Summary

The book “Portfolio Rebalancing” by Edward E. Qian presents a mathematical and empirical analysis of the portfolio rebalancing.

The first part of the book presents a mathematical analysis to the portfolio rebalancing. The book discusses how the portfolio rebalancing alpha, which the author defines as the difference between a fixed weighted portfolio and a buy and hold portfolio, can be break down into two separate effect, volatility effect and return effect. The author then analyzes the effect of each component and the combine effect to the total rebalancing alpha.

The volatility effect arises from pairwise return volatility of assets, and return effect affect is due to the differences in asset returns