From: Paul Morris [████████████████]
Sent: 2/5/2015 3:46:04 PM
To: Stewart Oldfield [████████████████]
Subject: Fw: short crude vol strategy - follow-up analysis [I]

Classification: For Internal Use Only

From: Daniel Sabba
Sent: Thursday, February 05, 2015 01:30 PM
To: jeffrey E. <jeevacation@gmail.com>
Cc: Paul Morris; Vahe Stepanian; Richard Kahn <████████████████>
Subject: RE: short crude vol strategy - follow-up analysis

Classification: **Public**

Jeffrey,

Per my previous email, WTI moved down over 8% on Wednesday and up 7% on Tuesday. As discussed at our meeting, this level of high realized volatility is very negative to a short straddle with daily delta hedging strategy. We refreshed the analysis below to include the Tuesday's and Wednesday's moves.

We would like to point out this trade has moved over 10% down, and ask you on whether you continue to want to hold it.

```
Trade date: 13-Jan
Valuation date for all the numbers below: 4-Feb
We have rounded various numbers for ease.

Index return since trade date: -10.84%
```

The index has lost money basically because realized vol has been much higher than implied, and also implied has gone up a lot (however, we wouldn't pay a lot of attention to the implied going up a lot; since finally what will count as more days pass is what realized is doing). Some stats on this are below.

Contract	Vol strike	Strike Date	Realized vol	Implied - Realized	Current Implied
CLH5	60%	13-Jan-15	79%	-19%	84%
CLJ5	43%	13-Jan-15	77%	-33%	56%
CLK5	42%	14-Jan-15	73%	-31%	54%

This loss has occurred over a period of 15 Index Business Days. Looking back since index inception date, we tried to see how many times such a loss would have occurred over a period of 15 days. This 15 Index Business Day performance represents the 0.6[th] percentile.

Daniel Sabba
Key Client Partners
Deutsche Bank Securities Inc.
Tel. ████████████
Mobile ████████████
Email ████████████

From: Daniel Sabba
Sent: Tuesday, February 03, 2015 3:19 PM
To: 'jeffrey E.'