

Tariffs have changed the rules

Aim to limit the fallout on portfolios from the trade war tit-for-tat

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You've seen this movie before:

A policy shock hits, the market swings, and the first question clients ask is “What does this mean for my portfolio?” You then give your obligatory read while reassuring them that you're watching it closely.

What you don't say out loud is that explaining what happened is not all that complex; deciding what to do next is the hard part.

As a result, most portfolios are still positioned for the pre-tariff world. That means they're holding companies whose supply chains are about to get more expensive, whose margins are set to narrow, and whose growth assumptions may already be out of reach.

Since President Donald Trump announced his reciprocal trade tariffs on April 2, 2025, markets have swung wildly in response to the tariff threats and counter-threats. The S&P 500 fell 4.9% on April 3, marking its worst day since June 2020, followed by another fall on April 4 to bring the two-day return to around -10%. On April 9, however, the index surged 9.5% when the White House announced a 90-day pause on the broader tariff rollout.

This rollercoaster ride that investors have had to endure is likely to only get wilder as the full impact of the tariffs are felt in the economy, households, and corporate profits.

The challenge is that neither traditional stock picking nor a fully passive approach allows you to step aside before the damage has been done. That's exactly the gap the [NAA Allocation Index](#) was built to close by acting when conditions change, not when the losses are already booked.

What is the NAA Allocation Index?

The New Age Alpha Allocation Index is part of the index family offered by New Age Alpha, LLC. It employs a transparent, rules-based methodology to allocate investments based on changing market conditions.

Funds are allocated across the New Age Alpha U.S. Large-Cap Core Index, the New Age Alpha USD High Yield Index, the iBoxx USD Liquid Investment Grade Index, and a cash equivalent component represented by the S&P US 2 Year Treasury Index.

By combining these components within a disciplined framework, the index is designed to adapt to changing market conditions. It applies the same rules-based discipline we use in stock selection to the asset allocation decisions, removing subjectivity and speculation.

The allocation can move along the risk spectrum – from an 80% equities / 20% fixed income stance, to a slightly defensive 60/40 position, or a fully defensive cash allocation – depending on the indicators at each rebalance.

The April test

When the US trade tariffs were first announced, the NAA Allocation Index did exactly what it was designed to do.

Our indicators had picked up a material shift in the market's risk profile. Within its rules-based monthly review, the index reduced equity exposure and moved into a more defensive posture by shifting allocation to fixed income assets.

This wasn't about guessing which industries would be hit hardest or timing the market's next move. It was about recognizing that conditions had changed, and reacting decisively following a disciplined, repeatable process.

And the NAA Allocation Index delivered: on March 24, the Index derisked from an 80/20 equity: fixed income exposure to 60/40, and remained at this level until June 23 when it returned to 80/20.

The impact was clear. Between March 24 and April 8, our Index fell 9.03% compared to the S&P 500's 13.57% drop over the same period. Since moving back to the 80:20 allocation, the NAA Allocation Index has gained 4.99%, compared with 6.34% for the S&P 500.

This gap is to be expected: unlike the S&P 500, which is comprised solely of equities, our index maintains an allocation to fixed income or cash as determined by the model. Growth in our index therefore tends to lag the S&P 500 during sharp rallies, but it shows its real value when the opposite is true.

NAA Allocation Index vs S&P 500 since tariff announcement

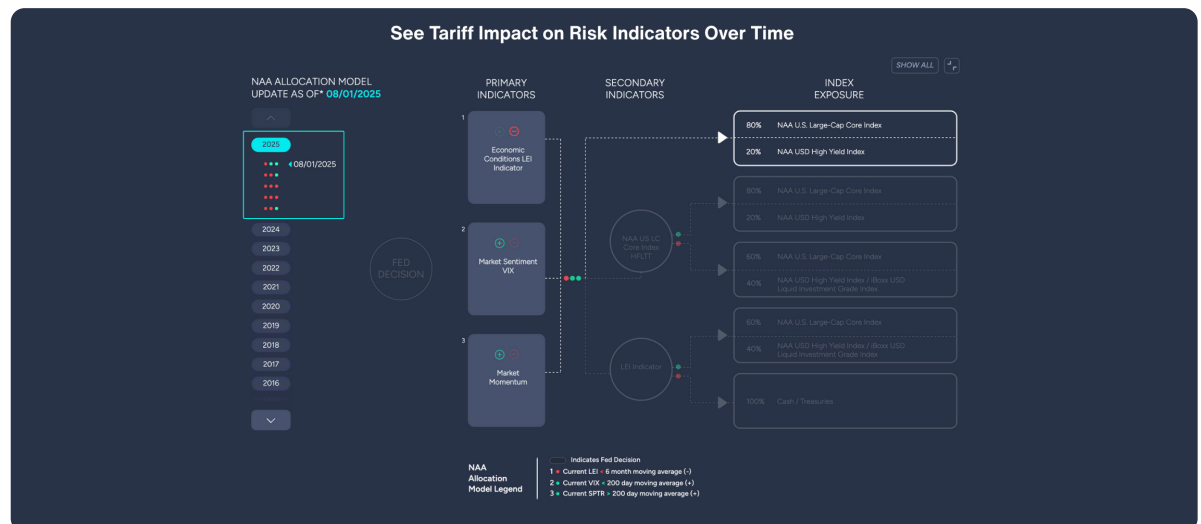
Index	Return	
	Period 3/24/2025 to 4/8/2025	Period 6/23/2025 to 8/20/2025
NAA Allocation Index	-9.03%	4.99%
S&P 500	-13.57%	6.34%

How NAA Allocation Index adjusts to changing conditions

NAA Allocation Index is a multi-asset index designed to allocate dynamically across equities, bonds, and cash.

