Rebalancing During Market Dips

With Nick Maggiulli,
Chief Operating Officer
Ritholtz Wealth Management

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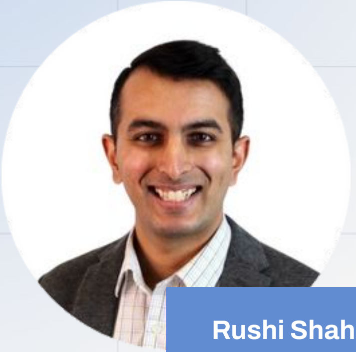
Nick Maggiulli, COO,
Ritholtz Wealth Management



Rushi Shah, VP of Product Management, YCharts

Thank you for joining!

Questions can be submitted using the chat feature within the webinar and will be answered during the Q&A.

Please reach out to hello@ycharts for more information or...

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What You'll Gain

- Data-backed rebalancing strategies
- A framework to optimize performance
- Actionable ideas to handle today's markets
- Live Q&A

Rebalancing 101

Frequency-based

🔁 Rebalances on a set schedule (e.g., quarterly, annually)

⏱️ Time-based — ignores market behavior

✔️ Easy to automate

💲 May trigger unnecessary trades

Drift-based

🎯 Rebalances only when an asset class drifts outside a threshold (e.g., ±10%)

📉 Data-based — responds to portfolio deviation

⚖️ More flexible, but less predictable

🧮 Trades only when needed

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Research Deep Dive

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Questions We Wanted To Answer

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What is the
best rebalancing
strategy?

?

What are the costs –
both explicit and
hidden?

?

How often
should portfolios
be rebalanced?

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Strategies Compared

Quarterly Rebalance	The portfolio rebalances once every 3 months
Annual Rebalance	The portfolio rebalances once every 12 months
10% Drift	The portfolio rebalances anytime the actual allocation is 10% above (or below) it's target allocation
Never Rebalance	The portfolio never rebalances across the time periods tested

