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US Political Connections

An Intangible Asset

By

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Political access is a valuable intangible asset that is not recognized on a company's balance sheet

Insights

- ⦿ President Trump' unorthodox approach to governance further blurs the line between public policy and private businesses creating potential for political rent seeking.
- ⦿ Political rent seeking through corporate signaling is fundamentally a linguistic exercise, and recent advances in Large Language Models (LLMs) allow fund managers to capture these political undercurrents comprehensively and at scale.
- ⦿ Noonum US Political Connections (USPC) index identifies companies that have connections with President Trump, his family members, or one of his political appointees.
- ⦿ USPC index provides a systematic framework for portfolio managers to incorporate political considerations in investment analysis in a thoughtful, comprehensive, and structured manner.

US Political Connections (USPC) Index

Noonum uses the power of Large Language Models (LLM) to organize information gathered from a variety of sources in the form of a knowledge graph and uses it to convert investment objectives stated in plain English into weighted indices. Noonum built US Political Connections (USPC) Index with a view to identify firms that have connections with President Trump, his family members, or cabinet members in either one of his two terms. For the sake of completeness, members of the Department of Government Efficiency (DOGE) were also included in the said investment objective.

By virtue of leveraging knowledge graphs, Noonum can trace the reasoning that was used to design the index, and produce independently verifiable evidences to corroborate index composition. For example, Exhibit 1 retraces the connection between some of the USPC constituents and President Trump with individuals in latter's inner orbit providing the quintessential linkages.

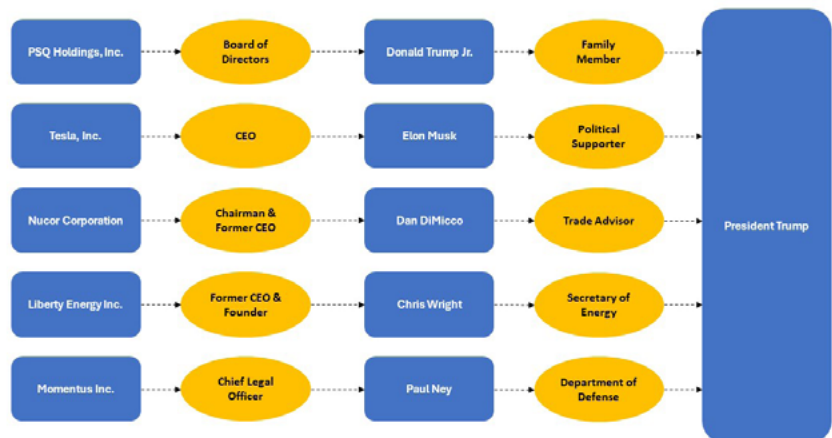


Exhibit 1: Political connection traceback for US Political Connections Index constituents (excerpt)
Source: Noonum AI; as of April 30th 2025

Interestingly, as shown in Exhibit 2, Noonum's LLM based technology can also discover relationships that are more complex than the simple linkages shown in Exhibit 1. Not all personal relationships are created equal; some are more consequential than others especially when examined contextually. Relatedly, fundamental analysts and portfolio managers are likely to have divergent opinions regarding the political influence of any given individual. USPC index and the relationships embedded therein (cf. Exhibit 1 & 2) provide a systematic framework for portfolio managers to incorporate such considerations in investment analysis in a thoughtful, comprehensive, and structured manner.

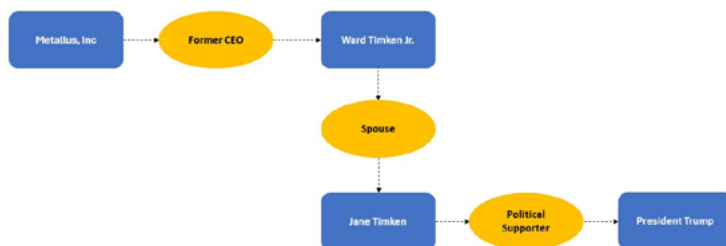


Exhibit 2: Political connection traceback (Metallus, Inc)
Source: Noonum AI; as of April 30th 2025

Policy alignment offers another avenue for firms to establish their connections with the incumbent administration. During his 2024 election campaign, President Trump had outlined the guiding principles of his socio-economic, political, and foreign policy engagement.

