I'd also highlight that this incremental return would not be earned by applying leverage to the risks already in most portfolios (equity beta, credit, and duration). Due to the low correlation of the strategy to equities, for most investors the addition of the overlay has a diversification benefit to the overall portfolio, improving the risk adjusted return.

Please let me know if you'd like to discuss further.

From: Paul Barrett [redacted]
Sent: Monday, October 16, 2017 9:55 PM
To: Andrew King [redacted]
Cc: Stewart Oldfield [redacted]
Subject: RE: DB - Harvest Collateral Yield Enhancement Strategy

Hi Andrew

I reviewed the returns over the past 4 years and they are not that exciting. It has averaged around 70bps return over that time period. I like the concept but not sure the strategy generates enough returns. Happy to discuss more if you think I missed something.

Paul

Paul Barrett
Alpha Group Capital LLC
142 W 57th Street, 11th Floor, New York, NY 10019
[redacted]
ALPHA GROUP CAPITAL

From: Andrew King [redacted]
Sent: Friday, October 13, 2017 5:03 PM
To: Paul Barrett [redacted]
Cc: Stewart Oldfield [redacted]
Subject: DB - Harvest Collateral Yield Enhancement Strategy

Paul,

I'm an Investment Specialist on Stew Oldfield's team at DB. During your last meeting with Stew, you had discussed a managed option strategy on our platform: the Harvest Collateral Yield Enhancement Strategy (CYES). As a follow-up, I thought I would send more information for your review.

As background, CYES is an overlay that seeks to exploit the volatility risk premium and time decay properties of options by actively managing a portfolio of short-dated index option spreads on the S&P 500 index. The strategy sells options to generate premium while purchasing further out of the money options to contain risk. In a disciplined manner, the strategy seeks to mitigate exposure to market directional risk by defensively adjusting positions in response to a large move or reducing exposure ahead of specific market events.

The strategy enables an investor to add an incremental return stream to their existing portfolio, and the potential diversification benefit provided by the strategy's historically low correlation to equities. It requires no capital outlay and instead uses an investor's existing portfolio as collateral. The strategy is implemented through a separately managed account (SMA) with complete transparency and daily liquidity.