

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

MSFT — MSFT · Subsector Benchmark: IGV · As of: 2026-04-16

## MSFT

MSFT · 2026-04-16

### IDENTITY

Market Cap	\$3.1T
Sector ETF	XLK
Subsector ETF	IGV

### PERFORMANCE STATS

Last Price	\$420.26
Vol (23d ann.)	24.7%
Sharpe (63d)	-0.82 <small>poor</small>
Max Drawdown	-33.9%
Res α Max DD	-18.9%

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

Window	Gross Return Rank	Explained Risk (ER)
1 day	74th pct	69th pct
1 month	69th pct	61st pct
3 months	65th pct	45th pct
1 year	63rd pct	42nd pct

### RISK DECOMPOSITION — L3 Explained Risk

Market explained risk (SPY)	+35.5%
Sector explained risk (XLK)	+4.7%
Subsector explained risk (IGV)	+9.1%
Residual explained risk (idiosyncratic)	+50.7%

### MACRO CORRELATIONS — L3 Residual Return

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

VIX	-0.35
Oil	-0.07
Gold	—
Bitcoin	+0.35
DXY	+0.02
UST 10y-2y	-0.11

### BUSINESS PROFILE

The provided excerpt from Item 1 (Business) contains only section headers and page references. No substantive business description, product or service information, geographic revenue breakdown, or customer concentration details are included in the excerpt provided. The full 10-K filing would typically contain detailed descriptions of Microsoft's business segments (Productivity and Business Processes, Intelligent Cloud, and More Personal Computing), but this information is not present in the excerpt. Not specified in excerpt.

### HOW TO READ THIS REPORT

- Cumulative returns + factor bridge. Waterfall bars decompose gross into Market+Sector+Subsector+Residual via geometric attribution.
- Peer alpha quality scatter. Y = idiosyncratic variance share; X = residual vol. Upper-left = best risk-adjusted alpha.
- Factor bars + peer correlations (Gross ρ, L3 Residual ρ) + 3Y Sharpe ratios. L3 Resid Sharpe isolates stock-specific performance.

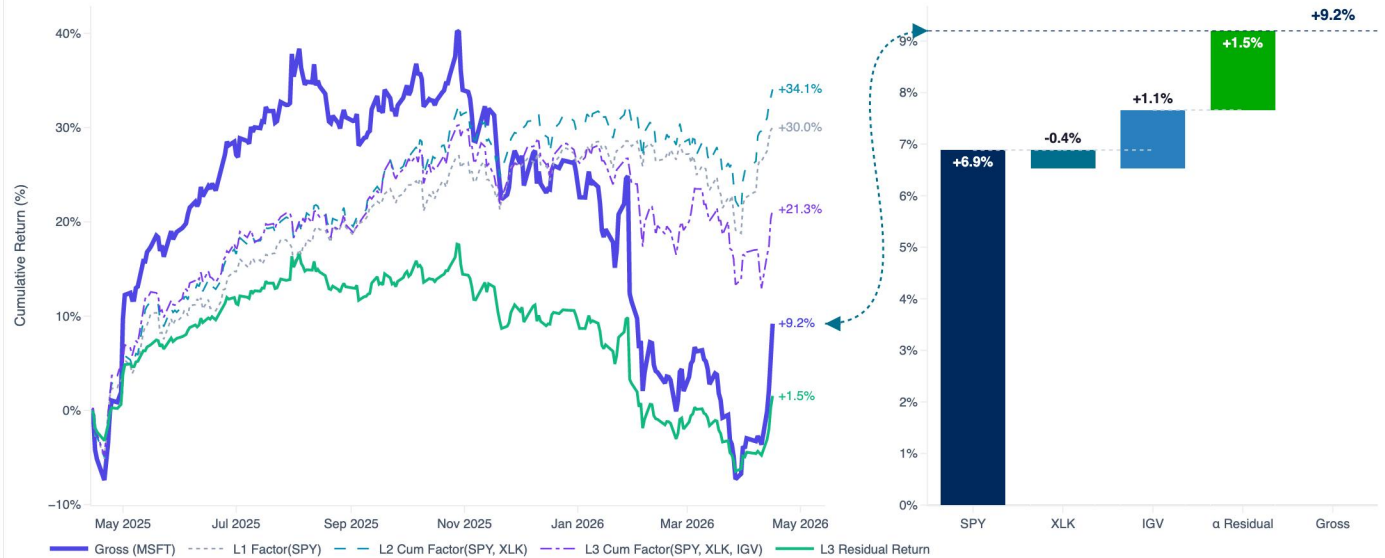
### METHODOLOGY — Hierarchical regression (ERM3)

- L1 — Market — stock vs SPY; market beta.
- L2 — Sector — L1 residual vs GICS sector ETF.
- L3 — Subsector — L2 residual vs subsector ETF; finest systematic sleeve.
- ER — Explained Risk — variance share per factor.
- HR — Hedge Ratio — \$ of ETF hedge per \$1 stock.
- RR — Residual Return — return orthogonal to all systematic factors.

MSFT delivered +9.2% total return over the past year, underperforming SPY by 22.8pp, driven largely by systematic factor exposure (49% of risk). Idiosyncratic alpha contributed +50.7% ann. residual ER but ranks strong on a risk-adjusted basis among IGV peers.

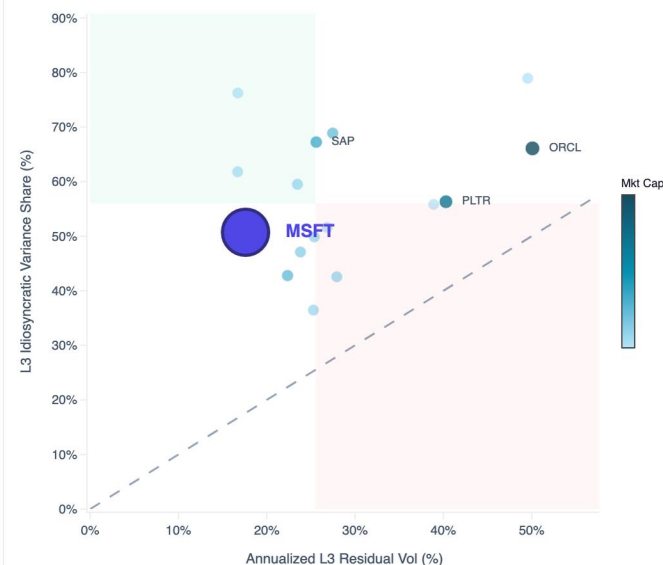
## I. Cumulative Returns

MSFT (+9.2% net): factor bridge reconciles systematic exposure (+7.7%) and idiosyncratic alpha (+1.5%) via geometric attribution.



## II. L3 Residual Alpha Quality

MSFT generated +50.7% annualized L3 residual return at 17.6% residual volatility —



## III. Factor Decomposition & Peer Analytics

MSFT's 24.7% vol splits 49% systematic / 51% idiosyncratic.