It incorporates multiple forward-looking signals:

- Leading Economic Index (LEI)
- Market volatility (VIX)
- Momentum and Fed policy changes



When these indicators signal rising risk, the index reduces equity exposure and reallocates to fixed income or even cash in some cases.

The equity portion of NAA Allocation Index tracks the NAA Large-Cap Core Index – a 100-stock portfolio drawn from the S&P 500 using New Age Alpha’s h-factor methodology.

Our proprietary methodology measures the probability that a company will fail to deliver the revenue growth indicated by its stock price. The result is diversified large-cap exposure across styles and sectors, but without the names most at risk of disappointing.

When forward-looking indicators flag rising risk, the model reduces exposure to this equity sleeve and reallocates to bonds or cash-like assets.

As the changes in asset allocation are driven by our rules-based system, it isn’t about timing the market. It is about removing mispriced risk before it becomes a problem.

Why this moment matters

The latest tariffs aren’t noise, they’re reshaping the economics of entire industries. Rising costs are flowing through supply chains and competitive advantages are shifting in dramatic ways.

Sectors that have relied on low-cost imports will see margins compress, while exporters face new barriers. Some companies, no matter how strong their brand, will struggle to deliver the growth their share price demands.

What we’ve seen so far is the market adjusting to a headline. What comes next could be far more painful.

Although we’re not in the business of forecasting the future, looking at this estimate from Yale’s Budget Lab¹ suggest the combination of newly implemented tariffs and anticipated foreign retaliation could wipe out up to \$120 billion in annual US economic output.

The same report projects that unemployment rate could rise 0.3 percentage points by the end of 2025 – equating to nearly 500,000 fewer jobs, and 0.7 percentage point by the end of 2026.

These aren’t wild projections. They reflect the real drag of supply chain disruptions, higher input costs, and shrinking global demand for US goods.

We’ve seen this before

Financial advisors who’ve been around long enough will remember the moments when markets turned sharply. In 2008, cracks in the credit market cascaded into a full-scale financial crisis. Bear Stearns collapsed. Lehman Brothers disappeared. Washington Mutual and Wachovia folded.

In 2020, the unexpected global shutdown created the sharpest contraction and recovery in modern history. In 2022, rapid rate hikes blindsided investors who’d grown used to low inflation and interest rates.

In every case, portfolios that failed to adapt quickly suffered the deepest damage.

The New Age Alpha Allocation Index’s systematic approach has shown strong defensive characteristics during periods of market stress:

Market event	Typical 60/40 response	NAA Allocation Index response
2008 financial crisis	Deep equity drawdown	Shifted defensively into cash
2020 COVID crash	Double-digit losses in weeks	Reacted early based on rising risk signals
2022 rate hike shock	Equities and bonds fell together	Shifted to higher-quality assets to limit loss

These shifts weren’t the result of forecasts. They were based on systematic responses to measurable signals.

What this means for you

When clients ask what you're doing about tariffs, you need an answer that is credible and explainable. The NAA Allocation Index gives you that answer.

Tariffs will keep reshaping the playing field. Margins, supply chains, and competitive positions will continue to shift.

Positioning for that change now – with a process that adapts to new realities without chasing stories – is how we believe you protect portfolios and the trust your clients place in you.

¹Yale Budget Lab. *The State of U.S. Tariffs*. July 28, 2025.

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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 Leading Economic Index (LEI), is an index published monthly by The Conference Board. It is used to predict the direction of global economic movements in future months. The Chicago Board Options Exchange Volatility Index, or the "VIX" is a measure of the expected volatility of the US stock market. Market momentum is the rate at which the price of a security or market is changing and is measured using the S&P 500 Total Return Index. The NAA U.S. Large-Cap Core Index consists of 100 stocks selected by the New Age Alpha's h-factor methodology from the S&P 500 Index and is calculated and published by S&P Dow Jones Indices. The NAA Allocation Index dynamically adjusts its allocation between equity, debt, and 100% cash, and is calculated and published by S&P Dow Jones Indices. The NAA USD High Yield Corporate Bond Index consists of 100 bonds selected by New Age Alpha's h-factor methodology from the S&P Global USD High Yield Corporate Bond Index and is calculated and published by S&P Dow Jones Indices. The S&P U.S. Treasury Bond Current 2-Year Index is a one-security index comprising the most recently issued 2-year U.S. Treasury note or bond. The iBoxx USD Liquid Investment Grade Index consists of liquid USD investment grade bonds, which provide a balanced representation of the USD liquid investment grade corporate bond universe.