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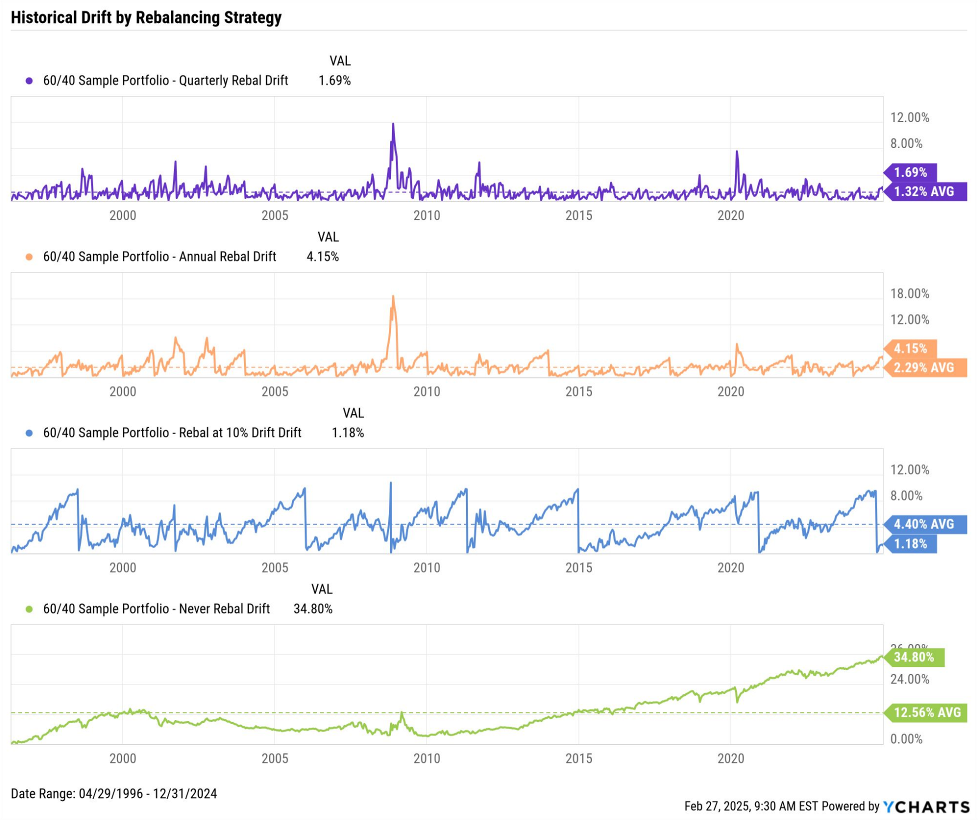
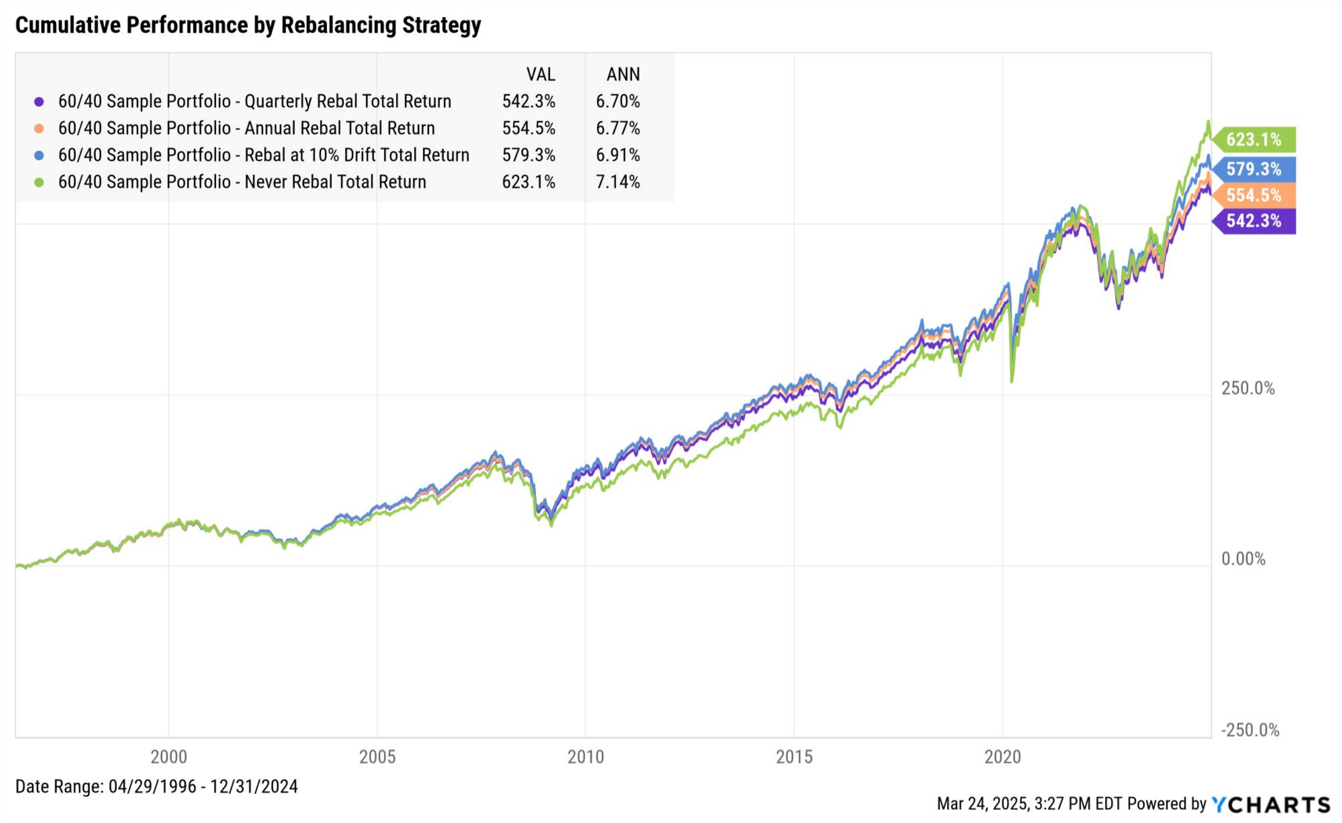
Strategies Compared

