



Rebalancing

The desired asset allocation determined with respect to taxation, risk profile, time period, overall financial condition and requirements each year changes over a period of time which has to be brought back to its desired asset allocation. Mr.B, this is carried out in order to reduce the increased exposure of the appreciated asset class so that the appreciated asset class does not have an undue impact on the overall performance of the portfolio. It is essential to create a balance. It becomes necessary not to be overweight than the desired asset allocation for a particular asset class for a long time. Rebalancing ensures that the investor not only trims the exposure of an appreciated asset class but also takes exposure to an undervalued asset in line with the desired asset allocation.



Thanks for this. Mr.A, had I known this concept earlier it would have been better for me.

