



Alpha, Beta and the CAPM

e-Learning Course

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The Foundation of Long-Term Expected Investment Return

Course Overview

The Capital Asset Pricing Model provides the theoretical basis for estimating expected long-term investment returns. It also introduces the two siblings alpha and beta. Alpha and beta are key indicators in assessing investment performance. Beta measures an investment's sensitivity to market fluctuations. It tells us how much market risk is 'embedded' in an investment. Alpha measures how much more return an investment generates than would be expected based on its market exposure. It is therefore an indicator of a portfolio manager's ability to generate excess returns.

Who Is This Course For?

For anyone in the wealth and asset management industry who wants to understand some of the most fundamental concepts in finance: Alpha, Beta and what drives expected long-term investment returns.

Course Format

This is a modern self-paced e-learning course in which the learner has full control over his learning path. You are not just a passive participant; you get fully involved in teaching yourself.

Course Content

The course consists of 6 lectures.

The following is a brief description of each of the lectures.

Lecture Descriptions

Lecture 1 - The Capital Asset Pricing Model (CAPM)

How much should an investor be remunerated for taking risk? The Capital Asset Pricing Model provides an answer to this crucial question. But it does even more. It tells us which risks are remunerated and which are not. The CAPM model has transformed the asset management industry by providing the basis for estimating long-term expected returns. Let's dive into it and understand the message and ideas behind the CAPM.

Lecture 2 - Beta

Beta is a measure of how much market risk is contained in an asset. This is a useful and correct definition, but it is rather imprecise. The goal of this lecture is to further explain the concepts behind Beta and become more familiar with its use.

Lecture 3 - Statistics Lab

Using an example, we dive a little deeper into the statistics behind Beta without getting too mathematical. In particular, we want to understand the difference between two related statistical concepts: Correlation and Beta.

Lecture 4 - Alpha

In this lecture we introduce the concept of Alpha. We cover what Alpha is, how it can be quantified and how it can be used in performance measurement. You will discover that Alpha is Beta's little brother and that without Beta there can be no Alpha. Sounds complicated? We will explain!

Lecture 5 - The Security Market Line

The Security Market Line (SML) is a graphical representation of the CAPM model. This lecture explains how the SML can be interpreted and used in the context of performance measurement.

Lecture 6 - Does Alpha Exist?

The CAPM says that the only source of return is market risk, or beta. So how do we reconcile the CAPM with the concept of alpha? Does alpha even exist?

Your Educational Partner and Coaches

Nosco Partners is a Swiss based company with international finance experience, servicing banks, asset managers and institutional investors. The Nosco Partners are all banking professionals with a strong academic background and extensive education experience. They have worked for many years on the business and education side of a large international bank, where client focus and practical relevance is key.

Walter Braegger, Ph.D., Partner

Walter is an expert in developing and delivering finance & risk education. For more than 20 years, he has educated finance market professionals around the globe. His expertise includes derivatives, equities, foreign exchange, fixed income and commodities, as well as special topics such as corporate finance, equity & credit analysis, risk management & control, portfolio construction and behavioral finance.

Vincent Couson, CFA, CAIA, Partner

Vincent has more than 20 years of financial market experience. Before joining Nosco Partners he was a Senior Member of the UBS Strategic Investment Advisory team developing tailored investment solutions for institutional clients around the globe. His expertise covers portfolio construction & analysis, asset & risk management as well as derivatives and structured products.

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