Rebalancing Strategy	Total Rebalances Apr 1996 - Dec 2024	Rebalances per Year Apr 1996 - Dec 2024
Quarterly Rebalance	115	4
Annual Rebalance	29	1
10% Drift Rebalance	8	0.28
Never Rebalance	0	0

Impact on Portfolio Drift



Performance Outcomes



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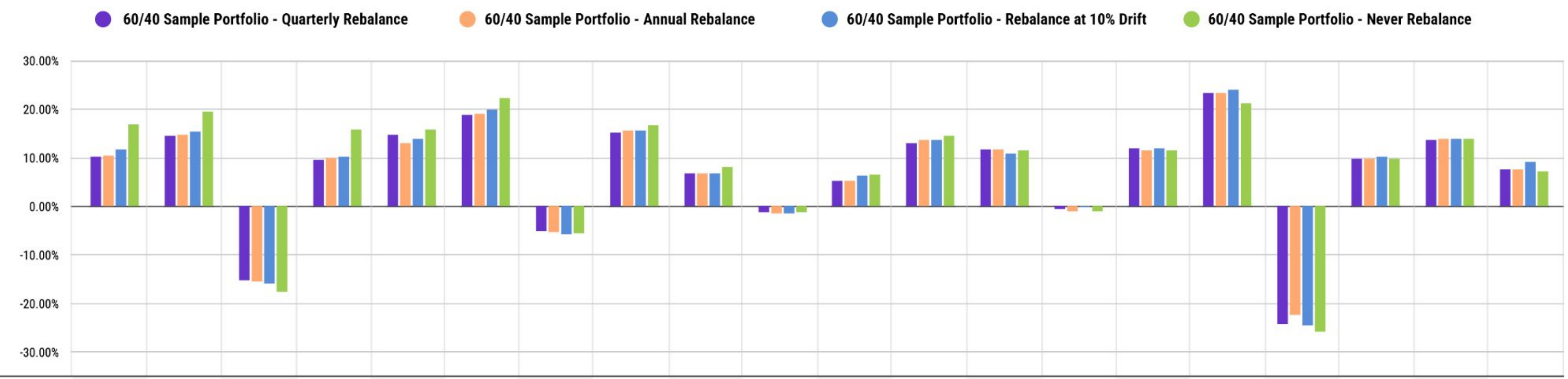
Annual Return Comparison

Annual Performance Comparison - Different Rebalance Frequencies



Rebalancing Strategy	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Quarterly Rebalance	10.32%	14.58%	-15.30%	9.68%	14.69%	18.91%	-5.17%	15.19%	6.79%	-1.21%	5.29%	13.03%	11.79%	-0.54%	12.06%	23.34%	-24.31%	9.71%	13.76%	7.59%
Annual Rebalance	10.54%	14.77%	-15.50%	10.07%	13.03%	19.08%	-5.38%	15.55%	6.79%	-1.37%	5.37%	13.75%	11.66%	-0.95%	11.47%	23.40%	-22.37%	9.77%	13.92%	7.66%
Rebalance at 10% Drift	11.69%	15.42%	-15.89%	10.14%	13.92%	19.86%	-5.74%	15.55%	6.74%	-1.37%	6.28%	13.76%	10.98%	-0.19%	12.07%	24.02%	-24.42%	10.18%	13.89%	9.15%
Never Rebalance	16.86%	19.62%	-17.53%	15.91%	15.78%	22.30%	-5.57%	16.69%	8.02%	-1.10%	6.62%	14.53%	11.43%	-1.00%	11.61%	21.33%	-25.74%	9.88%	13.99%	7.13%
Performance Gap	6.54%	5.04%	2.23%	6.23%	2.75%	3.39%	0.57%	1.50%	1.28%	0.27%	1.33%	1.50%	0.81%	0.81%	0.60%	2.69%	3.37%	0.47%	0.23%	2.02%

