From: Lesley Groff <[redacted]>
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: Fwd: ATorus Daily Portfolio Report 4/8
Date: Wed, 09 Apr 2014 18:35:00 +0000
Attachments: ATorus_BacktestNAV_040814.pdf

If you replied back to him he should have rec'd the reply…if you want to shoot me the answer you sent, you may and I can forward for 'just in case'

Begin forwarded message:

From: Michael Fowler <[redacted]>
Subject: ATorus Daily Portfolio Report 4/8
Date: April 9, 2014 2:33:22 PM EDT
To: Lesley Groff <[redacted]>

Lesley,
Please see attached the Daily Portfolio Report for 4/8. Also, I responded to Jeffery's email of last Thursday on his gmail account and wanted to check if I should have gone through you. Have a good day!

Daily Commentary

Our goal is to build the largest individual alternative investment business. We don't feel the odds are stacked in favor of a discretionary approach, over time. Someone will still outperform, just as one of the two who flips heads/tails every minute for the next hundred years will likely be up in a material fashion against their opponent at some point. As we read some of the press coverage about the difficulty many large funds had in March and their 'reactions' (Hedge Funds Suffer Decline In March) it reminds us of how critical the sustainability and consistency of methodology is. Funds that change their risk and/or allocation methodology will create basis risk in their returns for their investors going forward. In other words, if the portfolio had a bias to high growth stocks and now moves to consumer staples, future returns may not be comparable or predictable. The caveat being, unless the PM sizes the positions to have equal potentiall NAV impact (in comparison to the previous portfolio composition) to the fund going forward given their underlying methodology.

From the investor's point of view, as asset managers make these changes, whether arbitrary or because or some fundamentally based methodology they employ, in most cases the changes are such that performance before the change is not comparable to performance after the change. Also we wonder, based on looking at commonly used risk metrics, if many of these asset managers consider the impact of volatility and position sizing on their ability and time to recover from losses.

By using realized volatility as a key data point to generate dynamic position sizing and informing our buy/sell decisions we believe that investors can evaluate our past performance (even in a backtest) as much more indicative of our potential future performance than the typical asset manager. This is important to highlight, but if one changes their underlying methodology too often "past performance is not a predictor of future results" will ring true much more than not.

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Best Regards,

Michael J. Fowler
[redacted]
Work Email - [redacted]
Trading Desk Email -[redacted]