Rebalancing the Equal Weights

How often, and does the method matter

Rebalancing belongs in this strategy. Equal weight is the whole point of owning eleven sectors instead of guessing which one wins, and equal weight only stays equal if you do something about it now and then.

Left alone for years, your best performer quietly grows into a much larger share of your money than you ever meant to give it, and eventually mean reversion catches up with it and the largest position does poorly.

What I can tell you is that the particular way you go about rebalancing hardly matters. Once a year, look at your holdings and even them back up. That is enough. You can stop reading here.

For anyone who wants to know how we know that, here are the main methods we ran, each one over the same 27 years and the same 6,757 trading days, from October 1999 to August 2026.

- Rebalance every single day, which is how the published returns are computed
- Never rebalance at all, and trade only when a signal fires
- Never rebalance, but hold back each waiting sector's share of the cash so a latecomer is not starved
- Never rebalance on a schedule, but sell down the oversized holdings to pay for a purchase
- Even everything back up once a year
- Once a quarter
- Once a month
- Buy at the proper size and cut the largest holding back at the same moment

All of the methods had inconsequential impact on compound annual returns.

Evening things up once a year happened to finish at the top, at 5.93% a year.

We did as much work on rebalancing as on any other part of this strategy, and the answer is that it does not much matter. So keep it simple. Once a year, even them up.

John