ALPHA vs. BETA

<u>Beta</u> is an investment's sensitivity to the return of the market/benchmark

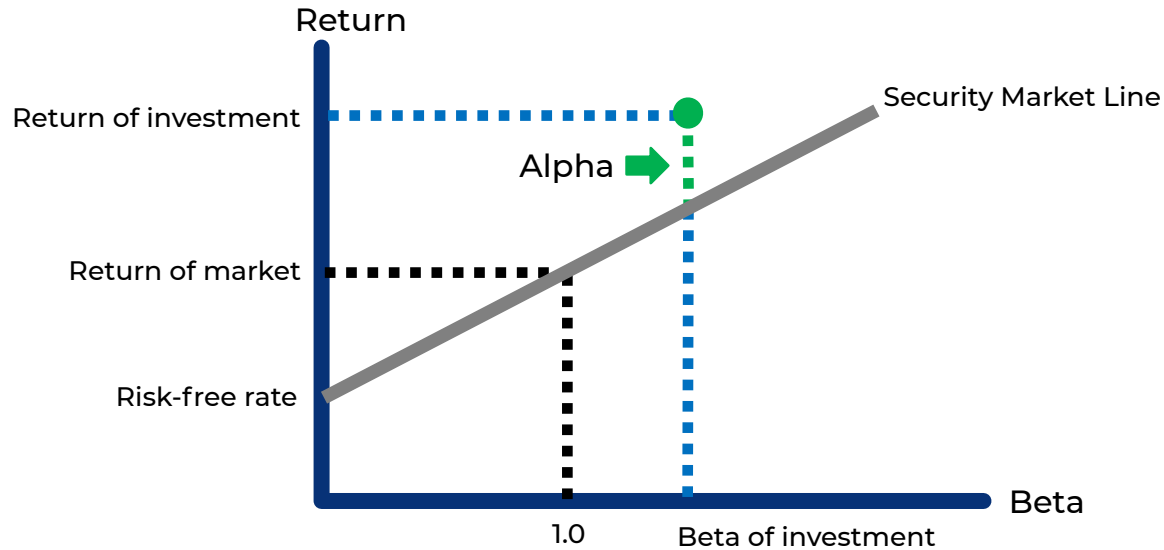*<u>Alpha</u> is the excess return that captures investment skill*

ALPHA vs. BETA

Beta is an investment's sensitivity to the return of the market/benchmark

Alpha is the excess return that captures investment skill

Required Rate of Return

| Risk-free Rate | Beta | Alpha |