Firms that are naturally aligned with these overarching principles are likely to benefit from the upcoming legislative changes. As shown in Exhibit 3, USPC index captures many of these relationships and delineates the umbilical cord that connects the company with the specific policy mandate of the Trump administration.

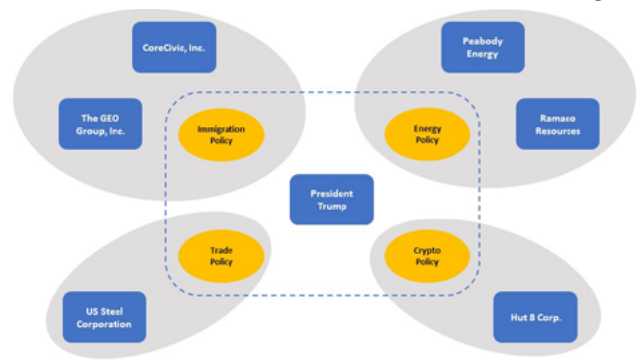


Exhibit 3: Political connection traceback for US Political Connections Index constituents (excerpt) via Policy Alignment Source: Noonum AI; as of April 30th 2025

Linguistic Beta

Linguistic Beta is Noonum’s proprietary analytical metric that measures the degree of linguistic coherence between a firm and the stated investment objective. For example, Exhibit 4 shows the evolution of the Tesla’s linguistic beta in the past one year. Although the body of evidences pertaining to Tesla showed very little overlap with USPC investment objective prior to March 2024, the relationship started to gain momentum around May 2024 and rallied significantly after the election results were announced. Exhibit 4 annotates the said evolution with various events that signify increasing engagement between Elon Musk, CEO of Tesla, and President Trump.

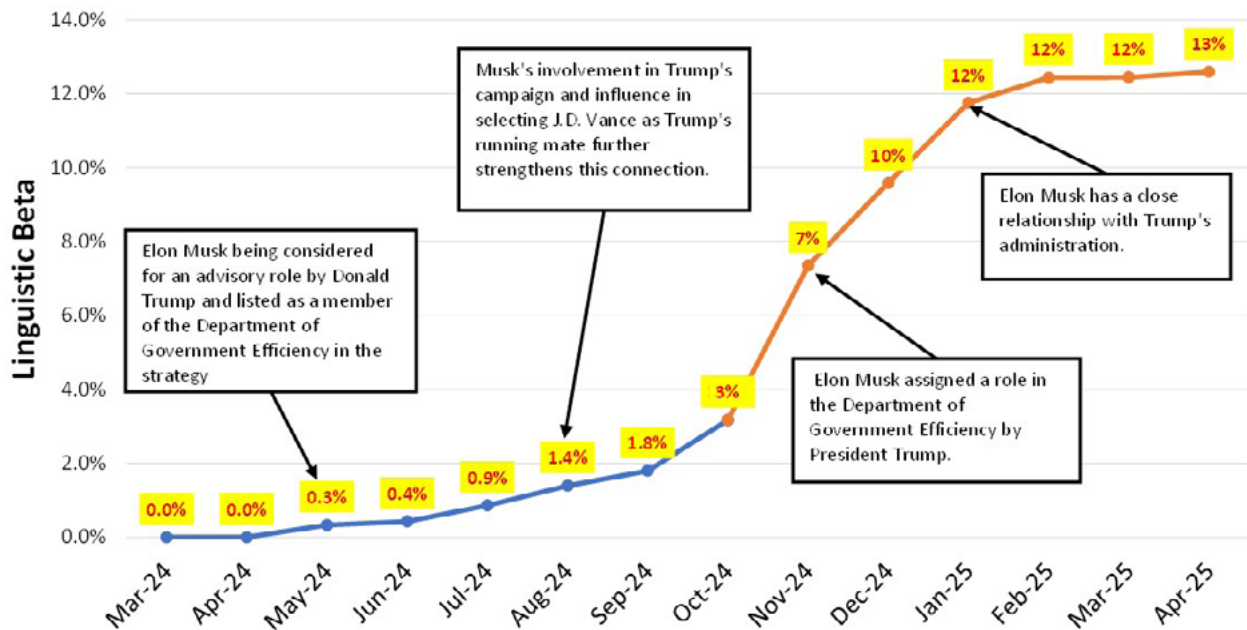
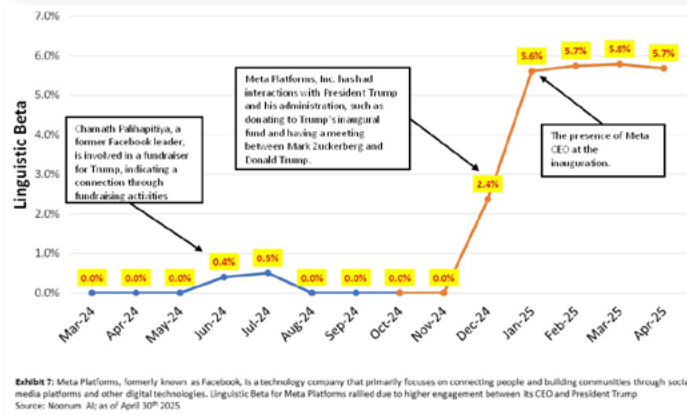
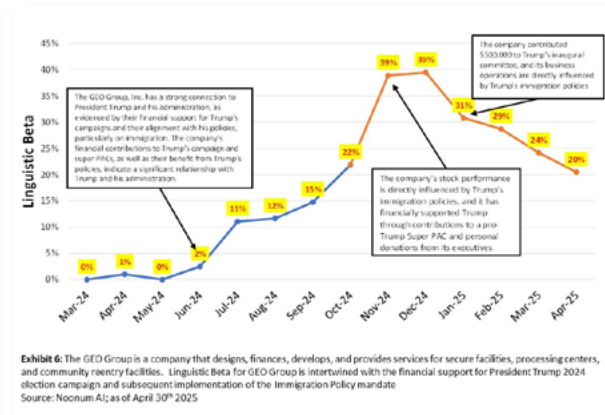
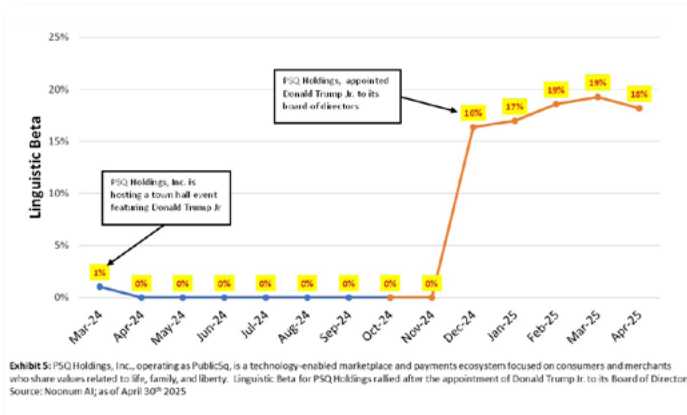


