**Literature review**

**“Does Rebalancing Really Pay Off??”**

(April 15, 2014 by Michael Edesess)

On one hand, Edesess pointed out the problems of William Bernstein, the supporter of the rebalancing techniques: the comparison with wrong benchmark, and the logic flaws (his reasoning and conclusion can not support “Rebalancing Bonus” and are misleading).

On the other hand, he used the monthly CRSP decile returns series to compare buy-and-hold with six rebalancing strategies and got the result that when rebalancing beat buy-and-hold most of the time, it was by a small amount, while when buy-and-hold beat rebalancing it was by a much larger amount.

Finaly, Edesess concluded that rebalancing bonus can not proved with any obvious evidence.

**“The Academic Failure to Understand Rebalancing”**

(August 16, 2016 by Michael Edesess)

Edesess compared the results of most academic finance papers with A. J. Wise’s. He claimed that finance papers often take the medians of the probability distribution of these strategies which is just a point but not the whole distribution.

Edesess cited the proof and reasoning of Wise and concluded in three different cases:

* The constituent assets have equal expected returns:

The median returns for rebalancing > The median returns for buy-and-hold;

The average returns with rebalancing = The average returns with buy-and-hold.

* The constituent assets do not have the same expected rate of return:

On average, the results with buy-and-hold strategy will beat rebalancing strategy.

* The constituent assets have different enough expected returns:

The median return with buy-and-hold > The median return with rebalancing