Risk Management Outcomes

60/40 Sample Portfolio	Beta (Since Inception)	Daily Value at Risk (VaR) 5% (Since Inception)	Historical Sharpe Ratio (Since Inception)	Max Drawdown (Since Inception)	Upside/Downside Ratio (20Y)
Quarterly Rebalance	0.6037	0.972%	0.5005	37.43%	0.9819
Annual Rebalance	0.5935	0.960%	0.5163	35.97%	0.9895
10% Drift Rebalance	0.6180	1.010%	0.5070	37.98%	0.9815
Never Rebalance	0.6593	1.090%	0.5051	37.87%	0.9896

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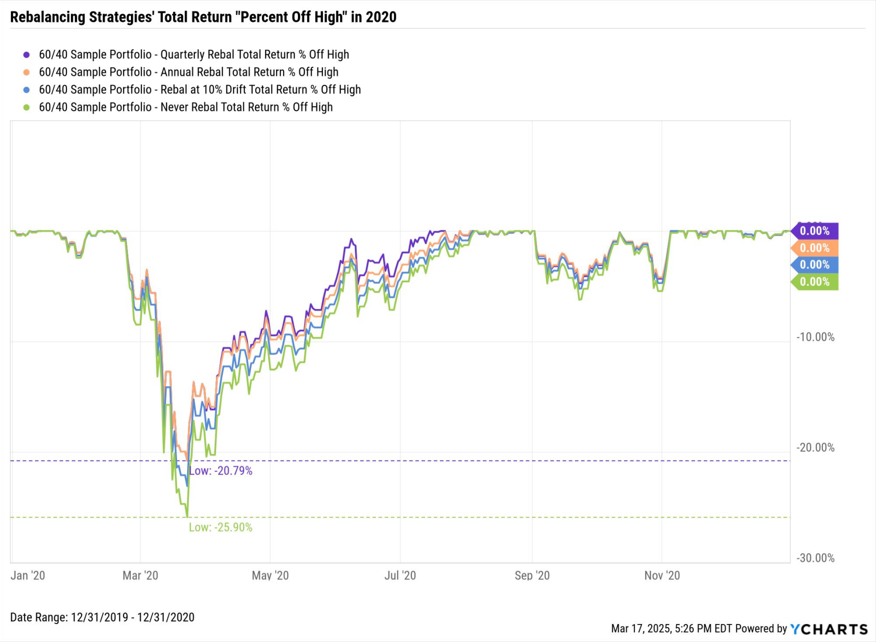
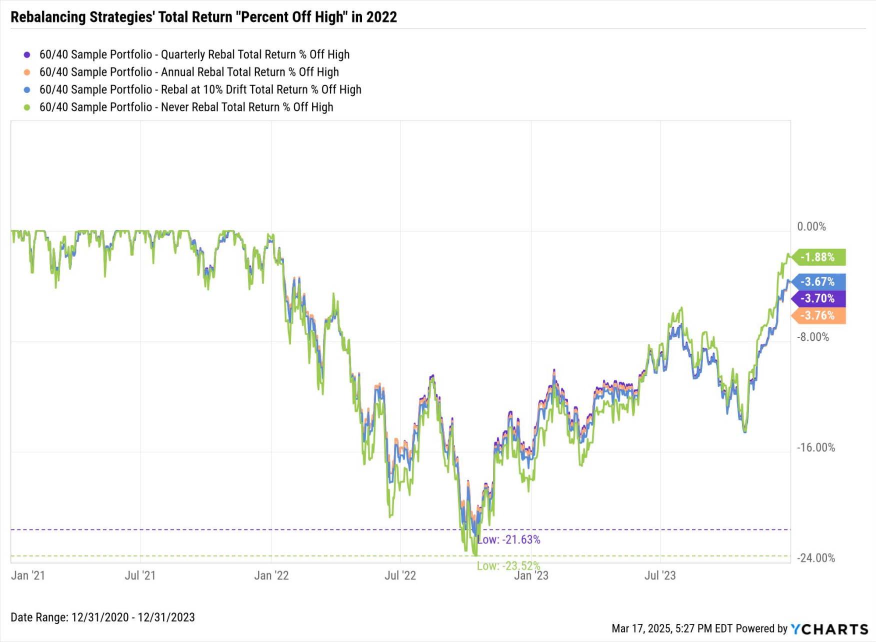
Strategy Performance in Bull vs Bear Markets





