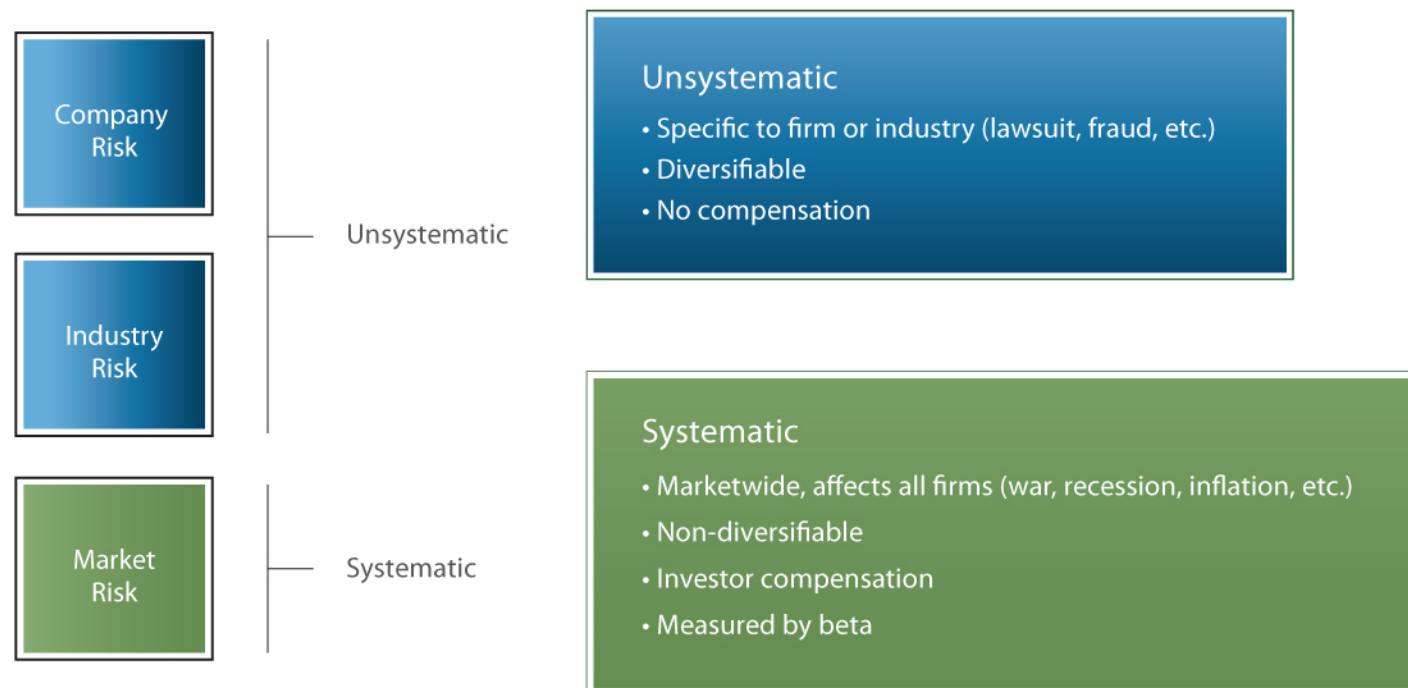


Capital Asset Pricing Model

William Sharpe: Nobel Prize in Economics, 1990

Total Equity Risk



Beta measures volatility relative to the total market. A beta higher than the market's beta of 1 implies more volatility, and a beta lower than the market's implies less volatility.