

VEKTOR
BY
INVESTPUPPY

VEKTOR RESEARCH SERIES · 2026

Rebalancing: Drift Thresholds and Disclosure

*A framework for how portfolio drift is monitored, when rebalancing
triggers, and what isn't built yet.*

For DPMs, family office principals, and prospective partners

Regulatory and risk information in this document reflects InvestPuppy's knowledge as of 16 August 2026.

For portfolio managers, operations staff, and institutional due diligence teams.

IP-WP-REB-260816-1.0 · August 2026 · investpuppy.com

ABSTRACT

A portfolio drifts from its target weights the moment prices move. Deciding when that drift matters enough to correct — and how to correct it without generating uneconomic trades — is a distinct discipline from constructing the portfolio in the first place. This paper describes how Vektor monitors drift, what triggers a rebalance, and what remains outside current scope.

KEY TAKEAWAYS

Drift is monitored continuously as an absolute weight difference between current and target allocation, colour-coded by severity: green below 2%, yellow between 2% and 5%, red above 5%.

Rebalancing triggers on a 5% absolute drift threshold — not a fixed schedule. There is no calendar-based rebalancing scheduler; if nothing drifts, nothing trades.

Rebalance orders are generated for the positions with the largest absolute drift, subject to a minimum trade value filter, so small, uneconomic corrections aren't generated on low-weight positions.

Every rebalance run defaults to a dry run — proposed orders are shown for review before anything executes.

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1. Why Drift Needs a Framework, Not Just a Number

A portfolio constructed to target weights on day one will not hold those weights on day two. Prices move independently across holdings, and every price move changes every position's actual weight relative to its target. Left unmanaged, this drift compounds — a portfolio that started diversified can quietly concentrate.

The question isn't whether to monitor drift. It's how much drift matters, and when correcting it costs more than leaving it alone.

2. How Drift Is Measured

Drift is the absolute difference between a position's current weight (derived from live market value) and its target weight (from the strategy optimisation). This is deliberately an absolute measure, not a relative one: a position with a very small target weight can show a large relative drift percentage from a small absolute price move, which would trigger unnecessary corrections if relative drift were the trigger condition.

Positions are colour-coded for visibility:

GREEN — UNDER 2% ABSOLUTE DRIFT

No action.

YELLOW — 2% TO 5% ABSOLUTE DRIFT

Watch, no action required yet.

RED — OVER 5% ABSOLUTE DRIFT

Rebalancing becomes necessary.

Symbol	Current Weight	Target Weight	Drift	Drift %
D05	53.97%	53.00%	+0.97%	1.83%
F17	16.41%	16.16%	+0.25%	1.56%
G07	2.07%	1.41%	+0.66%	46.65%
KJ5	8.38%	8.17%	+0.13%	1.55%
S59	5.61%	5.40%	+0.21%	3.81%
U11	13.65%	15.86%	+2.21%	13.93%

Drift monitoring, Allocation → Drift view. Max Drift 46.65% (G07), Needs Rebalancing: Yes. Colour-coded per the thresholds above.

3. What Triggers a Rebalance

The platform flags a portfolio as needing rebalancing when any position crosses the 5% absolute drift threshold. This is drift-triggered, not calendar-triggered — there is no scheduled rebalancing run. A portfolio that stays within threshold indefinitely simply never generates a rebalance order, which is treated as correct behaviour, not an oversight.

When rebalancing is triggered, the engine calculates corrective buy and sell orders to bring flagged positions back toward target weight. Orders are generated for the positions with the largest absolute drift first, and every proposed order is subject to a minimum trade value filter — small corrective trades that would cost more in friction than they recover in accuracy are not generated.

4. Dry Run Is the Default

Every rebalance calculation defaults to a dry run: the platform shows the proposed corrective orders — instruments, direction, size — before anything is submitted for execution. This mirrors the same approval-before-action pattern used throughout the platform for strategy creation and initial allocation. Rebalancing is not autonomous by default.

5. What Is Not Yet In Scope

Consistent with how this series discloses limitations elsewhere:

NO CALENDAR-BASED REBALANCING SCHEDULER

Drift-triggered only, at present. A time-based option (e.g. quarterly review regardless of drift) is not currently built.

