

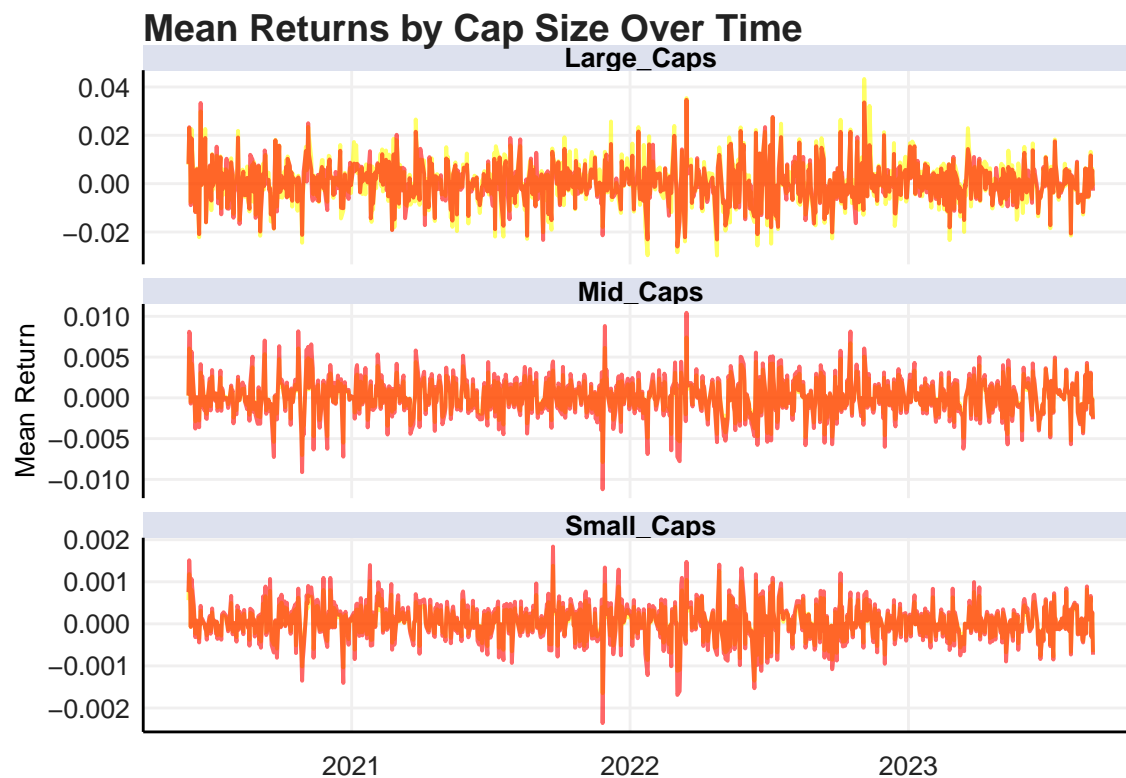
Question 3: Portfolio Construction

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1. Introduction

