

JE Meeting - January 10, 2014

I. Your Deutsche Bank Key Client Partners (KCP) Global Investment Team - Delivering the Institution [Paul & Tazia]

Key Client Partners (KCP) – Your Global Capital Markets Team:

Caroline Kitidis is the Head of Key Client Partners Americas (US and Latam). Her team is comprised of 8 senior sales professionals, 8 junior sales professionals and a support team. Sister desks are situated in Singapore, London, and Zurich/Geneva. Through KCP, Key Clients of Deutsche Bank receive global coverage across Capital Markets, Private Markets, Structured Credit, and Alternative Investments. Your Global Capital Markets Team Includes:

Vinit Sahni - Global Head of Key Client Partners Capital Markets [London]

Nav Gupta - former global macro trader with Citadel(?) [London]

Vanshree Verma – formerly fixed income research [London]

Roger Pocsh – [Zurich]

Tazia Smith – [New York]

Raphael Zagury – [Latam]

Luis Chavez – [Latam]

Bobby Abraham – [Singapore]

Ed Lam – [Hong Kong]

Apurva Gupta – [Mumbai]

Delivering the Institution:

In addition to their own experience and cross-asset expertise, your KCP Capital Markets Team delivers the best thinking and implementation solutions from across the entire firm – both the Institutional side of DB (Corporate Bank & Securities, CB&S) and the asset management side of the firm (Asset & Wealth Management):

FX – Number 1 in FX trading, dominate ~1/3 of the ~\$4tn FX market [Faraz Munaim, CB&S FX Sales; Caleb David, Head of AWM FX Sales; Bilal Hafeez, George Saravelos, and global team, DB FX Strategists]

Equities– Leverage the analysts/strategists within DB Global Markets Research division, Traders, and Equity Capital Markets [Joe Spinelli, CB&S Equity Strategy; Brian Rigney, ECM; Frank Wendels, ECM]

Equity Derivatives – Greg Kuppenheimer (CB&S US), Andy Yaeger (structured lending)

Bonds – High Yield, Municipal [PMs, Credit Analysts, Traders within Asset Management]

Asset-Backed/Mortgages – Sales/trading/structuring within CB&S

Structured Credit – DB Expertise globally, extensive team of structurers and traders in US – bespoke investment and financing solutions

Distressed – DB Expertise in US, smaller team than the past, but still members whom have been here through crisis [Phil Giordano]

Alternative Investments – Real estate [individual assets, debt, co-mingled accounts, REEF], hedge fund derivatives [AFS]

Private Markets – KCP mandate, originated from across CB&S, AWM and from within client base

II. Outlook into 2014 [Tazia & Vinit]

Selective Equities . Bullish global equities, be selective. After a year of Beta, favor Alpha, equity long/short, and relative value. Sectors: Bullish global financials, bullish Tech (anticipate cap-ex /enterprise spend, valuation)

Favor DM >EM.

Japan, ex-yen. Bullish Japanese Recovery, equities and assets. Bearish JPY vs. USD.

European Recovery. Bullish Europe. Note: Periphery spreads have collapsed, favor equity and real assets. Favor: Financials, SMID cap equities, Germany (DAX is a levered play on global growth, year-end forecast of 11,000, 12.4x) Bullish USD. Bearish Euro. The year it finally fumbles?

Rising rates – limited opportunity, but for the 5yr part of the curve. 5yr part of the curve should sell off further, short end stays anchored through mid 2015, back end has steepened/fairly valued at present.

Rising Inflation. Upside risk to inflation long-term given the Fed's tolerance for inflation short-term and the sheer magnitude of liquidity in the system.

