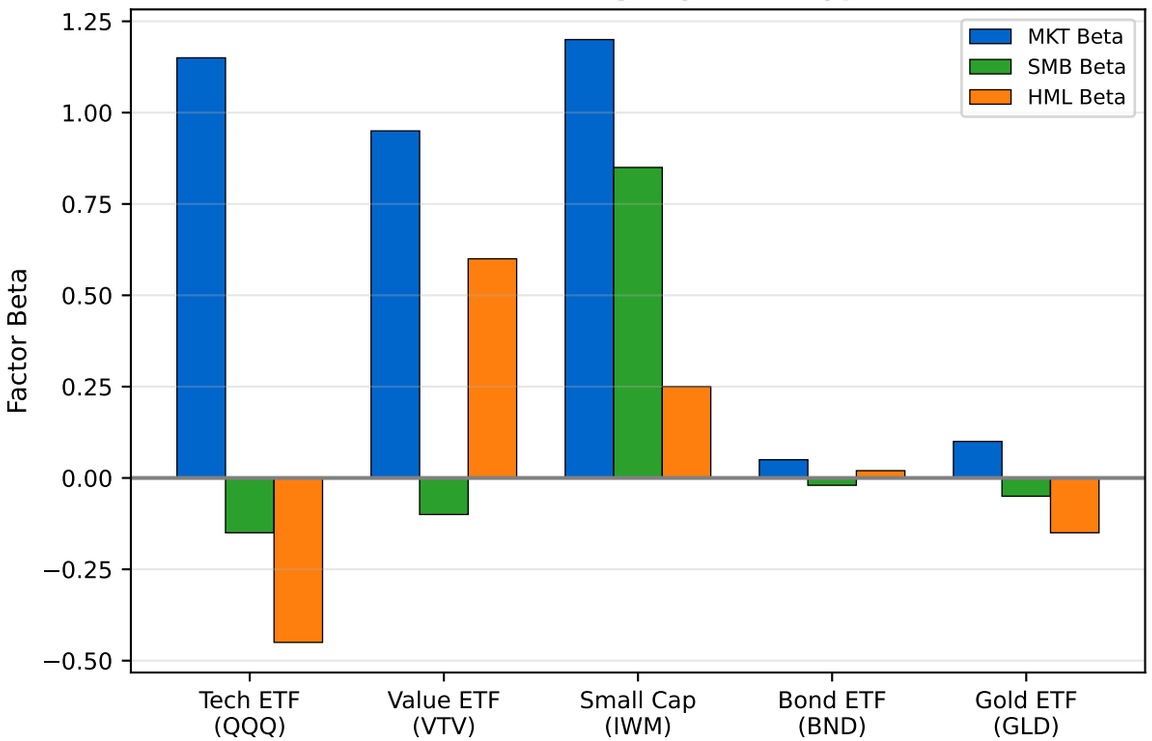
Factor Loadings: Interpreting Beta Coefficients

Factor Loadings by Asset Type



Beta Interpretation Guide

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INTERPRETING FACTOR LOADINGS

MKT Beta (Market Sensitivity)
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Beta > 1: More volatile than market (aggressive)
Beta = 1: Moves with market
Beta < 1: Less volatile (defensive)
Beta ~ 0: Uncorrelated with market

SMB Beta (Size Exposure)
------------------------
Beta > 0: Behaves like small caps
Beta < 0: Behaves like large caps
Beta ~ 0: No size tilt

HML Beta (Value Exposure)
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Beta > 0: Behaves like value stocks
Beta < 0: Behaves like growth stocks
Beta ~ 0: Blend

EXAMPLE: Tech ETF (QQQ)
- MKT = 1.15: Slightly more volatile
- SMB = -0.15: Large cap tilt
- HML = -0.45: Strong growth tilt

