

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

MSFT — Microsoft Corporation · Subsector Benchmark: IGV · As of: 2026-04-07

Microsoft Corporation

MSFT · 2026-04-07

IDENTITY

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

PERFORMANCE STATS

|                |                              |
|----------------|------------------------------|
| Last Price     | \$372.29                     |
| Vol (23d ann.) | 26.2%                        |
| Sharpe (63d)   | -2.76<br><small>poor</small> |
| Max Drawdown   | -33.9%                       |
| Res α Max DD   | -19.1%                       |

RANKINGS — Subsector cohort · Peer group: 226 stocks in IGV

| Window   | Gross Return Rank | Explained Risk (ER) |
|----------|-------------------|---------------------|
| 1 day    | 50th pct          | 49th pct            |
| 1 month  | 38th pct          | 32nd pct            |
| 3 months | 44th pct          | 27th pct            |
| 1 year   | 63rd pct          | 42nd pct            |

RISK DECOMPOSITION — L3 Explained Risk

|   |        |
|---|--------|
| Market explained risk (SPY)             | +36.8% |
| Sector explained risk (XLK)             | +5.2%  |
| Subsector explained risk (IGV)          | +6.7%  |
| Residual explained risk (idiosyncratic) | +51.3% |

MACRO CORRELATIONS — L3 Residual Return

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

|            |       |
|------------|-------|
| VIX        | -0.61 |
| Oil        | +0.11 |
| Gold       | +0.02 |
| Bitcoin    | +0.43 |
| DXY        | +0.10 |
| 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 +0.5% total return over the past year, underperforming SPY by 17.7pp, driven largely by systematic factor exposure (49% of risk). Idiosyncratic alpha contributed +51.3% ann. residual ER but ranks above-average on a risk-adjusted basis among IGV peers.

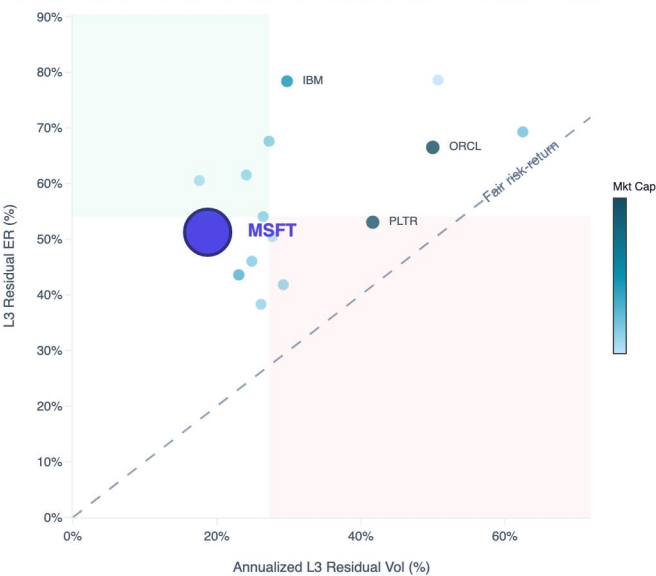
I. Cumulative Returns

MSFT returned +0.5% vs SPY +18.3% (-17.7pp) and IGV -11.0% (+11.6pp) over the past 252 trading days ending 2026-04-07. Ranks 63th pct (middle third of 226 vs subsector peers).



II. L3 Residual Alpha Quality

MSFT generated +51.3% annualized L3 residual return at 18.7% residual volatility —



III. Equity Factor Decomposition

MSFT's 26.2% vol splits 49% systematic / 51% idiosyncratic.

