

# Linguistic Beta

## *A New Dimension in Investment Insight*



In investment management, few concepts have endured with the same clarity and influence as **beta**. Since William Sharpe introduced it in his Nobel Prize-winning work, beta has been a foundational tool for measuring market risk, guiding portfolio construction, and helping investors understand how securities co-move with broader market trends.

But while **market beta** has stood the test of time, it isn't without limitations, especially in today's fast-moving, data-rich, and narrative-driven economy.

At **Noonum**, we're introducing an evolution of this foundational idea: **Linguistic Beta**—a complementary measure grounded not in price movements, but in **language**.

## The Case for Linguistic Beta

Market beta is powerful because of its simplicity. It distills complex dynamics into a single interpretable value. But that value is based on **investor perception**, shaped by market behavior, sentiment, fund flows, and short-term noise.

What if we could measure a company's alignment to a theme—not by how the market reacts, but by how the company and its ecosystem **talk** about it?

That's what **Linguistic Beta** does.

It quantifies the **linguistic coherence** between a company and a given investment objective by analyzing a wide range of unstructured data sources:

- Regulatory filings
- Earnings calls
- Patents
- Press releases
- News coverage
- Supplier and partner commentary

The result? A beta that reflects **strategic positioning, narrative commitment, and ecosystem involvement**—not just price kinetics.

## Two Betas, Two Worlds, One Purpose

Let's break it down:

Metric	Market Beta	Linguistic Beta
Driven by	Investor sentiment, price	Company strategy, language, ecosystem signals
Reflects	Historical price co-movement	Narrative alignment
Data Source	Time-series price data	Unstructured language across media & filings
Bias Exposure	Prone to behavioral noise and short-termism	Grounded on strategic signals and long-term positioning, controlled for source reliability and timeliness
Use Cases	Risk measurement, asset allocation	Risk measurement, asset allocation

While market beta measures how investors behave, **linguistic beta measures how businesses behave**—and how they frame their priorities to the world. Together, both are designed to enhance asset allocation and improve risk management decisions.

One of the most valuable aspects of Linguistic Beta is the **information heterogeneity** it introduces.

In traditional models, investor perception dominates. But as history has shown—from financial crises to tech booms—markets are not always efficient. Investor attention, emotion, and bias often distort reality.

Linguistic Beta sidesteps those distortions by anchoring to the **language of strategy**—what companies are signaling through words, not just what markets are signaling through prices. This opens the door to a deeper, more nuanced understanding of future performance drivers.

In fact, combining linguistic beta with market beta creates a multidimensional framework. It's not about replacing market beta—it's about **augmenting** it, enabling investors to see both **where a company stands today** and **where it's trying to go**.

## A New Era of Insight

As investment research evolves, so too must our tools. At Noonum, we believe Linguistic Beta is a powerful addition to the modern investor's toolkit—especially in an era where storytelling, positioning, and strategic signaling are more influential than ever.

This is not just about alternative data. It's about **alternative thinking**.

Understanding language—narratives, patterns, and emphasis—is now just as critical as understanding numbers.

It's time to start listening.