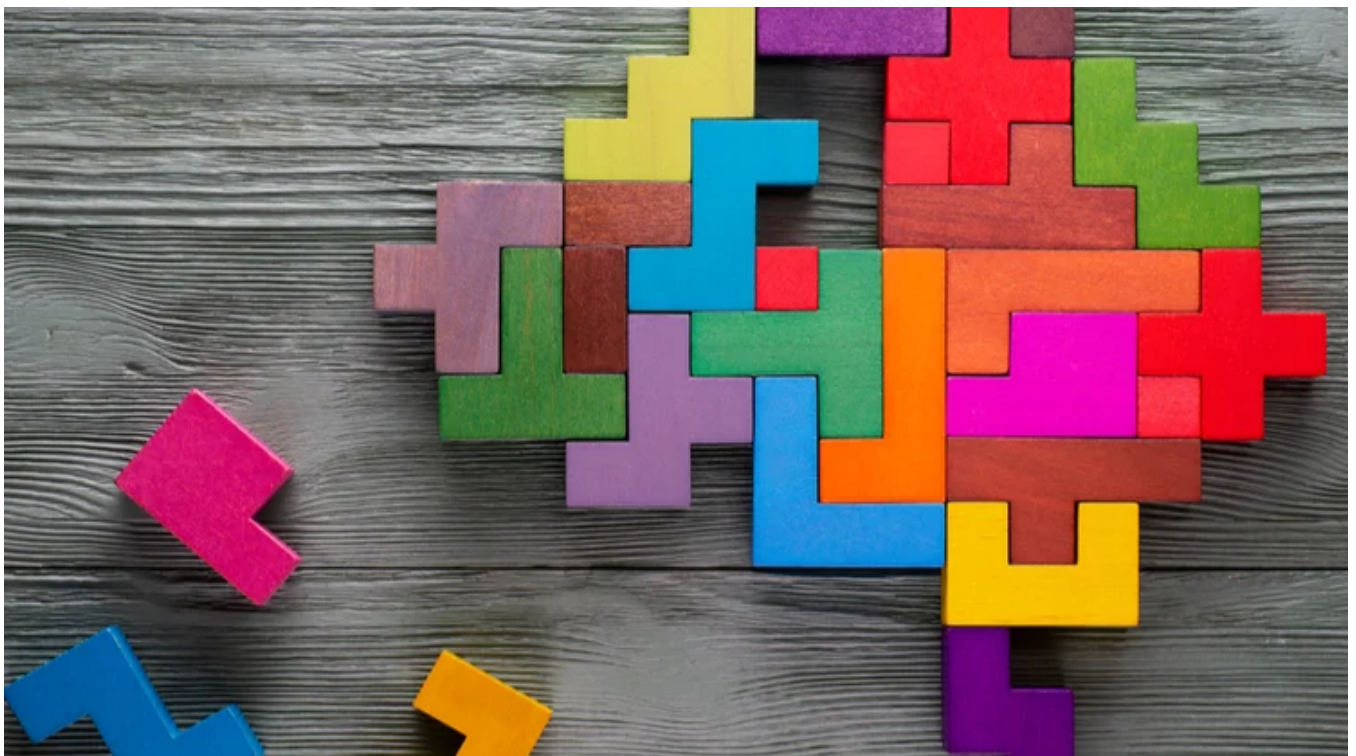


# Perpetual knowledge bank series: alpha

10 November 2022



Alpha is a term used in investing to describe an investment strategy's ability to beat the market. It is a useful concept as it adjusts for market-related volatility and random fluctuations to let investors know whether a fund, trader or portfolio manager has managed to beat market return or a specific benchmark index over a given time period. Therefore, alpha can be seen as representing the value an active portfolio manager adds to or subtracts from a fund's investment return.

The excess return of an investment relative to the return of a benchmark index is the investment's alpha. For example, an alpha of 1% means a fund's return on investment over a selected period of time was 1% better than the market during that same period. Equally, a negative alpha means the investment underperformed the market. It should also be noted that actively managed funds include various fees, and such funds must maintain an alpha greater than its fees in order to provide positive gains. Alpha is often compared to and contrasted with beta, which is the measurement of the volatility of an investment when compared to a market index.

This analysis has been prepared by [Perpetual Investment Management Limited \(PIML\)](#) ABN 18 000 866 535, AFSL 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

The information is believed to be accurate at the time of compilation and is provided in good faith. This document may contain information contributed by third parties. PIML does not warrant the accuracy or completeness of any information contributed by a third party. Any views expressed in this document are opinions of the author at the time of writing and do not constitute a recommendation to act.

The product disclosure statement(PDS) for the Perpetual Diversified Income Fund issued by PIML, should be considered before deciding whether to acquire or hold units in the fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website <http://www.perpetual.com.au> .

No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital. Past performance is not indicative of future performance.