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## **BLENDING SMALL-CAP GROWTH AND VALUE STOCKS: EFFECT UPON A PERIODIC AND THRESHOLD REBALANCING STRATEGY**

### **Abstract:**

The paper is motivated by a preference of many investors for small caps and by the popularity of two prevalent investment styles, out of which one stresses investing into so-called growth stocks whereas the other emphasizes virtues of so-called value stocks. The paper investigates usefulness of periodic rebalancing strategies that are built on investing into small-cap stocks preserving growth and value stocks in some proportions. The usefulness of the proposed rebalancing strategies mixing small caps with growth and value oriented investment styles is evaluated by a case study oriented on the US stock market. Using historical data, several designs for portfolios tracking the S&P 500 Index are constructed out of its constituents and practical advice is drawn for a small investor.

### **Keywords:**

periodic rebalancing, threshold rebalancing, small-cap stocks, growth and value stocks, mixed investment style, performance, S&P 500 Index

**JEL Classification:** G11