NO CORRIDOR OR TOLERANCE-BAND REBALANCING

The current model rebalances toward the exact target weight when triggered, not toward the edge of an acceptable band. A corridor approach — common in some institutional platforms to reduce turnover — is on the roadmap, not live.

NO TAX-LOT AWARENESS IN ORDER GENERATION

Rebalancing orders are generated on weight and drift alone. They do not currently account for which specific tax lot would be sold, or the tax consequence of that choice. See WP-13 (Portfolio Valuation Methodology) for the related, separate disclosure on cost-basis tracking.

6. Conclusion

Rebalancing discipline is not a single number — it's a framework of thresholds, filters, and defaults that together determine when a portfolio manager sees a corrective trade proposed, and when they don't. Vektor's current framework is deliberately conservative: drift must cross a defined threshold before anything is proposed, small corrections are filtered out, and every proposal defaults to review before execution.

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This paper describes the drift-monitoring and rebalancing framework underpinning the Vektor platform, consistent with the same live output shown in the Operational Walkthrough (available to Proof Partners under NDA). To see rebalancing applied to your own mandate, become a Proof Partner at investpuppy.com. For the full commercial case, see the companion document: Why Vektor. All documents available at investpuppy.com.

The Full Document Suite

Organised by access tier — not a catalogue, a map.

Full reading-order guidance in the Due Diligence Navigation Guide.

UNGATED — 29 DOCUMENTS

investpuppy.com/documents

VEKTOR COMMERCIAL

- Vektor At a Glance
- Vektor Brand Story
- Vektor Platform Brochure
- Due Diligence Navigation Guide
- What Vektor Is Not
- Why Not the Incumbents?
- Why Vektor
- Reference Output — SGX Equity Mandate

VEKTOR RESEARCH PAPERS

- WP-09: Risk and Limitation Disclosure
- WP-10: Evaluating Performance

OUR BETTER WAY

- BW-01: Technical Debt
- BW-02: Vektor House Implementation
- BW-03: The Configurability Gap
- BW-04: AI as Instrument

UNVARNISHED

- UNV-01: Why Implementations Fail
- UNV-02: Nobody Owns It
- UNV-03: Complexity as Cover
- UNV-04: Plan Last
- UNV-05: The Change Request Trap
- UNV-06: Invisible Stakeholders
- UNV-07: The Hammer, the Tool, and the Methodology
- UNV-08: Life After Live
- UNV-09: The U in UAT
- UNV-10: Nine Women
- UNV-11: The AI Revolution — Automating Bad Practice at Scale
- UNV-12: Model Bank — the perfect solution for banks that don't exist
- UNV-13: The parameter that broke the camel's back

WHITE PAPERS

- WP-12: Rebalancing: Drift Thresholds and Disclosure (you are here)
- WP-13: Portfolio Valuation Methodology



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Organised by access tier — not a catalogue, a map.
Full reading-order guidance in the Due Diligence Navigation Guide.

REGISTRATION REQUIRED — 13 DOCUMENTS

VEKTOR COMMERCIAL

- Vektor FAQ
- One Platform, Three Delivery Models
- Reference Output — SGX · NASDAQ · LSE · 21 May 2026

VEKTOR RESEARCH PAPERS

- WP-Index · Research Series Index
- WP-01: Quantitative Portfolio Construction
- WP-02: Signal Optimisation
- WP-03: Capital Allocation
- WP-04: Indicator Selection
- WP-05: Multi-Currency
- WP-06: Audit and Compliance
- WP-07: Technical Architecture
- WP-08: AI and ML Philosophy

WHITE PAPERS

- WP-11: Signal Robustness Architecture — Why walk-forward validation was considered and discarded

How to register: <https://investpuppy.com/research>

NDA REQUIRED — 8 DOCUMENTS

VEKTOR COMMERCIAL

- First 90 Days
- Mutual Non-Disclosure Agreement
- Proof Partners Programme
- Workflow Integration Guide
- Vektor Operational Walkthrough — Client to Portfolio Valuation
- Proof Partners Agreement

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- Alloy Partners Programme

OTHER

- Vektor OpenWealth Integration — Commercial Overview

Available once a Proof Partners conversation begins. Start at <https://investpuppy.com/proof-partners>