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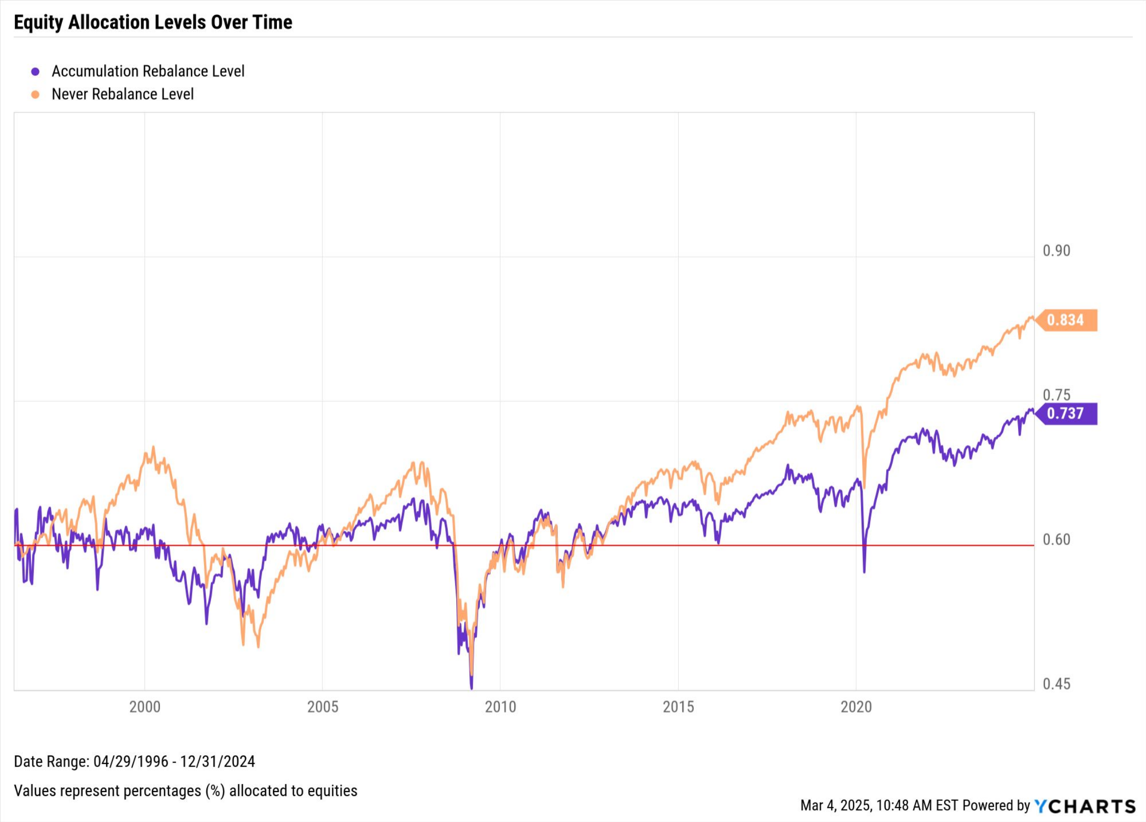
Accumulation Rebalancing



