

# MSFT: Moderate Systematic Exposure with Strong Residual Alpha; Outperforming IGV.

MSFT — Microsoft Corporation · Subsector Benchmark: IGV · As of: 2026-04-08



## Microsoft Corporation

MSFT · 2026-04-08

### IDENTITY

Market Cap	\$2.8T
Sector ETF	XLK
Subsector ETF	IGV

### PERFORMANCE STATS

Last Price	\$374.33
Vol (23d ann.)	26.1%
Sharpe (63d)	-2.84
Max Drawdown	-33.9%
Res α Max DD	-19.1%

### RANKINGS — Subsector cohort · Peer group: 224 stocks in IGV

Window	Gross Return Rank	Explained Risk (ER)
1 day	61st pct	54th pct
1 month	42nd pct	29th pct
3 months	47th pct	26th pct
1 year	62nd pct	38th pct

### RISK DECOMPOSITION — L3 Explained Risk

Market explained risk (SPY)	+37.1%
Sector explained risk (XLK)	+5.1%
Subsector explained risk (IGV)	+6.8%
Residual explained risk (idiosyncratic)	+51.1%

### MACRO CORRELATIONS — L3 Residual Return

Correlations vs L3 Residual Return · TTM (~252 trading days)

VIX	-0.45
Oil	+0.04
Gold	—
Bitcoin	+0.41
DXY	+0.06
UST 10y-2y	-0.19

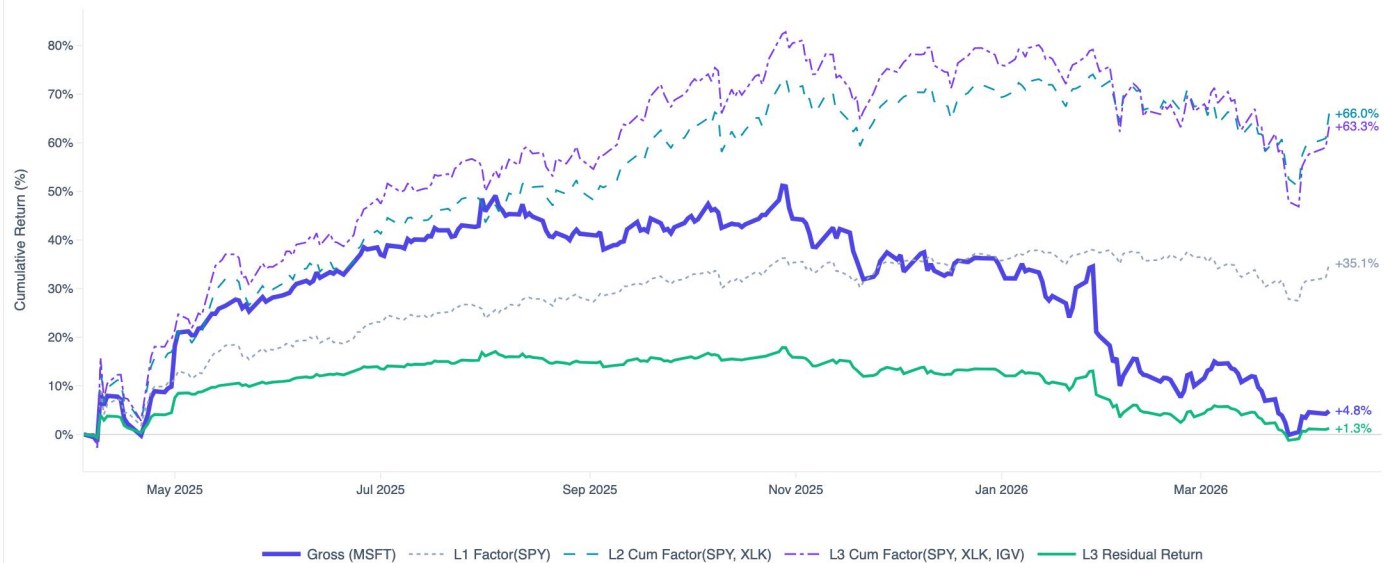
### METHODOLOGY — Hierarchical regression (ERM3)

L1 — Market — stock vs SPY; baseline market beta (incremental hedge ratios).  
L2 — Sector — L1 residual vs GICS sector ETF; sector-specific vs the market.  
L3 — Subsector — L2 residual vs subsector ETF; finest systematic sleeve before idiosyncratic risk.  
ER — Explained Risk (ER) — variance share of each orthogonal factor layer.  
HR — Hedge Ratio (HR) — dollars of ETF hedge per \$1 of stock.  
RR — Residual Return (RR) — return orthogonal to market, sector, and subsector factors.

MSFT delivered +4.8% total return over the past year, underperforming SPY by 30.5pp, driven largely by systematic factor exposure (49% of risk). Idiosyncratic alpha contributed +51.1% ann. residual ER but ranks above-average on a risk-adjusted basis among IGV peers.

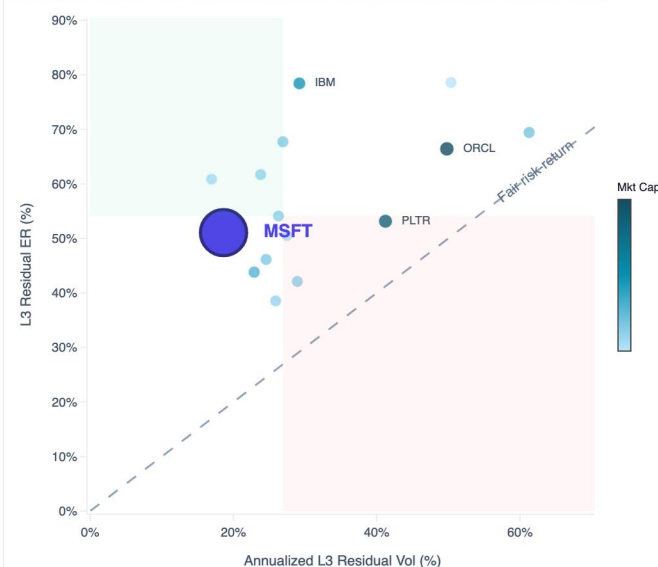
## I. Cumulative Returns

MSFT gross +4.8% — factor bridge: L1(SPY) +35.1%, L2(+XLK) +66.0%, L3(+IGV) +63.3% → residual alpha +1.3% over the past 252 trading days ending 2026-04-08. Ranks 62nd pct



## II. L3 Residual Alpha Quality

MSFT generated +51.1% annualized L3 residual return at 18.6% residual volatility —



## III. Equity Factor Decomposition

MSFT's 26.1% vol splits 49% systematic / 51% idiosyncratic.

