



PCS ADVISORS

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Disciplined Portfolio Rebalancing Strategy

The Problem

Traditional Portfolio Rebalancing Strategies

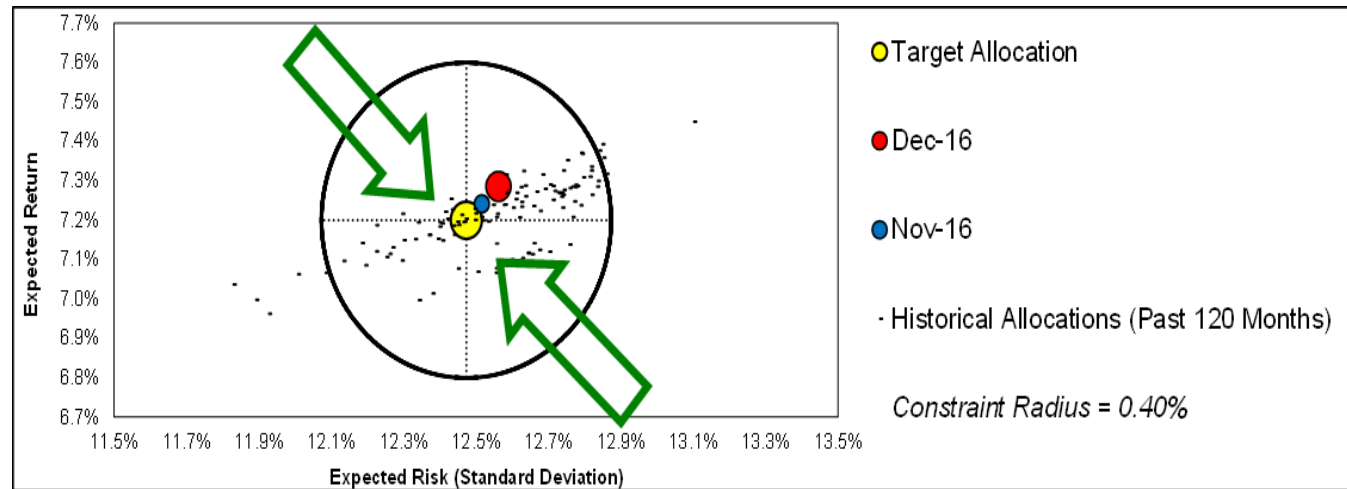
- **Never** – Let the markets do what they will
- **Seat-of-the-Pants** – Relying on instinct to make rebalancing decisions usually leads to buying high and selling low
- **Time Dependent** – Rebalancing at preset time intervals is better than the first two but still not optimal
- **Percentage Dependent** – Creating arbitrary bands around asset class targets is the most commonly employed strategy but is still not optimal

The Solution

A Disciplined Portfolio Rebalancing Strategy

Disciplined Portfolio Rebalancing Goals

- ✓ Total Portfolio Risk Budgeting
- ✓ Risk Monitoring
- ✓ Risk Management
- ✓ Risk Mitigation
- ✓ Improve Performance
- ✓ Reduce Transactions



Disciplined Portfolio Rebalancing In Practice

The following table summarizes the optimal rebalancing tolerances for various Fixed Income to Growth portfolio configurations

OVERALL PORTFOLIO % FIXED INCOME	OPTIMAL REBALANCE TOLERANCE
100%	Rebalance not applicable
90% - 99%	When Fixed Income is over/underweight by > 1.5%
80% - 89%	When Fixed Income is over/underweight by > 2.0%
70% - 79%	When Fixed Income is over/underweight by > 2.0%
60% - 69%	When Fixed Income is over/underweight by > 2.5%
50% - 59%	When Fixed Income is over/underweight by > 3.0%
40% - 49%	When Fixed Income is over/underweight by > 3.0%
30% - 39%	When Fixed Income is over/underweight by > 2.5%
20% - 29%	When Fixed Income is over/underweight by > 2.0%
10% - 19%	When Fixed Income is over/underweight by > 2.0%
1% - 9%	When Fixed Income is over/underweight by > 1.5%
0%	Rebalance not applicable



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