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# Points to ponder on ”Betting Against Beta”

\* Prop. 1, part (iii) – despite many tries, I don’t really get it?

\* Prop. 2 says that if beta\_L < 0 then E(r^BAB) < 0 – but why isn’t that the ultimate low beta?

\* When running that BAB-construction on [French’s 49 industry portfolios](https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html) using equal weighted rates of return (rather than value weighted) seems to give markedly better results (i.e. higher r^BAB-average). Really? Why?

\* The average of E(r^BAB) in the US changes (~doubles) around or after 1964, where Sharpe’s CAPM-paper is published. Models affecting the market? Does the same happen in other countries? Has the publication of the Frazzini & Pedersen (2014) paper had an effect? Or some other paper (say, by Fama and French)? (Reference: [Horenstein (2020)](https://www.dropbox.com/s/z6zhu58yevm53za/Horenstein_2020.pdf?dl=0).)

\* The empirical evidence for Prop. 3 in Table 9 is mixed. (Two coefficients with “right” sign; two with “wrong” sign). Is that because the TED Spread is a poor proxy of funding tightness? Is something better done in [Asness et al. (2020)](https://www.sciencedirect.com/science/article/pii/S0304405X1930176X?casa_token=NMI277X8Oa4AAAAA:Iq76aWDrtt6GSdh6lrNEHS0UkhFTvUj480iGb3ltdWpBq5LPsLEX-rwBl_QI7YwjJtv9dmquIg)?

\* BAB as an investment strategy (remember: r^BAB is not a rate of return, it is the profit (or loss) on a $1 bet): overlay? Kelly betting against beta?

\* Something is "fishy" in the proof of Prop. 5; impossible independence ala [Wilmott-column](https://www.dropbox.com/s/x7pl24ciles50n4/Poulsen_PDF2_Sept19_proof.pdf?dl=0).

\* What does Google Scholar have to say?