

Robust Returns in Times of Trade War and Tariff Conflicts

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In recent years, the global economy has undergone significant structural shifts, resulting in substantial impacts on growth and inflation. Concurrently, while real GDP stagnated or declined in many regions, inflation surged—a macroeconomic environment known as stagflation. This phenomenon can be particularly linked to four major forces: **de-globalization, demographic change, de-carbonization, and rising debt levels.**

While these structural trends pose significant economic challenges, their negative effects can be mitigated through **productivity gains**. The enhancement of productivity yields dual benefits from both a macroeconomic and an investor perspective. From a macroeconomic perspective, the strategy under consideration facilitates a more targeted allocation of capital to companies with greater potential for productivity.

This, in turn, has the effect of promoting economic growth and curbing inflation in the long term. This contributes to increasing competitiveness of companies and supports sustainable economic development. From an investor's perspective, firms' productivity gains engender novel opportunities for identifying companies with above-average value creation and stable return potential.

It has been demonstrated that companies that excel in productivity gains (i.e., **productivity leaders**) are capable of achieving higher profits and more stable returns in the long term, even in challenging macroeconomic environments with falling growth and rising or falling inflation. This ability to perform well under adverse economic conditions serves as a key differentiator for institutional investors.

So How are These Productivity Leaders Identified?

Conventional productivity assessment models in asset management frequently depend on style factors (e.g., value or quality) and macroeconomic indicators (e.g., inflation or interest rates). While these metrics are foundational to portfolio construction and risk management, they often fail to effectively identify truly productive companies. The reason for this is that they tend to overlook non-linear relationships and, hence, firm-level productivity dynamics critical to long-term value creation.

Consequently, at **Averdas**, a quantitative, scientific, and sophisticated yet straightforward to interpret solution was developed to address these shortcomings and account for productivity gains.

The present study builds on the five key principles of effective factor investing, namely persistence, pervasiveness, robustness, investability, and intuition.

In addition to these principles, novel quantitative approaches are employed, and productivity leaders are identified and selected. In particular, with unique input and output data, we establish productivity frontiers for our **Averdas factors** (i.e., asset, process, resilience, and resource) on various predefined universes.

We then select the **productivity leaders** for each universe, independent of the corresponding macroeconomic cycles (see the next chapter).

The Role of Productivity in Generating Sustainable Profit in Periods of Trade and Tariff Disruptions

As previously indicated, in a contemporary context characterized by intensifying trade conflicts and recurrent tariff disputes, the identification of productive enterprises has become imperative for investors seeking stable returns.

The ensuing tables illustrate the performance of **Averdas'** productivity factors compared to the corresponding

benchmarks during the trade and tariff conflict in 2025 for the US universe and the Global Universe. It is imperative that the Averdas' factors' performance reflect the prevailing challenging macro-environment. While the S&P 1500 is considered the benchmark for the US universe, the STOXX Global 1800 is used as a benchmark for the Global universe.

As illustrated in Table 1, within the US universe, all factors except for the resilience factor, demonstrate superior performance compared to their respective benchmarks. The asset factor and the multi-factor model have demonstrated positive returns in this challenging market environment.

As illustrated in Table 2, within the Global universe, all factors (except for the asset factor) demonstrate superior perfor-

mance in comparison to their respective benchmarks. The process, resource, resilience, and multi-factor models have demonstrated the capacity to generate positive returns in this challenging market environment. The strength of these results is especially notable in light of the prevailing macroeconomic conditions, which have been characterized by trade wars and protracted tariff disputes.

Table 1: US Universe: Averdas YTD Performances (April 30th, 2025) Compared to Benchmark (S&P 1500)

Metric	Asset Factor	Process Factor	Resource Factor	Resilience Factor	Multi-Factor	Benchmark
YTD-Return (Non-Annualized)	0.0154	-0.05	-0.0197	-0.0912	0.0668	-0.0543
YTD-Return (Annualized)	0.0469	-0.1425	-0.0578	-0.2493	0.2141	-0.1542

Source: Averdas (DEA model) results are self-calculated based on LSEG Refinitiv Eikon data per 30/04/2025. S&P Dow Jones Indices LLC, OECD. Data from July 31, 2009, to April 30, 2025. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Table 2: Global Universe: Averdas YTD Performances (April, 30th, 2025) Compared to Benchmark (STOXX Global 1800)

Metric	Asset Factor	Process Factor	Resource Factor	Resilience Factor	Multi-Factor	Benchmark
YTD-Return (Non-Annualized)	-0.0226	0.1238	0.0108	0.0508	0.0391	-0.0047
YTD-Return (Annualized)	-0.0662	0.4193	0.0327	0.1602	0.1221	-0.014

Source: Averdas (DEA model) results are self-calculated based on LSEG Refinitiv Eikon data per 30/04/2025. STOXX Global 1800. Data from July 31, 2009, to April 30, 2025. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

In this study, we seek to demonstrate that the observed performance of our factor during the current challenging macro environment is not merely coincidental. To this end, we also examine our factor returns during the preceding crisis, namely the pandemic caused by the novel corona virus (SARS-CoV-2), to bolster our results. This period similarly exhibited

extreme macroeconomic stress, market volatility, and structural dislocations. For the purposes of this analysis, the official WHO-defined pandemic period was used as a framework, encompassing the time frame from March 11, 2020, to May 5, 2023. Within this period, the performance of each factor was assessed annually.

