Observations:

1. Transaction costs, with respect to portfolio rebalancing might be a variable that is worth looking into. The return distributions of portfolios with a larger number of trades is probably sub optimal, but optimising this is an iterative process, and hence somewhat crude. (We run with the underlying assumption that the active investor checks the portfolio on a daily basis)
2. Subtracting transaction cost after the experiment cases the implicit assumption that the portfolio survived all drawdowns after transaction cost during the experiment.
3. Other possible studies that don’t take into transaction costs, may not provide positive Sharpe ratios.
4. Assumes that the utility function of the investor for each risk asset has a risk aversion constituent, and that the investor functions on the data given: which is the returns in some t time. (Intuitively, this makes sense even in non-systematic settings)
5. Assumes that the investor constantly monitors her portfolio and exploits all available information, but rebalances only if the costs implied by deviations from the path of optimal allocations exceed the costs of rebalancing
6. Stochastic Components are just assumed but can be modelled.
7. Adding Price Cyclicality (PCY functions), mean reversionary functions, that remove over bought or oversold assets from the opportunity list.
8. Deviation from a price Prediction function could be used for price dislocation arbitrage type strategies and informing mean reversion strategies.

Avenues:

1. Measuring inefficiency premium
2. Measuring behavioural alpha
3. Looking for correlations between Mean Reversionary performance during non-market events (low trend environments) and Trend Performance for higher trend environments