Exhibit 4: Tesla Inc. is an automotive and energy company that designs, manufactures, and sells electric vehicles, energy generation systems, and battery storage devices. Linguistic Beta for Tesla Inc. is strongly influenced by the relationship between its CEO, Elon Musk and President Trump. Source: Noonum AI; as of April 30th 2025

Exhibits 5, 6 and 7 offer similar insights for some of the other USPC index constituents.



Linguistic Beta is determined by contextual understanding of documents in the web of commerce

Linguistic beta and market beta offer complimentary ways of assessing the relationship between a firm and an index. While market beta measures aggregate investor' perception of correlation – or lack thereof – between a company and an index, linguistic beta ascertains the same relationship using a body of evidences such as financial filings, press releases, news publications, earnings call transcripts, patents, etc. Notably, the drivers of these competing beta measures are distinctly different.

Market beta is determined by a variety of factors including fund flows, investor sentiment, risk factor exposures and fundamental characteristics of the firm. Linguistic beta, on the other hand, is driven by contextual understanding of a wide variety of documents published not only by the firm but also by its suppliers, customers, competitors, analysts, advisors, journalists and pretty much anyone in the web of commerce who has an interest in the firm. This dichotomy between the two beta measures with one (linguistic beta) focused on business fundamentals and the other (market beta) on price kinetics creates information heterogeneity and gives a unique perspective that supersedes what can be achieved by examining the betas in isolation.

Linguistic Strength Indicator

While linguistic beta is a company specific analytic, Linguistic Strength Indicator (LSI) is an aggregate metric that measures the overall strength of the theme as gleaned from the body of evidences examined by Noonum. Exhibit 8 shows the LSI for the USPC index since March 2024; the LSI in Exhibit 8 is normalized for illustration purposes.

