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Delphin Investments Looks To Spice Up Institutional Portfolios

Guy-Max Delphin hopes his market-neutral hedge fund can provide that dash of flavor institutional investors are looking for when creating the ideal portfolio.

Delphin is the founder, ceo and cio of Delphin Investments, a Connecticut-based, minority-owned manager which recently launched the Salt and Pepper Market Neutral Equity Fund, L.P.

"If you are an asset allocator who built your hedge fund portfolio with a focus on risk controls, only to watch the destruction wrought in 2008, you realized your correlation modeling was flawed. If you want to diversify, you need something else and that is what we've set out to do. It's that salt and pepper that you need for your hedge fund diet," he said.

The "salt and pepper" comes in the form of the firm's hybrid strategy that combines quantitative models with layers of macro and fundamental analysis, with the goal of providing consistent risk-adjusted returns through various market conditions and economic cycles.

"From the get-go, I wanted to make sure I came up with a strategy that will provide positive returns in down markets yet at the same time provide acceptable returns in very bullish markets," Delphin said.

Prior to launching Delphin Investments, Delphin worked as an investment strategist at the Yale-New Haven Health System, where he focused on building a state-of-the-art investment program. Throughout his career, he noticed that the rise and fall of the markets was having a direct impact on the performance of most strategies. This was evident even among market neutral strategies designed to provide positive returns during volatile market conditions.

"When there is a sneeze anywhere, everyone catches a cold," he said.

"We provide downside protection by delivering uncorrelated returns. When the markets are trending higher our investors will meet their investment goals. The key is that we offer capital preser-



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Guy-Max Delphin
CEO & CIO
Delphin Investments

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vation in down markets, offsetting the herd of managers who are biased toward upside exposure," added Doug Wells, director of operations and trading at the firm.

In setting out on his own, Delphin created a strategy that looks at twelve stress indicators that are optimized to identify a risk appetite scale.

I went back and looked at a lot of academic research and one of the strategies that I came up with was the long-low beta strategy," he said, adding that through testing he found that over time, a strategy that is long low beta and short high beta "does really, really, well."

His journey did not end there, as he then added another layer to the process that focused on the liquidity premium earned by stocks with relatively low trading volume. He ties the whole process together with his proprietary risk appetite scale, which adds a macroeconomic overlay to the Salt and Pepper Fund's strategy.

The strategy is comprised of 150 to 250 long positions and 150 to 250 short positions, with the core portfolio 50% long and 50% short.

"Our job is not just the long term, but is also capital preservation. Coming from an asset allocator, I understand what it means to pay your benefits," Delphin said. "My goal is to provide institutions, endowments and foundations with products so that their treasurers and CFOs can sleep at night."