLY</td>
<td>$5.8</td>
<td>$5.90</td>
<td>$6.20</td>
</tr>
<tr>
<td>XLP</td>
<td>$5.9</td>
<td>$6.00</td>
<td>$6.10</td>
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<tr>
<td>Org. Inv</td>
<td>$5.00</td>
<td>$5.00</td>
<td>$5.00</td>
</tr>
</tbody>
</table>

• **Conclusions**
(1) Multi-Factor model for XLV, XLY, XLP outperforms the market
(2) 1\textsuperscript{st} Stage and 2\textsuperscript{nd} Stage Adj. models also outperform the market
(3) Best model is the 2\textsuperscript{nd} Stage Adj. model
(4) Original investment of $5,000,000 in 2\textsuperscript{nd} Stage Adj. model generates $1.9M in dollar return