



Epsilon Theory

THE NARRATIVE

BY JEREMY RADCLIFFE

Salient and Other Just-So Origin Stories

I grew up in Houston wanting to be a general manager of a professional sports team. My 7th-grade buddies and I were some of the first ever fantasy sports players back in the mid-80s, except back then it was called Rotisserie Baseball (Daniel Okrent literally wrote the book on how to play, and his first league draft was held at Rotisserie Bird and Beef in NYC — here's [a great article on the origin story of what is now a multi-billion dollar industry](#)).

Unfortunately for me, I didn't have playing experience like Billy Beane or happen to work for a private equity gazillionaire who bought a team (Andrew Friedman, another Houstonian who ran the Devil Rays and now the Dodgers) or develop a deep understanding of statistics (Daryl Morey and Sam Hinkie of the Rockets), so I was never able to parlay my Apple IIe player value spreadsheets into a real-life GM job. However, I get to play GM in this business that we've built at Salient, and Ben's not the only talent I can claim (some) credit for "drafting." Thousands of you have already read [A Man Must Have a Code](#), the fantastic debut piece from the head of Salient's asset management business, Rusty Guinn, and we're going to be featuring a select group of these other Ben-approved colleague-contributors.

I will never forget the first piece I read from Ben under the Epsilon Theory banner — it was called ["How Gold Lost its Luster, How the All-Weather Fund Got Wet, and Other Just-So Stories."](#) By the end of the first page of the note, Ben had used quotes from J. Pierpont Morgan, Bob Prince of Bridgewater, and references to Rudyard Kipling, George Orwell and Stephen Colbert to highlight the power of narratives.

The asset management firm that I co-founded in 2002, Salient, manages a risk parity strategy similar to Bridgewater's All-Weather Fund, and I'd flirted with being a gold bug for a few years, so I was naturally drawn to this note; before I'd made it to the second page, I was hooked. I felt like I was reading the pre-ESPN, pre-HBO version of Bill Simmons, when he was the Boston Sports Guy. Ben was mixing pop culture, literature, history and science, all in an effort to help his readers understand what was driving our post-crisis financial markets.

And it wasn't flash — it worked. I finally understood why I had been so puzzled - and wrong - about gold price movements for the preceding couple of years. And Ben's comments on the All-Weather Fund evinced a solid understanding of the strategy, which was and has remained rare for financial media types.

So I called Ben and asked him to meet with me. He knew Salient, since we had been an investor in a hedge fund he managed while at Iridian, and after we flew him down to Houston to meet with our team, we convinced him to join our firm and help our portfolio managers better understand the macro side of the markets, and to continue to write Epsilon Theory to help investors across the world with the same thing.

Somehow, we've been working together now for more than three years, and the new Epsilon Theory site, developed in-house by our fabulous creative team, not only includes all of Ben's previous notes with customized image collages, but serves as a home base for a broader group of contributors and readers as Epsilon Theory develops into a community for those of us interested in understanding what drives markets.

This new Epsilon Theory site is separate from our Salient mothership at www.salientpartners.com, but Ben remains a bigger part of Salient than he's ever been, whether that's in helping some of our other portfolio managers understand these markets or managing money himself on behalf of our clients. We're committed to growing this Epsilon Theory community as a stand-alone site and hope you'll not only continue to read and listen to Ben, but start to sample some of the other content we'll be adding to the site, and of course help us grow this community of truth-seekers by spreading the word and inviting others to join us.

As far as what you can expect from me going forward as a contributor to Epsilon Theory, it's important to me to follow the advice of Bill Belichick and "do my job" — so I promise to not to confuse the talent scout with the talent. However, if I have a skill set relevant to Epsilon Theory beyond talent-spotting, it's in sharing or synthesizing some of the interesting news, articles and points of view I come across in my daily readings. I'll be curating concise versions of my deep dives into a wide range of Epsilon Theory-esque subjects, and I hope you'll come along for the ride.

Just to give you a taste of the type of rabbit holes I'll be going down, check out "The War on Bad Science" starting with Wired's profile on John Arnold [[LINK TO JR WAR ON BAD SCIENCE RABBIT HOLE POST](#)]. The Houston billionaire and his wife are challenging the fundamental structure of how scientific research is conducted, and their foundation's work has broad implications across the scientific spectrum, from nutrition to psychology. This thing goes deep, and it has the potential to shatter many of our preconceived, scientifically-approved notions of the world.

Stay tuned, friends.

With gratitude,

JR

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