



# Baron Point Financial Group

The Diversified Algorithmic Fixed Income  
Alternative Strategy Family™ (DAFI™)

Quarterly Commentary  
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## Foreward

*Nothing is new on Wall Street, simply a repackaging of prior works of art laid down by **intelligence** that evolves with the **feelings** and **emotions** of **people**. It has been this way, since the Buttonwood Agreement was signed in 1792, by 24 stockbrokers under a buttonwood tree in New York City.*

- James Philip Coppola III

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**Baron Point Alternative Investments Group (BPAI)** provides regular and comprehensive analysis of topics and strategies used at the firm with its alternative investment programs.

**For this BPAI installment, we provide you our quarterly commentary as of June 30, 2025 for the 2Q25 update, regarding The Diversified Algorithmic Fixed Income Alternative Strategy Family™ (DAFI™).**

**DAFI™** is a family of systematic absolute return strategies that are the culmination of **Victor Sperandeo's (Trader Vic)** 55 years of legendary success in money management, garnered through every market cycle thought of, and others modeled by major Wall Street global investment banks. It is **100% rules-based, using only highly liquid futures index contracts listed and traded on U.S. regulated exchanges employing rules-based systematic operating procedures.**

The DAFI™ Strategy is a portfolio comprised of multiple highly diversified major market components and invests both long and short in some of the world's most liquid markets. The DAFI™ Strategy components are assorted using a proprietary methodology that presents the potential to **exploit and more accurately capture the net effects of trends in global Gross Domestic Product (GDP)**. Scalable to well over US\$ 25 billion, this absolute return strategy is an innovation that history may very well consider another remarkable achievement by Trader Vic.





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## 01 DAFI™ | July 7, 2025, Quarterly Comments

In the first quarter of 2025 the Diversified Algorithmic Fixed Income Alternative Strategy™ (“DAFI™”) was very strong, (+4.51%). Regardless of how you compare it to the benchmark indexes, the DAFI™ performed extremely well. The second quarter was also excellent (+5.72%), to finish the first half +10.65% (gross) with +6 consecutive months without a loss. A consecutive 6-month+ run is not unusual, but in the context of the current economic environment it is indicative of the historically consistent performance of DAFI™.

The year started with Trump’s election exuberance, which completely reversed in late February with the announcement of tariffs that were capricious in their application, leading to market chaos. Trump seemed to change the details almost daily, for reasons only he knows. This caused the S&P 500 to drawdown 19% in 48 days. Then he abruptly stopped the tariff changes and delayed their implementation for 90 days, igniting a huge rally in stocks and many other markets.

Further, he went to war, bombing Iran’s nuclear facilities for one day, and then declared “peace”. Oil went from the low \$60’s to \$80 then back to the low 60’s in days. The volatility was extremely high and created a very difficult trading environment for most professionals.

During this market turbulence, DAFI™ behaved like an “AI program” as it maintained positive returns in March and April. The primary reason is in the DESIGN - when investments and trading positions are sold the money must go into other investments (not just cash/ T-Bills) in order for managers to charge a management fee to most institutions.

The portfolio research and construction of the DAFI™, which goes back 99 years, is volatility balanced. The thesis was borne out that in a multi strategy, non-correlated portfolio, when some positions go down, relatively speaking, others go up more. This is why it produces a low standard deviation strategy that generally outperforms unbalanced volatility strategies.



The key is to produce risk adjusted, not nominal returns. This is an **absolute return strategy**, as its goals are low volatility and consistency, rather than outperformance. The other subtle feature of this strategy is its use of futures in lieu of equities and ETFs. As a result of the aforementioned low standard deviation, the collateral required to implement the DAFI™ at the money center banks has consistently been 3.50%. What is the implied opportunity for the professional investor? In June the DAFI™ returned 1.38% in pure alpha (ie without a T-Bill credit). Academically (assuming for this example \$100 million in notional exposure), if you put up collateral equal to double the worst drawdown (or risk) in the portfolio's 64.5-year history (the way professional's view risk), which would be 15%, then the month's return was+ 9.2% plus a T-Bill Credit of 0.037%, on \$15,000,000.

The non-and negatively correlated asset classes balance the outcomes in surprising ways.

The fact is this portfolio has only lost in simulations and actual trading in 3 of the past 64.5 years, with 2 losses due to the Fed raising rates in a very aggressive manner (1969 and 2022), and only 2015 (-0.95% gross), which was due to the positions being mainly flat.

The performance of the DAFI™ in 2025 has been restrained by the Fed erroneously (or politically) insisting that tariffs are “inflationary”; of course, they fail to consider that the “Smoot Hawley” tariff act, proposed in 1929 and passed in 1930, ushered in the Great Depression. Tariffs are tax increases and therefore deflationary. Even John M Keynes, who is still esteemed as the patron saint of modern (interventionist) economics, believed that tariffs were NOT inflationary: Keynes also saw no major impact from tariffs on prices or inflation. Regarding his tariff proposal, Keynes states, **“I am prepared to maintain that the effect of such duties on the cost of living would be insignificant—no greater than the existing fluctuation between one month and another.”** Jerome Powell should be more than embarrassed, as Powell looks completely ignorant in his economic view on tariff's being inflationary, which is to the great detriment of consumers (not the so-called rich as stocks are at all-time highs) who need reasonable credit to function.



The historical proven fact that inflation is always a monetary phenomenon!

From Webster's seventh New Collegiate Dictionary (1965) **Inflation** **"2-an increase in the volume of money and credit *relative to the available goods (and services) resulting in a substantial and continuing rise in the general price level"*** I would add: adjusted for velocity of money, which is assumed by economists to be stable. Price increases (also called High Street Inflation) can happen due to strikes, shortages, (usually temporary), transportation issues, an environmental event like a pending hurricane, droughts, regulatory changes, effective oligopolies, and monopolies like utilities charging higher rates, and recently insurance companies all charging higher insurance rates due to large losses. **If money supply, credit, and liquidity are the same, some prices will rise as other have to decline.**

This point is important, as an economic slowdown in the second half may produce a recession and deflation if liquidity is not provided. Next May, when Powell's term ends, the next Trump Chairperson of the Fed will almost certainly lower rates aggressively. This will exaggerate the DAFI™ upside, as the portfolio allocation to debt is 56% for the #2 (1x exposure), and 140% for #3 (2.5x exposure). In 1982 when Paul Volcker lowered rates aggressively, the DAFI™ #2 was +23.7% gross, using the spot indexes as a proxy, as some futures contracts did not exist at that time. The S&P 500 was +21.41%.

The extremely consistent outcome of the DAFI™ returns earns a great deal of credibility, as the last six months demonstrate. The future results cannot be guaranteed but hopefully will be as robust as the previous 64.5 years.





## 02 Disclosure Appendix

### Disclosure Appendix

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