Project Background

A major national wealth advisory firm challenged WFA-CFAR's consulting team with two unique projects:

1 Evaluate and recommend rebalancing strategies for multi-asset class portfolios (equities, fixed income, emerging markets, commodities, real estate, and cash).

2 Analyze how mutual fund and exchange-traded advisory programs—specifically robo-advisors—optimize rebalancing strategies, taking into account tax efficiency.

Analysis Description and Conclusion

For the first project, the WFA-CFAR team developed a Monte Carlo model that determined optimal threshold rebalancing levels and frequency in terms of risk-adjusted return and tax consequences (using portfolio turnover as a proxy). The team was constrained to real-world challenges such as the firm's investment philosophy, internal "constraints" in the rebalancing system, turnover limits, and asset class liquidity.

The second project addressed the competitive landscape of advisory programs through a thorough investigation of existing and developing best practices.

» The project culminated in a formal presentation of the recommendations and a detailed report delivered to the client's management.

CASE STUDY:
Portfolio Rebalancing Optimization Study

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