

From: Michael Fowler <[REDACTED]>

To: [REDACTED]

Subject: ATorus Daily Portfolio Report 3/17 & 3/18

Date: Thu, 20 Mar 2014 16:47:16 +0000

Attachments: Atorus_BacktestNAV_031714.pdf; Atorus_BacktestNAV_031814.pdf

Lesley,

Please see attached Daily Portfolio Reports for 3/17 & 3/18.

Daily Commentary

In order to provide deeper understanding of our methodology we wanted to point out an interesting market development. While perhaps not immediately evident in our overall NAV, pharma and biotech securities, that are material 'winners', have experienced a significant change in realized volatility coupled with a moderate sell off. These securities have been 'winners' for us over much of the past two years and we are 'giving back' some of these gains on a mark to market basis. This situation gives us an occasion to highlight three important points.

- 1) With these (as with all securities) we will never monetize peak P&L. However, we will realize a significant portion of it.
- 2) While this increase in realized volatility does not cause an immediate change in our directional bias, our system does in fact become 'more sensitive' and eventually causes us to change and realize P&L and eventually to take the other side of the trade.
- 3) An increase in volatility in a security but particularly across a sector can be a signal for a change in overall sector market leadership. One of the reasons we trade such a large opportunity set is so that we are positioned to monetize strong moves in other sectors without having to arbitrarily and in the case of many asset managers 'randomly' pick them. Our methodology's strong win ratio and profit factor allows us to stay in a wide variety of sectors without experiencing significant drawdowns and monetizing winners big and small.

In summary, we keep losers small, monetize P&L in winners and three, six or twelve months from now we will likely be having the same conversation albeit about a different sector, for example, 'materials.'

--

--

Best Regards,

Michael J. Fowler

[REDACTED] Intl. Mobile

Work Email - [REDACTED]

Trading Desk Email - [REDACTED]

The information contained in this electronic mail message is confidential information intended only for the use of the individual entity named above, and may be privileged. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this message is strictly prohibited. If you have received this communication in error, please immediately notify us by telephone, and delete the original message.