



What is Risk Premia / Alternative Beta?

- A premium generated for taking a certain type of risk.
- Persistent source of return that can be accessed systematically, also referred to as a Risk Premium or Alternative Beta.
- Some risk premia represent simple exposure to the excess return of an asset class, such as the Equity Risk Premium or the Credit Risk Premium – these are the “traditional” risk premia.
- Others represent systematic investment in assets with certain characteristics, or trading of related instruments to capture relative value:
 - Equity investment strategies such as Value, Quality and Momentum
 - Implied/realized volatility strategies
 - Also present beyond the equity space, in strategies such as FX carry and Rates term structure carry
- Most well-known risk premia have been analyzed extensively in academic and practitioner literature.