D Average FC return on the equity risk premium

Here we regressed the average FC return on the equity risk premium. We computed the average of the 6 portfolios year by year with the changing formulas according to the size group[1]. The equation is $FC = \text{Intercept} + \beta(R_m - R_f)$. We see that the market beta has a coefficient of 0,729 which means that more leveraged companies have higher betas than low leveraged companies. But the p-value is very high (0,35) which renders the coefficient not significant. The intercept is $-0{,}077$ and the closer is the intercept to zero, the better is the model (the variables explain well the variation of the return). The R^2 is highlighted in orange and we see that it is very low (0,04).

Stats FC $- R_m - R_f$ with the changing formulas and by taking the average year by year.

	Coefficients	**Standard Error**	**t-stat**	**p-value**	**Lower 95%**	**Upper 95%**
Intercept	−0,077	0,032	−2,377	0,026	−0,144	−0,010
$R_m - R_f$	0,729	0,765	0,953	0,350	−0,853	2,312

Regression Statistics	
Multiple R	0,19
R Square	0,04
Adjusted R Square	0,00
Standard Error	0,16
Observations	25

[1] You can find the formulas used in the Appendix B.