EXAMPLE: Small Cap ETF (IWM)
- MKT = 1.20: More volatile
- SMB = 0.85: Strong small cap exposure
- HML = 0.25: Slight value tilt
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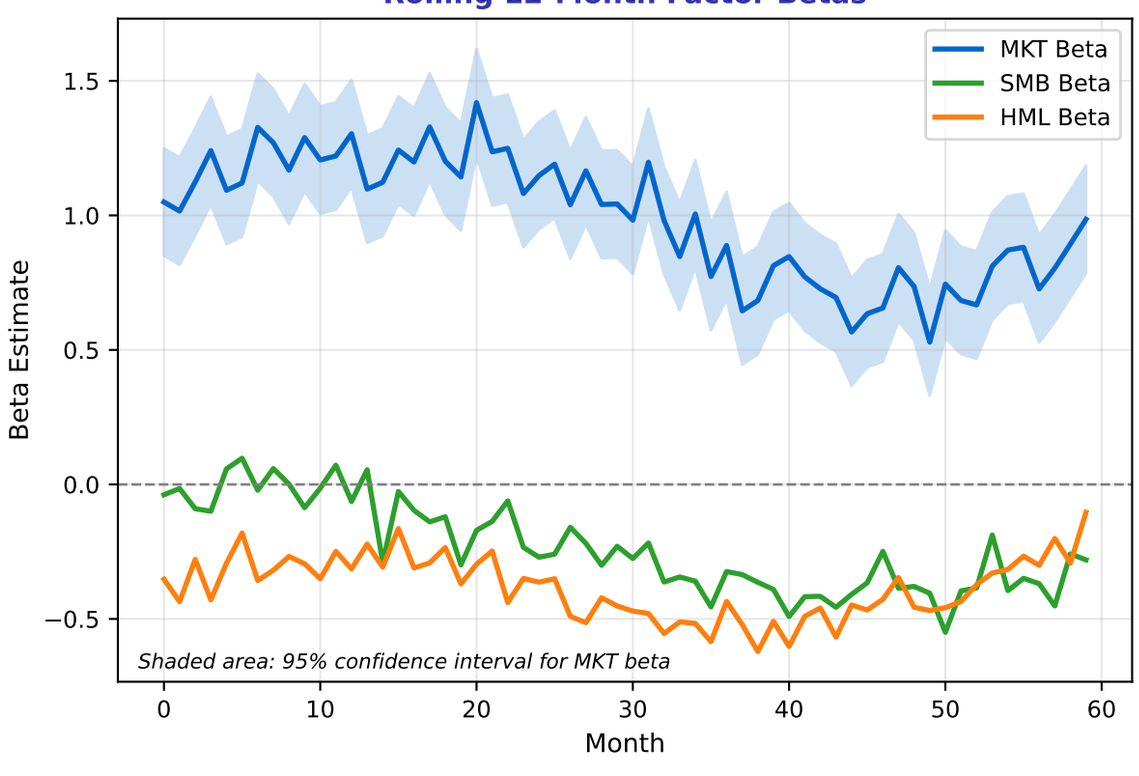
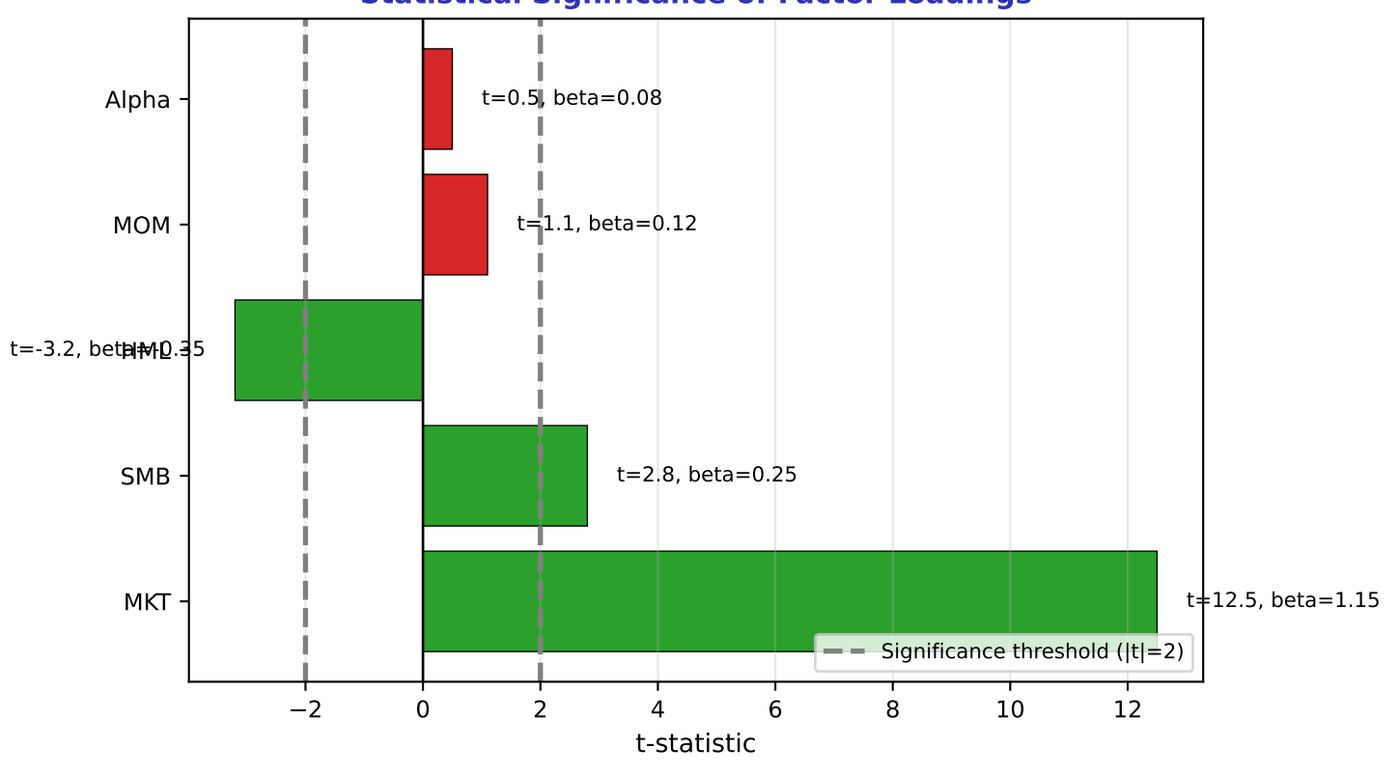
Rolling 12-Month Factor Betas



Statistical Significance of Factor Loadings