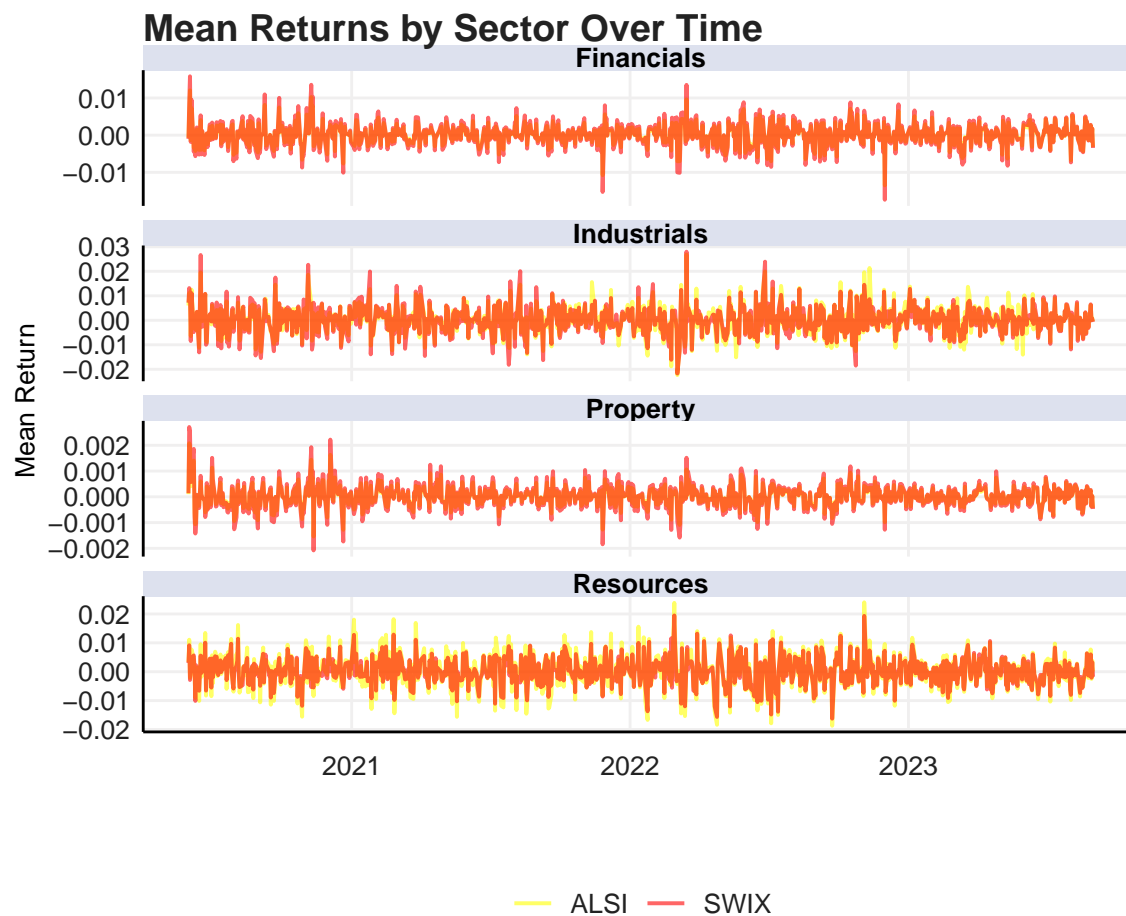




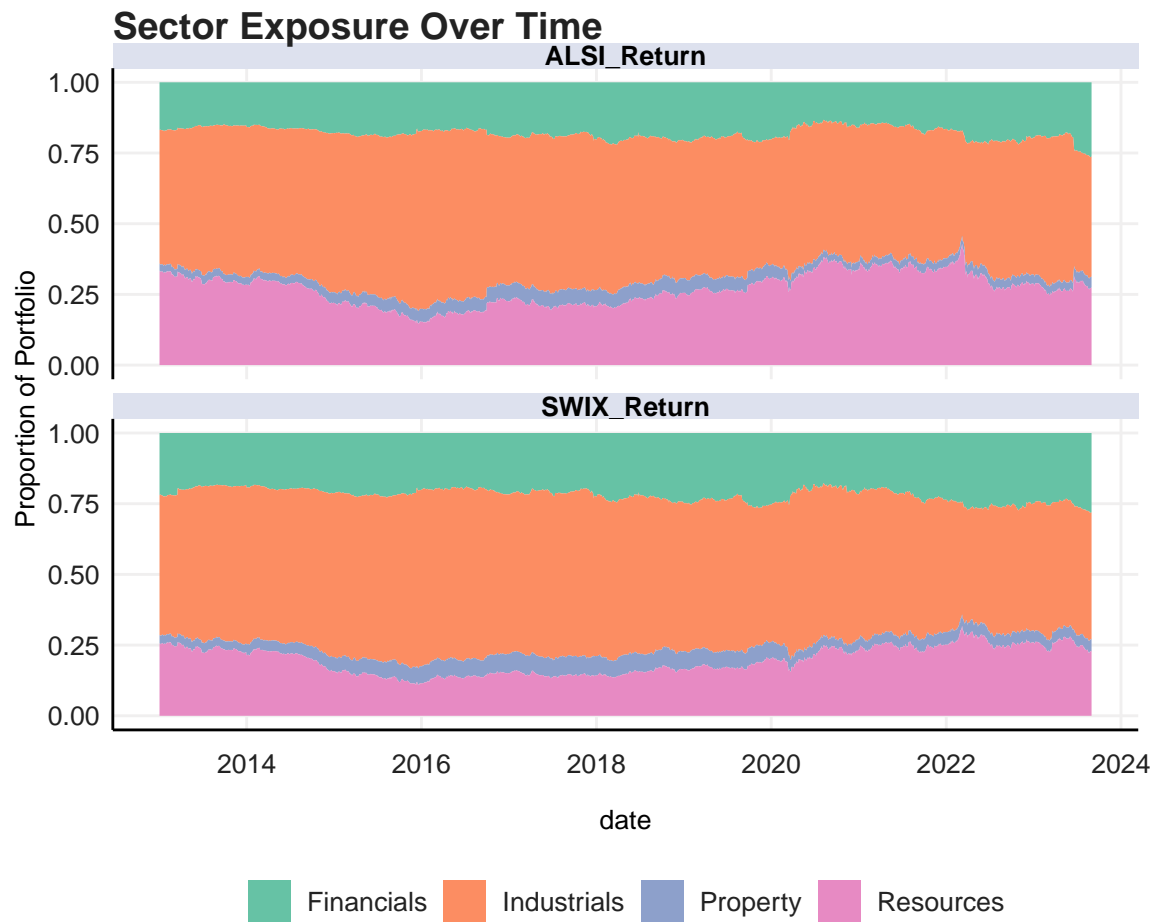
— ALSI — SWIX

Note that

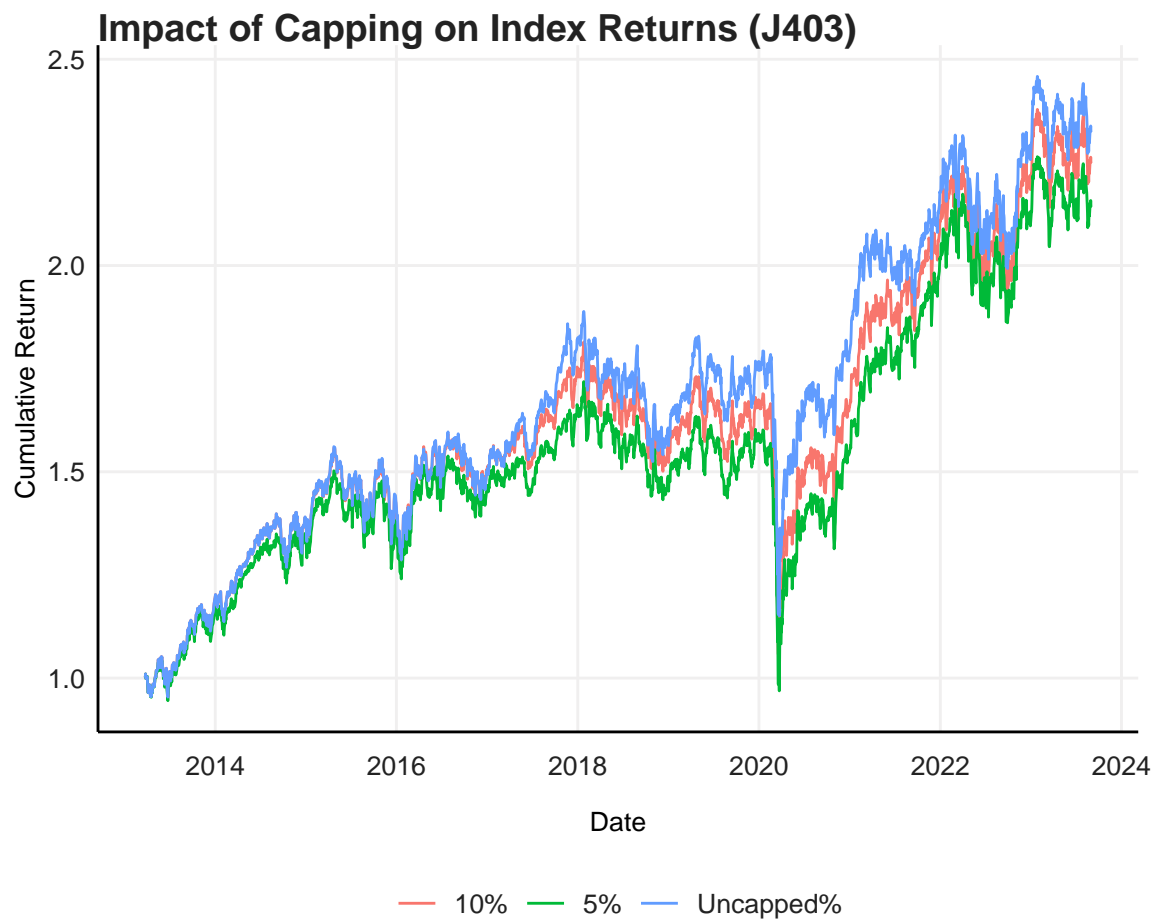
the returns sit on top of each other and therefore the plot is orange. Only in the large caps do ALSI returns differ by generating a greater variance in mean returns.