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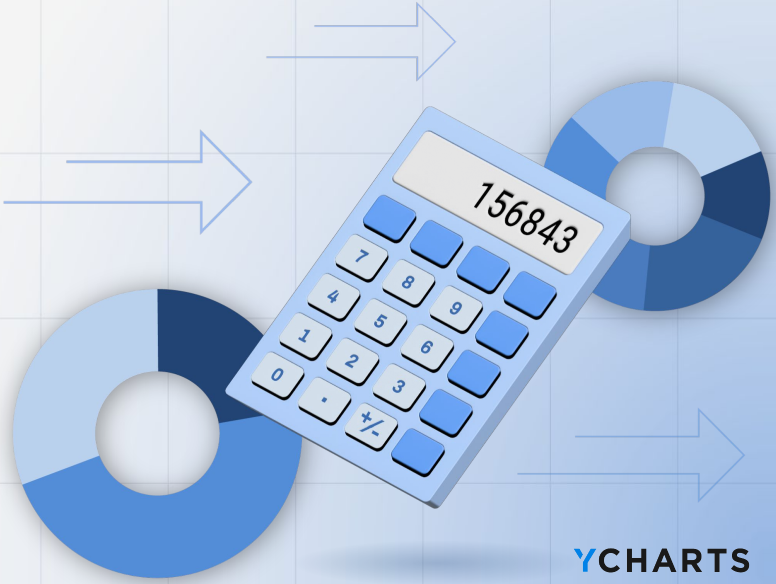
Tariffs Through the Long-Term Lens

Because Perspective Is a Powerful Asset

Actionable Advisor Insights



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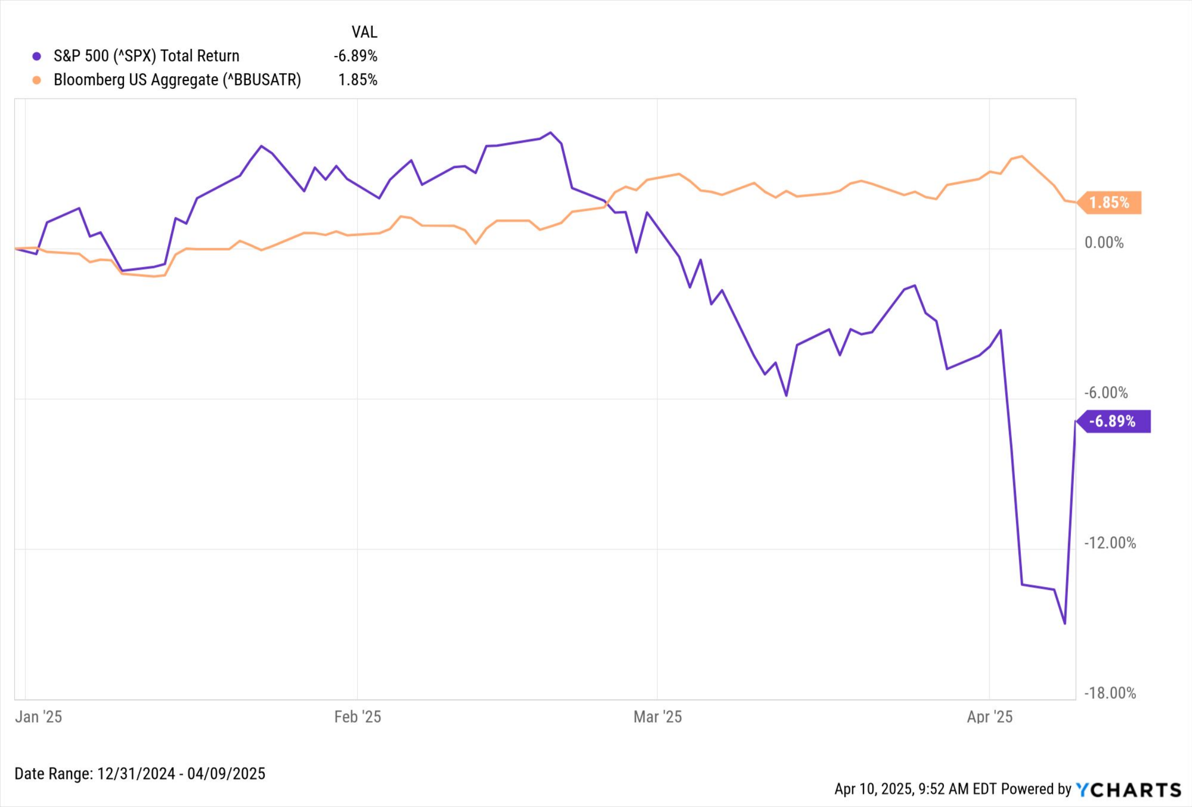
Key Takeaways