Our analyses indicate that our factors demonstrate superior performance in both the US (see Table 3) and the Global (see

Table 4) universes during each year of the pandemic (i.e., 2020, 2021, 2022, 2023).

Table 3: US Universe: Averdas Yearly Performances Compared to Benchmark during Covid 19 (S&P 1500)

Metric	Asset Factor	Process Factor	Resource Factor	Resilience Factor	Multi-Factor	Benchmark
Annual Return 2020	0.6245	0.4692	0.2061	0.3054	0.6268	0.1796
Annual Return 2021	0.3772	0.3709	0.3912	0.4224	0.3192	0.2858
Annual Return 2022	-0.1351	-0.0625	-0.0134	0.0256	-0.0422	-0.1776
Annual Return 2023	0.3965	0.2906	0.3628	0.3748	0.261	0.2554

Source: Averdas (DEA model) results are self-calculated based on LSEG Refinitiv Eikon data per 30/04/2025. S&P Dow Jones Indices LLC, OECD. Data from July 31, 2009, to April 30, 2025. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Table 4: Global Universe: Averdas Yearly Performances Compared to Benchmark during Covid 19 (STOXX Global 1800)

Metric	Asset Factor	Process Factor	Resource Factor	Resilience Factor	Multi-Factor	Benchmark
Annual Return 2020	0.6123	0.4736	0.2129	0.263	0.6061	0.1695
Annual Return 2021	0.15	0.2705	0.3467	0.2756	0.1476	0.2112
Annual Return 2022	-0.1033	-0.0463	-0.1005	-0.0805	-0.1282	-0.1787
Annual Return 2023	0.4061	0.2825	0.4531	0.2745	0.4843	0.2387

Source: Averdas (DEA model) results are self-calculated based on LSEG Refinitiv Eikon data per 30/04/2025. S&P Dow Jones Indices LLC, OECD. Data from July 31, 2009, to April 30, 2025. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

This consistency across distinct critical macro-environments underscores the robustness and adaptability of our approach, and suggests that our factors capture more persistently and holistically the macroeconomic environment than traditional models.

It has been demonstrated that **Averdas factors** demonstrate a tendency to out-perform and generate alpha, irrespective of the macroeconomic environment.

The Drivers of Productivity

Following the demonstration that the **Averdas factors** effectively identify productivity leaders who demonstrate consistent out-performance of the benchmark, this paper seeks to elucidate two key areas: first, the companies for which the factors apply, and second, the specific actions undertaken by firms to achieve leadership in productivity. In the following, we provide examples of productivity leaders, pioneering in asset, process, or resource productivity, as well as resilience.

Asset Productivity Leader

Catalyst Pharmaceuticals has augmented its portfolio of rare diseases by acquiring U.S. rights to FYCOMPA®, securing new patents for FIRDAPSE®, and launching AGAMREE® on a commercial basis. Concurrently, a pivotal litigation settlement has extended market exclusivity through 2035.

These strategic asset and IP acquisitions contributed to record revenues in 2024, thereby securing the company a position on Forbes' 2025 list of America's Most Successful Mid-Cap Companies.

Process Productivity Leader

Verisign has solidified its standing as a digital infrastructure leader by enhancing the efficiency of its Domain Name System (DNS) operations, which now process over 328 billion queries per day with unparalleled reliability. This achievement has been accomplished while concurrently maintaining operational excellence despite the contraction of the domain.

The company has maintained its financial soundness and continued to generate substantial profits and returns for its shareholders through a combination of meticulous cost management, technological process enhancement, and a strategic emphasis on high-efficiency infrastructure.

Resource Productivity Leader

BMW has advanced its sustainability strategy by sourcing 100% renewable energy for production, integrating circular economy principles like recyclable vehicle design, and securing low-carbon steel to cut supply chain emissions.

With an objective to reduce vehicle life-cycle emissions by over 40% by the year 2030, **BMW** is integrating environmental performance into manufacturing, sourcing, and innovation processes without compromising financial performance.

Resilience Productivity Leader

IBM has fortified its position in the domain of enterprise resilience by augmenting its disaster recovery and cyber incident response services. This strategic initiative empowers clients to curtail downtime and curtail breach-related expenditures by a sum of \$1.5 million.

IBM has developed a comprehensive risk mitigation strategy and new frameworks for securing AI systems. These measures are intended to ensure robust business continuity in the face of growing digital threats.



Summary

To successfully overcome contemporary macroeconomic challenges, persistent inflation marks, slow growth, and trade wars, as well as tariff conflicts, it is imperative to employ adaptive and forward-looking investment strategies.

The present report unequivocally demonstrates the superior performance of **Averdas' factors** in the context of both the prevailing trade war, characterized by tariff conflicts, and the recent global crisis, namely the Corona-virus pandemic.

Consequently, for investors who aim to achieve consistent out-performance and resilient returns across economic cycles, our approach, supported by novel, quantitative, and data-driven insights, presents a compelling solution. Investing in **Averdas** is a strategy that has been demonstrated to result in superior performance outcomes.

Performance Disclosure/Back-Tested Data

All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations of AVERDAS Productivity factor portfolios are based on the methodology developed by AVERDAS AG. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. Complete index methodology details are available from AVERDAS AG on request. Past performance of the Index is not an indication of future results. Back-tested performance reflects application of a methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results. Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

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