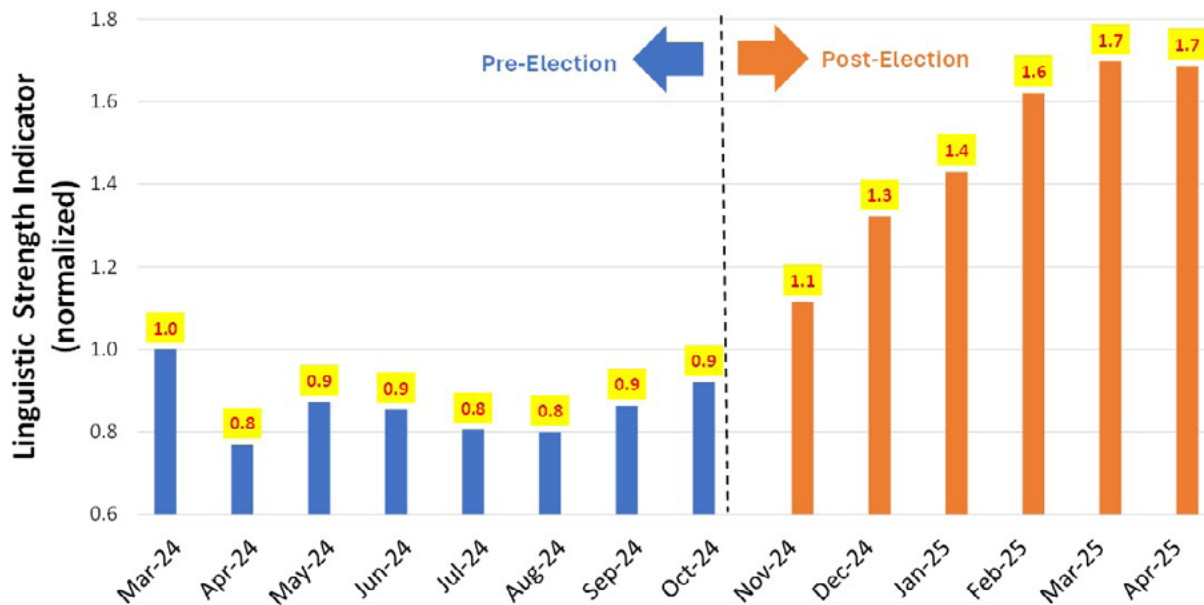


Exhibit 8: Linguistic Strength Indicator (LSI) for the US Political Connections index rallied strongly after the 2024 elections
Source: Noonum AI; as of April 30th 2025

Note that the LSI for the USPC index was virtually unchanged prior to the 2024 elections but rallied strongly after the election results were announced. This is consistent with the anecdotal evidence that many companies took a neutral stand before the 2024 elections but started to align themselves with the Trump administration after the election. Such a political alignment is usually executed through a carefully choreographed corporate signaling campaign that includes both positive and negative reinforcements. Examples of former include issuing press releases that are consistent with the political mandate of the winning candidate, appointing individuals who are close to the upcoming administration, and contributing to the inaugural function; see Exhibits 1 - 7. Negative reinforcements involve toning down the rhetoric around politically sensitive topics that are no longer in vogue; examples include backtracking on Diversity, Equity & Inclusion (DEI) initiatives and retrenching Environmental, Social & Governance (ESG) commitments.

Corporate signaling is fundamentally a linguistic exercise

Corporate signaling is fundamentally a linguistic exercise. Using the recent advances in Large Language Models (LLM), Noonum can not only identify emerging corporate signaling trends in the body of evidences but also quantify their statistical relevance to the investment objective at hand. LSI measures the aggregate strength of this phenomenon and gives investors unique real-time perspective to assess how the corporate fault lines are shifting to adapt to the new political reality.

Conclusion

The line separating public policy and private businesses has always been blurry. President Trump's unorthodox approach to governance, and his desire to engage individuals with experience in corporate America makes it even more ephemeral. While a higher engagement with corporate America should be a net positive, it also creates tremendous potential for political rent seeking. Making capital allocation decisions in such an environment requires nuanced understanding of the political undercurrents that can impact the fundamentals of a given company. Noonum US Political Connections index is an excellent resource for anyone willing to explore and discover!

This article was first published by Alignment Trio Management on 20th May 2025 in the Systematic Perspectives newsletter.

About noonum

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