- Less frequent rebalancing generally outperforms
- Frequent rebalancing improves tracking but reduces risk control
- Costs—time, taxes, & transactions—compound over time
- The optimal strategy should flex across market cycles

Scenario: Sudden Market Shock



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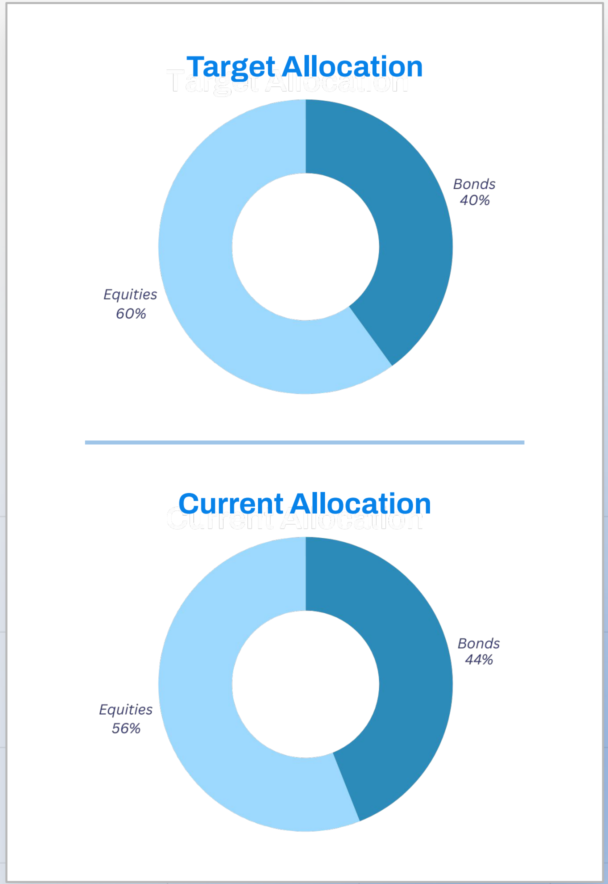
Scenario: Nearing Retirement

- Client: Lisa, 62 years old, accumulation phase is done
- Goal: Retiring in 3 years
- Portfolio: 60% Equities & 40% Bonds
- Issue: After recent market decline, equities now make up 56% of the portfolio
- Question: Should we rebalance back to 60% equities – or let it recover?