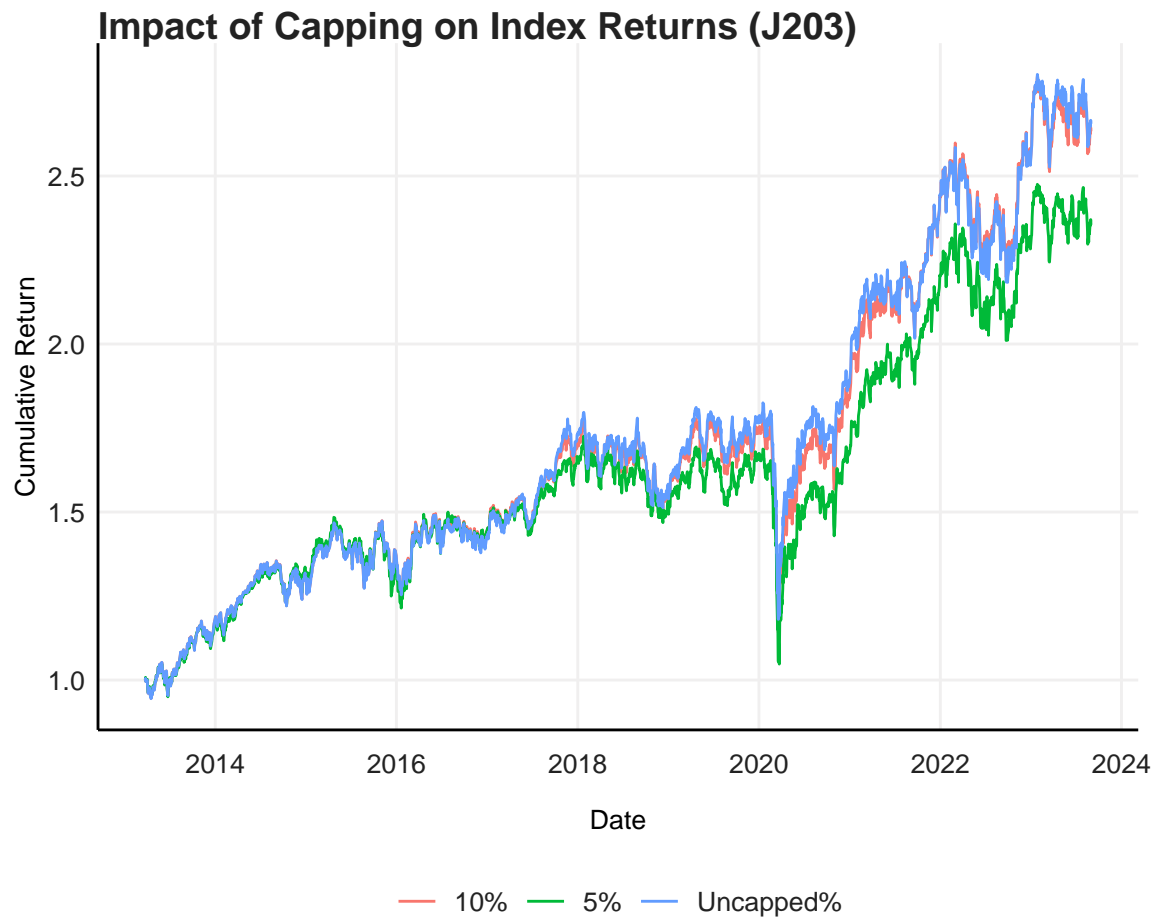


Again the returns sit on top of each other, and differ slightly when looking at Industrials and Resources sector. This indicates that holdings between of these sectors differ between the ALSI and SWIX.



This graph shows that the SWIX tends to hold more Industrials.





Capping indexes reduce cumulative returns on both on the ALSI or SWIX.