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Breaking Beta: Deconstructing the Sensitivities of Systematic Risk

Beta is an often misunderstood and misapplied risk statistic. Proper interpretation of this risk metric depends on a correct understanding of how it is calculated. This paper analyzes beta differences produced by varying the market index, calendar period and return increment. Betas published on various popular websites are deconstructed and analyzed. Recommendations on specifying the parameters for an appropriate beta calculation are presented.