

Sent: Wednesday, September 24, 2014 8:29:34 AM
Subject: Idea for trade
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To: Jeffrey Epstein <jeevacation@gmail.com>

Ciao Jeff,

a small idea for possible trade.

You are the expert so please apologize me for stealing 30 seconds (you are a fast reader :)

1-Many big and profitable luxury/fashion companies have been for 2 years bugged on a monthly basis by the big banks to please accept loans at really low interests. Sometimes the push I have seen was really hard to please accept that gift, especially in the Anglo-Saxon countries. 3 CFOs have commented to me how incredibly pushy they were

2-Many of those companies cannot/do not want to deploy the money in operating investments. You can just open so many stores per year or other acquisitions. Thus they deployed the money in stock buy back (that by the way also helps greatly with stock options for managers)

3-The banks I have seen were offering from bullets to 3-6 years maturities

4-A few virtuous companies very very solid have resisted that push because they do not want to combine financial leverage with operational one. Their stock in most cases underperformed the market

5-The rest of the companies (especially the ones that cannot count on a strong US retail consumer rebound and maybe are more exposed to chine consumers) are now getting worried the impact that this extra leverage will create in the next 24-36 months when operations might not be super strong and liquidity might dry up

Being beta neutral (I am since we spoke end of July), there is a significant case for the virtuous companies to overperform the rest as these loans come to expiration and there is less liquidity in the system

The same thinking might apply to other industries but I have less datapoints

With a simple work your teams can come up with a portfolio of 10-15 to go long and short with the above parameters

Hope to see you soon

Thank you
GS