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A longitudinal analysis of the Information Technology Sector (XLK) performance 2010 - 2015: The Case for Capture Ratios.

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Weighting Strategies for Information Technology Stocks



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Study Purpose:

- Develop Capture Ratio Weighting Strategies for XLK Sector

Weighting Model:

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

$$WD_i = \frac{D_i}{2a\sum D_i}$$

Where:

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

Periods of Analysis: 2010-2015, 2010-2016

Sector Analyzed:

- XLK= Information Technology Sector

Table 1: XLK Cumulative Returns

	1/4/2010 - 1/2/2015	1/4/2010 - 1/4/2016
Up/Down Capture Ratio	146%	162%
Upside	145%	166%
Downside	129%	145%
XLK US Equity	77%	82%
SPY US Equity	81%	77%

Conclusions:

- XLK Up Down Capture Ratio outperforms both the XLK Sector and SPY for both time periods
- Upside Capture Ratio outperforms both XLK and SPY
- Downside Capture Ratio outperforms both XLK and SPY
- All Capture Ratio weighted portfolios have increasing returns from 2014 – 2015 as the market declines