*Presentation:*An In-Depth Look At Optimal Rebalancing Strategies

*Presenter:*
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*Session Description:*

The conventional view of rebalancing is that it’s a way to enhance long-term returns for investors while keeping their portfolio on target to achieve long-term goals. The reality, though, is that when rebalancing across different asset classes like stocks and bonds, systematic rebalancing is more likely to reduce returns, albeit with the benefit of also reducing risk. And for those who wish to engage in the strategy, it’s still necessary to consider the optimal frequency for rebalancing – which, as it turns out, is not based on a fixed time horizon like monthly, quarterly, or annual rebalancing, but instead is best done by targeting asset allocation thresholds at which a rebalancing trade will trigger (however long it takes to get there!).

*Learning Objectives:*

- LO #1: Understand why rebalancing does not necessarily improve returns in the long run, but may improve risk-adjusted returns instead

- LO #2: Be able to determine which types of asset class rebalancing are potentially able to enhance returns, versus merely reducing risk

- LO #3: Understand why fixed time period rebalancing strategies are not necessarily optimal for most portfolios, especially when considering transaction costs

- LO #4: Be able to apply a tolerance band approach to portfolio rebalancing, and know how to set targets for rebalancing thresholds

*Level of Complexity:*

- Advanced

*Topic Area(s):*

- Investment

*Hour(s) of CE:*

- 1 hour

*Outline:*

* Introduction 3 minutes
* What is Rebalancing? 6 minutes
* Does it Matter What You Rebalance? 7 minutes
* Rebalancing Frequencies:
	+ Rebalancing & Momentum 5 minutes
	+ Optimal Frequency 5 minutes
	+ Tolerance Band Rebalancing 9 minutes
	+ Finding the Optimal Tolerance Bands 5 minutes
* Rebalancing Strategies 7 minutes
* Benefits:
	+ Economic 3 minutes
	+ Psychological 3 minutes
* Summary & Q&A 7 minutes

Total: 60 minutes