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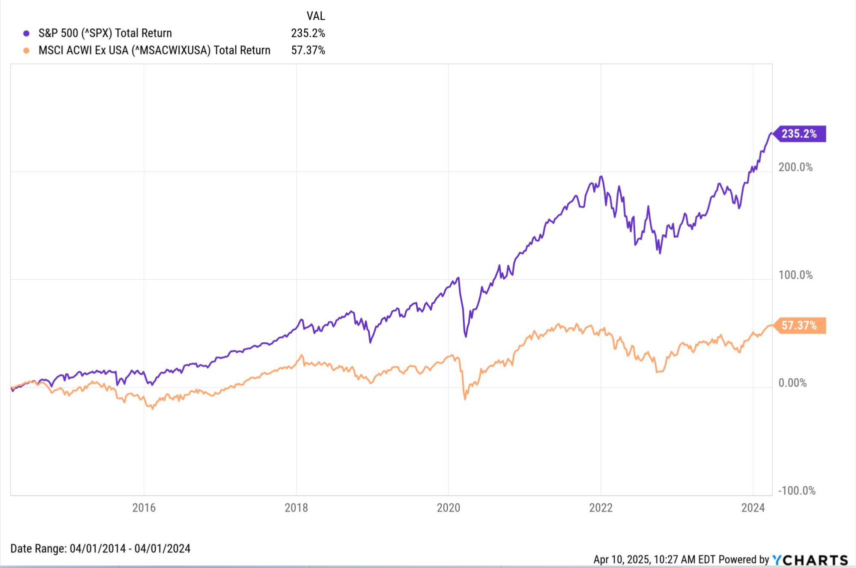
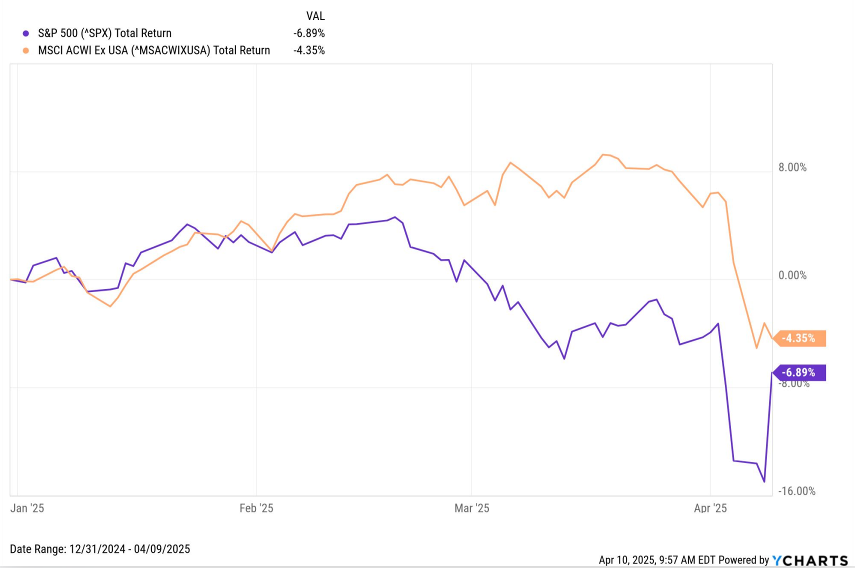
Scenario: Performance Whiplash





Q&A

Nick's Top YCharts Tools & Use Cases:

- **Creating visuals** to educate others & simplify complex or dense subject matter
- **Sharing insights or data** on LinkedIn to start dialogues
- **Identifying stocks and funds** that meet certain investment criteria

Proposals **AI Chat** **Charts**

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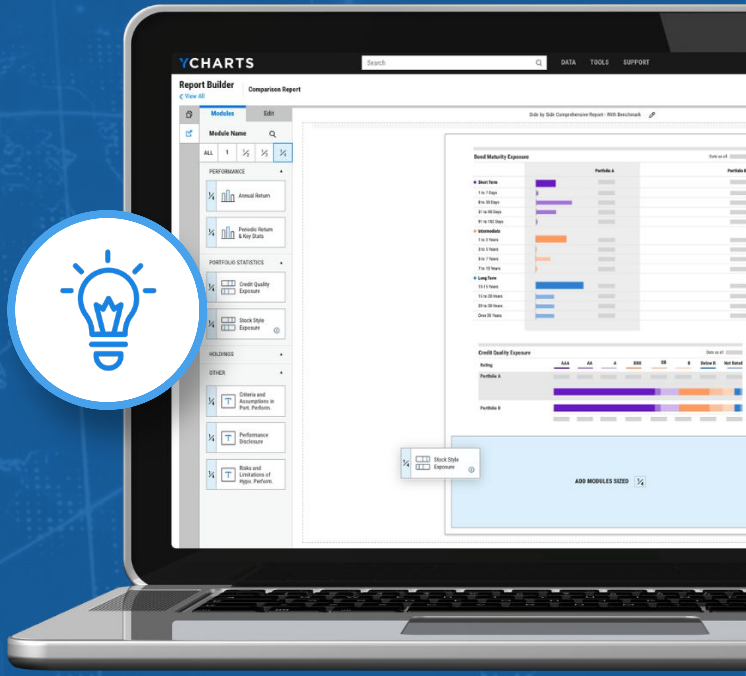

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