

Subject: Vahe can you check - if you agree send to JE + Rich ccing VS, me, Paul, Taz. thx [C]
From: Nav Gupta <[REDACTED]>
Date: Thu, 10 Jul 2014 12:39:46 -0400
To: Vahe Stepanian <[REDACTED]>, Paul Morris <[REDACTED]>, [REDACTED]

Classification: Confidential

Jeffrey - This how we best like implementing the loan deal Vinit mentioned

Buy \$33mm (\$10mm with cash + \$23mm on margin) of the DWS Floating rate loan fund which is a \$3.3bn institutional class mutual fund investing in senior 1st lien collateralised loans. It is managed by Deutsche. The terms of the leverage (which we would require DB credit approval for) indicatively are 70% LTV at 3mL+125bp. The purpose is to lever your return.

We compared several funds. We like this DWS fund in particular:

1. performance (top third morningstar in 2008 when mkts tanked, 2009 when mkts recovered and 2010 when mkts went sideways. It currently yields just below 4% net of fees and has had an annualised yield over the past year of 3.5% to 4.25% depending on the NAV.
2. Fees are middle of the pack at 78bp (range is 60-100bp)
3. Portfolio management team of two have 32y and 33y experience respectively.
Both joined Deutsche in eight years ago. The key to performance is proper loan due diligence combined with market timing
4. Fund size is \$3.3bn. This is a huge benefit. Unlike some funds they don't have to buy every loan that is issued and instead can be highly selective
5. Both entry and exit are at close of business NAV. i.e. zero entry or exit transaction costs provided you hold the fund for minimum 2mths
6. Daily liquidity where some other funds are 30/60/90days. Even in 2008 when all credit markets tanked and became this fund maintained daily liquidity.
7. Credit rating of loans held is presently approx 35% BB and 60% single-B which are fine while defaults are low
8. Monthly income (as coupon)
9. US based fund

BTW US brokerage a/c margin lending regulations require that for the first 30days you'd need to put up the whole \$33mm and after that borrow \$23mm.

----- Forwarded by Nav Gupta/db/dbcom on 10/07/2014 17:08 -----

From: Vinit Sahni/db/-
[REDACTED]

To: jeevacation@gmail.com,

Cc: Paul Morris [REDACTED] Nav Gupta/db/-
[REDACTED]

Date: 09/07/2014
14:41

Subject: Re: Jeffrey - can we have a quick chat this am ?
[C]

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Hi Jeffrey - looping in Nav and Paul. To recap:

We will find a few funds, which we think have best performance characteristic and best fees for u. Loan Funds better than single loans as u don't need to bother booking single loans and servicing them. If we do decide to go bespoke best to do it in stage 2.

just giving u broad characteristics of loan funds so that we are on the same page.

- 1) typical ratings for loans range between single B to BBB, the best loan funds concentrate on first lien collateralized senior loans
- 2) have daily NAV and MTM typically (to clarify these funds are not money market funds where price is par). Redemption liquidity ranges from daily to 90 days depending on fund.
- 3) spreads still around L + 3%-3.5%, duration close to zero as floating rate product.
- 4) size we are thinking is 10mm of cash from you, with 70% LTV so total size is 33mm levered right ?

Vinit

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Vinit Sahni
Managing Director | Global Head - Professional Client Group & Key Client
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From: "jeffrey E."
<jeevacation@gmail.com>

To: [REDACTED] Vinit Sahni/db/-

Date: 09/07/2014
11:59

Subject: Re: Jeffrey - can we have a quick chat this am ?

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[C]

[REDACTED] now?

On Wed, Jul 9, 2014 at 6:49 AM, Vinit Sahni <[REDACTED]> wrote:
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Best
Vinit

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Vinit Sahni
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