NEW AGE ALPHA
avoid the losers®

CIO Perspective
Too big to miss. Too risky to ignore.

Julian Koski, Co-Founder and Chief Investment Officer at New Age Alpha

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Everyone's talking about the Magnificent Seven. But the real concentration risk runs deeper.

Today, the top 10 stocks in the S&P 500 – names like Apple, Nvidia, Microsoft, and Amazon – make up more than 30% of the index's value.

These companies now power the global economy in ways that can ground airlines and freeze supply chains, as we saw recently when AWS and Azure stumbled.

Asset managers are in a double bind: they can't ignore them, and they can't afford to be over-exposed to them.

We're in the same boat. New Age Alpha holds these stocks in some of our funds, despite the concentration risk. We don't hold them because we love them. We hold them because, whether you like it or not, those names shape how nearly every portfolio behaves.
In our NAA Large Core strategy, for instance, we anchor our portfolio with these 10 core stocks. They form the foundation of this strategy, keeping it broadly aligned with the benchmark's structure.

Through a disciplined, data-driven methodology, we seek to capture alpha opportunities from the remaining 490 stocks in the S&P 500.

This disciplined methodology reveals the h-factor: an innovative risk measure that shows the likelihood that a company will fail to deliver the growth implied by its stock price. The higher the number – on a scale from 0%-100% – the higher the probability that human behavior has inflated the stock price beyond what it can deliver.

To show this in practice, have a look at the performance of our U.S. Large-Cap Core Strategy with and without the top 10 holdings. Since the remaining 90 stocks are selected using h-factor scores, we aim to avoid overpriced risk from the rest of the index and this highlights where we believe real outperformance is generated.

Table 1

Index	2025	2024	2023	2022	2021	2020	2019	2018
NAA U.S. Large-Cap Core Strategy	17.81%	36.36%	31.26%	-18.78%	29.03%	19.87%	33.18%	-3.22%
S&P 500 Index	17.52%	25.02%	26.29%	-18.11%	28.71%	18.40%	31.49%	-4.38%
Outperformance	0.29%	11.34%	4.97%	-0.67%	1.22%	1.47%	1.69%	1.16%

Table 1 shows the NAA U.S. Large-Cap Core Strategy performance vs the S&P 500 as of 10/31/2025.

Table 2

Index	2025	2024	2023	2022	2021	2020	2019	2018
NAA U.S. Large-Cap Core Strategy Net of top 10	12.97%	12.74%	25.09%	-11.33%	30.28%	14.34%	34.49%	-3.00%
S&P 500 Index Net of top10	12.48%	7.30%	19.22%	-12.05%	26.07%	8.43%	28.16%	-5.95%
Outperformance	0.50%	5.44%	5.87%	0.72%	4.21%	5.91%	6.33%	2.95%

Table 2 shows the NAA U.S. Large-Cap Core Strategy performance without the top 10 mega stocks vs S&P 500 without the top 10 as of 10/31/2025.

What's worth remembering here is that the S&P 500 isn't an equal club of 500 companies. It's market-cap weighted, which means the bigger a company's total market value, the more influence it has on the index's performance.

Achieving alpha, we believe, isn't about avoiding these giants. It's about recognizing that their sheer size distorts the rest of the index.

Our process is uncompromising in managing this risk as even a top 10 stock will be excluded if its h-factor score lands in the worst 20%.

The h-factor gives investors a way to see that hidden risk – and to act on it.

How much h-factor risk is hiding in your portfolio?

To see how much, go to avoidthelosers.com to request free access to the h-factor platform.

Mentions of any h-factor scores in this post are only to illustrate the h-factor and current market conditions.

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Past performance is not indicative of future results. Current and future results may be lower or higher than those shown. An investor in the strategy may experience a loss. Information contained herein does not reflect the actual performance of the strategy. All research and data is simulated and should not be considered indicative of the skill of New Age Alpha. You cannot invest directly in an index. This presentation does not include the deduction of any fees and expenses because an index does not have any such fees or expenses, such as management fees or transactions costs. Investments in securities will generally include fees and expenses that will decrease investment returns. The performance results reflect the reinvestment of dividends and interest.

The presented data is hypothetical, annualized and backtested. Back-tested performance is provided for informational purposes to indicate historical performance had the strategy been available over the relevant period. New Age Alpha's back-tested and hypothetical results do not represent the results of actual trading using client assets but were achieved by means of the retroactive application of the strategy's investment methodology that was designed with the benefit of hindsight. Thus, the simulated performance results noted herein should not be considered indicative of the skill of New Age Alpha and are not representative of the actual performance results that are or could be attained by clients of New Age Alpha. There are numerous factors related to the markets in general or the implementation of any investment strategy, which cannot be fully accounted for in the preparation of hypothetical results. All of these factors can adversely affect actual performance results, including but not limited to: market liquidity, general levels of interest rates, and the effect of the relevant markets of political, economic or other external events. The results do not necessarily reflect the impact that any material market or economic factors may have had on the strategy.

Human Factor™ "h-factor™" scores measure the probability that, according to the Human Factor algorithm, a company cannot deliver the growth necessary to support its stock price and are not alone a recommendation about how to invest. The h-factor is a risk that comes from humans interpreting vague or ambiguous information in a systematically incorrect way. We believe that the h-factor causes stocks to be mispriced. We measure how the h-factor affects stock prices to identify which stocks are over or underpriced. We apply our methodology to over 4000 stocks and global indexes to identify a risk that impacts stock prices and is caused by human behavior. Investments not included in the h-factor tool may have characteristics similar or superior to those being analyzed. The accuracy of the h-factor is materially reliant on the integrity of the information utilized in the calculations, including any assumptions and or interpretations made by the user about the data. Data discrepancies, user assumptions, and data input by user can all contribute to differing outcomes. The underlying assumptions and processes presented herein are subject to change. Furthermore, any h-factor score referenced herein is a snapshot taken at a particular point in time and any analysis or information contained in such score is outdated and should not be relied upon as investment advice as such information may have materially changed since publication.

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DEFINITIONS

The S&P 500 Index is an unmanaged market capitalization weighted index of 500 of the largest capitalized U.S. domiciled companies. The New Age Alpha U.S. Large-Cap Core Index is part of the New Age Alpha Index Family. The universe is the S&P 500. The index consists of 100 stocks that pass a liquidity rule and are selected by the combination of market-cap, h-factor and sector exposure as a rule-based methodology. The constituents are weighted by free float market-cap. The index is rebalanced quarterly.

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New Age Alpha LLC
555 Theodore Fremd Avenue, Suite A101, Rye, New York, 10580
212 922 2699 T
www.newagealpha.com W