III. JE DB Account Summary [Tazia]

IV. JE Position Review [Vinit & Tazia]

V. Recommendations

(1) 10yr USDcJPYp 85 strike, 90 KO

(2) DBUUPPN Index – 13mo Call option

(3) Gymboree (GYMB) 9.125% '28 at ~94.625 (10.5%)

VI. Appendix: Global Markets Research Forecasts (for reference):

GDP Forecasts 13/14:

Global GDP: 2.8%/3.7%

US GDP: 1.8%/3.2%

Eurozone: -0.2%/1.2%

Germany: 0.5%/1.5%

Japan: 1.6%/0.7%

China: 7.7%/8.6%

EM: 4.5%/5.3%

CPI Inflation 13/14:

US: 1.6%/2.5%

Eurozone: 1.5%/1.4%

Japan: 0.3%/2.7%

China 2.6%/3.5%

2014 Year End Forecasts:

US 10yr: 3.25%

EURUSD: 1.15

USDJPY 115

S&P 1850

Stoxx600 375

Oil WTI 95

Oil Brent 105

Gold 1325

Bearish Yen, Positive Carry Trade

Deutsche Bank FX Strategists are calling for USDJPY of 115 by year-end 2014,

and 120 by year-end 2015. See DB FX Blueprint published 1/9/14, and note that #2 of the top 10 themes of 2014 (p. 5-6) revolves around extended weakness in the Japanese Yen vs. USD. Consider a positive carry solution of buying a long-dated in the money call and selling an in the money knock-out for positive carry and time decay, as well as very high gamma for gearing to a short-term move.

Example:

USDJPY 10yr forward reference: ~77.75

Buy 10yr 110% USDcJPYp

Sell 10yr 115% USDcJPYp knock-out

Net: ~4.5% premium paid

If all else stayed equal, roll yield would result in ~10% return, thanks to the steepness of the forward curve. If the yen sold off sharply versus the dollar tomorrow through 109.50, for example, the premium of the option could spike up ~40%, for a much greater near-dated return. Max loss is premium paid.

Indicative levels only. Subject to market movement. Source: DB Key Client Partners and Bloomberg, 1/7/14.

DB Momentum Asset Allocator 6% Index (DBMUUPPN)

Start date 3/31/92

GYMB 9.125% 12/1/18 ~94.65 (~10.5% yield) Caa3/CCC

Bottom line: Believe current yield compensates for risks. Positive free cash flow, turnaround story, buying back bonds.

Background: Gymboree is a children's clothing retailer comprised of three main brands: Janie & Jack (comp Neimans, Saks), Gymboree (comp GAP), and Crazy 8s (comp Old Navy, Children's Place). The company was purchased by Bain in Oct 2010. As part of the PE firm's restructuring, the company has been expending the lower-end value concept (Crazy 8s). The CEO was paid a bonus of \$30mm upon take-out and arguably "took the eye off the ball" letting inventories build, suffering from a spike in cotton prices, and generally missing on orders. He was replaced in 2013 with Mark Breitbard, former GAP North America President, CEO of Gymboree effective 1/14/13.

Note: Gymboree (GYMB) debt was downgraded to Caa3 by Moody's on 12/18 (rated CCC by S&P since 2012) following disappointing quarterly results.

Color from DB Global Markets Analyst:

Positives

New, capable management: "Fixable problems and the right team in place to

do it." Former President of GAP North America hired in Jan13. He was responsible for turning around Baby GAP, GAP Kids and Old Navy. Lead-time in retail is 9mos for design, 6mos for shipping, so now through next 6mos is when the "show me" story of the turnaround plays out.

Cash Generation: Positive FCF, no maturities until a revolver (undrawn) in 2017, then a term loan in Feb18 and these bonds in Dec 18. Company bought back 54mm of this 400mm issue last year and we anticipate another 20-30mm bought back this year. Please see below/attached and let us know your thoughts. One-time \$1mm charge related to e-commerce glitch is behind them. Turnaround, "Show-Me" Story: Lower guidance already behind us, disappointing 4Q priced in. Revamped, low-end "Crazy 8" concept cap-ex to pause and begin to monetize in '14.

**Risks:**

Competitive pressure, promotional environment in retail, inventory, input costs, cap-ex risk, and execution on design.

Full report from DB Global Markets Credit Research (12/13/13) and direct conversation with the analyst, Karru Martinson, available. The bonds have traded in a ~91-99 range over the last 12 months.