

From: Kristofer Knutson <[REDACTED]>

To: Jeffrey Epstein <jeevacation@gmail.com>

Subject: RE: Munis and DN Preference

Date: Fri, 07 Jun 2013 20:40:12 +0000

Attachments: 20130607163506820.pdf

Inline-Images: image001.jpg

Hi Jeffrey,

Please find attached the Daily News Preference Calculation. Also, below is the response re: munis from MS.

Best,

Kris

Kris,

As you may recall, once Mort's tax rate changed we moved his fixed income portfolio from being over 60% in munis to under 20%. We kept the remaining NY portfolios for him for 2 reasons. 1. It is our understanding that he still has to pay some portion of NY tax and more importantly 2. Munis still generally have been trading over 100% of treasuries and given the high credit quality in the portfolio we feel that they are a better purchase than treasuries for this piece of the portfolio in order to add diversification and return. In addition to the yield increase this tactical allocation helped the return on the overall portfolio. In 2011 the BC Muni index outperformed the AGG by 285 bps and in 2012 it outperformed by 251 bps. As we have discussed with Mort several times when building an allocation in fixed income the yield component is only one aspect of the asset class decision. When we made the recommendation to buy munis and corporate bonds coming out of 2008 we were looking to take advantage of record high yields by building a diversified investment portfolio.

This is a short answer to the reasons why he still holds munis in the portfolio, muni yields are still trading through treasuries. As you know this portfolio has been relatively tactical and we have changed the mix of investments many times since 2008. We would be happy to discuss further.

Best,

Lyon

Kristofer Knutson

Managing Director | Executive Management - Office of the Chairman
US News & World Report | New York Daily News
599 Lexington Avenue, Suite 1800
New York, NY 10022

[REDACTED] | F: [REDACTED] | C: [REDACTED]



From: Jeffrey Epstein [mailto:jeevacation@gmail.com]

Sent: Friday, June 07, 2013 2:59 PM

To: Kristofer Knutson

Subject:

im not sure why there is a municipal portfolio as he has nols

--

The information contained in this communication is confidential, may be attorney-client privileged, may constitute inside information, and is intended only for the use of the addressee. It is the property of Jeffrey Epstein

Unauthorized use, disclosure or copying of this communication or any part thereof is strictly prohibited and may be unlawful. If you have received this communication in error, please notify us immediately by return e-mail or by e-mail to jeevacation@gmail.com, and destroy this communication and all copies thereof, including all attachments. copyright -all rights reserved

This message is a private communication and is intended only for the named addressee. It may contain information which is confidential, proprietary and/or privileged under applicable law. If you are not the designated recipient, you may not review, copy or distribute this message. If you receive this message in error, please notify the sender by reply e-mail and delete this message from your system.

Thank you.