

Subject: Fw: Joe - this is my draft. Still awaiting pricing [I]
From: Tazia Smith <[REDACTED]>
Date: Tue, 08 Apr 2014 12:27:10 -0400
To: Paul Morris <[REDACTED]>

Classification: For internal use only

FYI - this is what i'm working on for epstein.
have been going back and forth to get JE set up to trade on the touch going
fwd with equity derivs. been my entire morning, but we'll get there.

----- Forwarded by Tazia Smith/[REDACTED] on 04/08/2014 12:24 PM -----

From: Tazia Smith/[REDACTED]
To: Joe Hall/[REDACTED],
Date: 04/08/2014 10:43 AM
Subject: Re: Joe - this is my draft. Still awaiting pricing [I]

Classification: For internal use only

excellent - thank you

(Embedded image moved to file: pic08260.gif)

Tazia Smith
Director | Key Client Partners - US

DB Securities Inc
Deutsche Asset & Wealth Management
345 Park Avenue, 10154-0004 New York, NY, USA
Tel. [REDACTED]
Fax [REDACTED]
Mobile [REDACTED]
Email [REDACTED]

(Embedded image moved to file: pic30889.gif)

From: Joe Hall/[REDACTED]

To: Tazia Smith/[REDACTED],

Date: 04/08/2014 10:40 AM

Subject: Re: Joe - this is my draft. Still awaiting pricing [I]

Classification: For internal use only

Thanks Tazia.

A couple of comments;

- In the title and in the first paragraph you have inverted "Capital Invested".

- Re the chart of the US divs performance; I don't know whether compliance would allow you to just choose an arbitrary time frame. If that is the total time-frame available then that is okay.

- In the line; "10 total indices in the CROCI family: US, UK, Japan, Germany, Euro, World, World Ex-Japan, Sectors III, Global Dividends and US Dividends" please remove "total" and put "principal".

Thanks,

Joe

Kind regards,
Joe Hall

(Embedded image moved to file: pic28127.gif)

Joe Hall

DWS Investments Distributors, Inc.
Deutsche Asset & Wealth Management
345 Park Avenue, 10154-0004 New York, NY, USA
Tel. [REDACTED]
Mobile + [REDACTED]
Email [REDACTED]

(Embedded image moved to file: pic10363.gif)

From: Tazia Smith/[REDACTED]

To: Joe Hall/[REDACTED],

Date: 04/08/2014 10:25 AM

Subject: Joe - this is my draft. Still awaiting pricing [I]

Classification: For internal use only

Subject: Consider: \$10-15mm Total Return Swap on Cash Return On Invested Capital (CROCI), L+65bps

Good Morning Jeffrey -

Globally you are seeing the rotation from high-beta, small cap and growth stocks into large-cap value. This is inline with your early call for us to pull out a concentrated five names. Instead of those single stocks, consider a \$10-15mm total return swap on Cash Return On Invested Capital (CROCI). Specifically, the CROCI sub-index focused on dividend paying/dividend-growing US equities.

I've included my colleague, Joe Hall, who sits on the CROCI team and will gladly detail this stock-selection strategy with you directly at any point.

Full presentation is attached, a few key points here:

- Achieve benefits of active valuation for passive price
- Bottoms-up valuation - DB CROCI Analyst team (60 people globally) assess each company in it's global universe (800 stocks) from an Economic PE* perspective, adjusting balance sheets to reconcile operating cash flow across sectors for comparable stock-valuation
- Quantitative selection - stocks selected each month based on the lowest price-to-operating-earnings ratio, based on their valuation metrics (above)
- Stock universe is ex-financials
- Re-sets monthly
- Transparent - pull up the CROCI indices on Bloomberg for mark-to-market (ex: DBUSSDUT = CROCI US Dividends)
- Implementation can be customized via a separately managed account (SMA) of single stocks
- Tax-efficient, liquid exposure can be achieved via total-return swap (TRS)
- 10 total indices in the CROCI family: US, UK, Japan, Germany, Euro, World, World Ex-Japan, Sectors III, Global Dividends and US Dividends

CROCI Dividends targets companies with sustainable dividends AND attractive valuations (performance below and p 7 of the attached)

13-Month TRS on DBUSSDUT
Spot 4739.30
Indicative financing: L+65bps
IM:

13-Month TRS on DBUSSDUT vs. SPX (long/short)
Spot
Indicative financing:
IM:

Indicative levels as of 4/8/14. Source: DB GM Equity Derivatives.
* (Enterprise Value/Net Capital Invested)/(Cash Return on Capital Invested)

5-Year History of CROCI US DIVIDENDS vs. S&P 500 Inedex (as of close 4/7/14)
(Embedded image moved to file: pic10657.gif)
Used with permission of Bloomberg Finance LP

(Embedded image moved to file: pic21550.gif)

(Embedded image moved to file: pic18365.gif)

Tazia Smith
Director | Key Client Partners - US

DB Securities Inc
Deutsche Asset & Wealth Management
345 Park Avenue, 10154-0004 New York, NY, USA
Tel. [REDACTED]
Fax [REDACTED]
Mobile [REDACTED]
Email [REDACTED]

(Embedded image moved to file: pic23513.gif)