**Discussion of regression results**

Table 1.1 reports the CAPM, three-factor and five-factor regression results of Google, Apple and Tesla. Panel A presents results of the CAPM, which report significant coefficients on the market factor of 0.9803, 0.9027 and 1.3296 for Google, Apple and Tesla, respectively. The coefficients imply that a portfolio consisting of only Google results in risk which is not significantly different from the market. Apple reports below market risk, whilst Tesla displays risk greater than the market. The CAPM indicates a statistically significant loss of -0.0009 and -0.0006 for Google and Apple, respectively. As individual stocks are regressed against the market, as opposed to portfolio of stocks, the adjusted R2 is fairly low for Google, Apple and Tesla at 0.3740, 0.2786 and 0.1562, respectively. Interestingly, when known risk factors of size and value are introduced, several key findings can be obtained in Panel B. The coefficient on the market factor for Tesla remains consistent with CAPM finding, however, the MKT factor increases to 0.9813 for Apple and 1.101 for Google once controlling for size and value. Google and Apple report a highly significant negative loading on the SMB factor, whilst Tesla displays a highly significant positive loading. As Google, Apple and Tesla are technology and automotive stocks, it is not surprising that the reported HML factor loadings are significantly towards growth stocks. The statistically significant loss reported in the three-factor model is consistent with the results in the CAPM. In Panel C, the profitability and investment factors are introduced. Apple reports a MKT factor consistent with the findings in the three-factor model. The coefficient on the market factor reduces for both Google and Tesla, to 1.089 and 1.1167, respectively. Google demonstrates consistency with the SMB factor loadings in the three-factor model, however, Apple now reports a weakly significant negative loading, whilst Tesla’s positive SMB factor loading reduces to 0.3204. In regard to the HML factor, Google’s loading reduces from -0.5911 in the three-factor model to -0.2363 once introducing the profitability and investment factors. Consistent with U.S. literature, Apple reports no loading on the HML factor once the RMW and CMA factors are controlled for. Google (Tesla) report a weakly (highly) significant negative loading on the RMW factor. In regard to Tesla, the reinvestment of earnings to expand production can explain the highly significant RMW loading. In contrast, as Apple is one of the most profitable firms in the world, it is not surprising to see a highly significant positive loading on the RMW factor. The highly significant negative loading on the CMA factor demonstrates that Google, Apple and Tesla are high investment companies. The adjusted R2 for Google, Apple and Tesla all increase as additional factors are introduced to the model. In comparison to the CAPM, the five-factor model reports adjusted R2 of 0.4395, 0.3744 and 0.2030 for Google, Apple and Tesla, respectively. In terms of performance, Google and Apple appear to return a statistically significant negative alpha of -0.0009 and -0.0007 once controlling for known risk factors. This suggests that the five-factor model cannot fully explain the returns of Google and Apple. In contrast, Tesla does not report a significant alpha in either the CAPM, three-factor and five-factor model.

**Table 1.1 Regression results**

This table demonstrates the explanatory power of the equity-specified CAPM, three-factor and five-factor model. Panels A, B and C present the regression results of Apple, Google and Tesla

|  |  |  |  |
| --- | --- | --- | --- |
|  | AAPL | GOOG | TSLA |
| ***Panel A: CAPM*** |  |  |  |
| MKT | 0.9027\*\*\* | 0.9803\*\*\* | 1.3296\*\*\* |
|  | (26.69) | (34.78) | (18.90) |
| Constant | -0.0006\* | -0.0009\*\*\* | -0.0001 |
|  | (-1.88) | (-3.29) | (-0.17) |
| Observations | 1930 | 1930 | 1930 |
| Adjusted R2 | 0.2786 | 0.3740 | 0.1562 |
| ***Panel B: FF3*** |  |  |  |
| MKT | 0.9813\*\*\* | 1.101\*\*\* | 1.2958\*\*\* |
|  | (28.63) | (8.24) | (18.98) |
| SMB | -0.2601\*\*\* | -0.3059\*\*\* | 0.4940\*\*\* |
|  | (-4.28**)** | (-5.5942) | (3.71) |
| HML | -0.6568\*\*\* | -0.5911\*\*\* | -1.1516\*\*\* |
|  | (-9.28) | (-8.8663) | (-9.17) |
| Constant | -0.0007\*\* | -0.0010\*\*\* | -0.0002 |
|  | (-2.22) | (-3.8093) | (-0.27) |
| Observations | 1930 | 1930 | 1930 |
| Adjusted R2 | 0.3206 | 0.4149 | 0.1921 |
| ***Panel C: FF5*** |  |  |  |
| MKT | 0.9697\*\*\* | 1.0189\*\*\* | 1.1167\*\*\* |
|  | (26.76) | (31.8367) | (15.06) |
| SMB | -0.1187\* | -0.3019\*\*\* | 0.3204\*\* |
|  | (-1.93) | (-5.3262) | (2.31) |
| HML | -0.0568 | -0.2363\*\*\* | -1.0271\*\*\* |
|  | (-0.70) | (-3.2337) | (-6.48) |
| RMW | 0.6634\*\*\* | -0.1729\* | -1.0301\*\*\* |
|  | (5.45) | (-1.8624) | (-4.88) |
| CMA | -1.4185\*\*\* | -1.0094\*\*\* | -0.6312\*\* |
|  | (-9.33) | (-6.5193) | (-2.39) |
| Constant | -0.0007\*\* | -0.0009\*\*\* | 0.0000 |
|  | (-2.54) | (-3.5716) | (-0.06) |
| Observations | 1930 | 1930 | 1930 |
| Adjusted R2 | 0.3744 | 0.4395 | 0.2030 |
| \*\*\*, \*\*, \* indicate statistical significance at the 0.01, 0.05, 0.1 level, respectively | | | |