

1 **Q. Reference: Dr. Booth Evidence, Page 36, Lines 18-20**

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3 **Does Dr. Booth agree that changes in risk imply changes in beta coefficients?**

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5 A. No for two reasons. First beta is relative so if the company's risk increases by 10%  
6 and the market's risk increases by 10%, all else constant the beta would not change.  
7 This is because beta measures the risk of a security's contribution to market risk.  
8 Second, if the risk is idiosyncratic, that is diversifiable, it doesn't matter to an  
9 investor holding a diversified portfolio.