Baron Point Financial Group

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

DAFI™ | 2025 4th Quarter Commentary

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Foreword

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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For this installment, we provide you our quarterly commentary as of the 4Q25, 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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"You have to choose between trusting to the natural stability of gold and the natural stability of the honesty and intelligence of the members of the government. And, with due respect to these gentleman, I advise you, as long as the capitalist system lasts, to vote for gold."

- George Bernard Shaw

The **Diversified Algorithmic Fixed Income Alternative Strategy™** (**DAFI™**), which is an absolute return strategies, was highly successful in 2025. The DAFI™ was profitable in all 12 months of 2025; it competes with the iShares Core US Aggregate Bond ETF ("AGG"), which was +7.30% in 2025 while the DAFI™ was +10.72% net (the AGG ETF has $135 billion in AUM).

The DAFI™ was designed for stability and consistency, and those same characteristics drove returns in 2025. There was no single unusually profitable month, just the consistent positive compounding that resulted in unusually high returns. It's the turtle versus the hare story, and slow and steady won the race.

Gold and equities performed extremely well, with most commodities contributing to a lesser extent. Debt (bonds and notes) continued to underperform with the backdrop of the Trump-Jerome Powell feud. Higher bond and note yields resulted from an unjustifiably hawkish Fed stance given the weakness in key sectors of the economy (e.g., housing, autos and credit card rates, coupled with record job losses, based on restatements).

This did not adversely impact stocks, as the Fed kept margin requirements (Reg T) far too loose; it's been at 50% since October 0f 1974! With valuations stretched to record highs, the Fed should raise margin requirements to 100%.

The GDP is calculated in such a way to give the appearance of growth, even as sales of U.S. Goods were slowed by the high tariffs, especially with China buying an estimated 30% less from the U.S. The other factor that skewed GDP higher was the huge capital spending on “AI” data centers; it is our view that the first four months of 2026 will reveal a weak economy, but after May (with a new Chairman at the Fed), growth and some inflation will return.

Geopolitics is a wild card; to this layman it appears the world is being carved up. The U.S. gets Venezuela, Russia gets Ukraine. Will China get Taiwan? Brazil's President Lula and Columbia's President Petro look to be in a precarious position and eventually may be removed politically by Trump. Cuba is also in dire straits and will effectively collapse without continued charity from Venezuela. The European Union and the UK are also in major decline, committing suicide by their immigration and energy policies. They are out of the picture as major economic competitors and will become irrelevant without a dramatic change in course.

The Markets

We believe that the economic future of the world is higher inflation. The DAFI™ is structured to do well in this environment, especially with a President determined to see lower rates. Moreover, as we approach the mid-term elections, the CPI will be manipulated to show lower inflation. Housing data, which accounts for approximately 40% of the CPI, should be weaker, as the housing sector is in a shambles.

Stocks should have a weaker first quarter (consensus is looking for a strong first quarter).

The key question for someone tasked with managing capital is,
What does a quasi-government agency like the Fed Want?
They want Trump to fail! Their policies are 100% political.

The problem is it is impossible to predict how all these variables will unfold, which is why the DAFI™ is such an effective strategy to stay fully invested; historically, it has only declined when the Fed is aggressively raising interest rates (2022).

02 Disclosure Appendix

Disclosure Appendix

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