

From: Jeffrey Epstein <jeevacation@gmail.com>

To: Grace Reksten Skaugen <[REDACTED]>

Subject: Re: use this chart .

Date: Mon, 30 Sep 2013 12:23:54 +0000

I understand the question, the answer is dynamic. Lets assume from your question initial offering high coupons and low CANNOT be same quality. risk maturity, as posed by your question. in the period before maturity, the bonds will slide along different curves. as per my chart. therefore measured prior to maturity, it will depend on the proportion of the coupon to the increase. ex. if two days after the purchase interest rates were to go up. the lower coupon bond would drop down more in price and then the high coupon. Therefore the question of which is better, must be asked with a time component. ie after two weeks which portfolio seems to do better marked to market. however if held to maturity, the capital appreciation would make up for the lower temp price. and the yield to maturity, on both would still remain the same. a different combination of capital and interest. HOWEVER< by definition at the moment in time when you are measuring yield. if they are the same. their risk is also the same. just a different tax treatment for capital gain vs interest income. if you want to

On Mon, Sep 30, 2013 at 6:51 AM, Grace Reksten Skaugen <[REDACTED]> wrote:

Dear Jeff,

I think our friend Terje can now add to this many titles that he deals in bonds..

Firstly, thank you so much for having me to your beautiful house and for the ride to the airport! Much appreciated. I have to say that I have smiled many times at the thought of the tiger and the dog. Together they are very funny!

Bonds:

So thanks to you I now believe that my long standing (probably stupid) question will be answered.

Ref. your chart below:

My SIMPLE question is about this scenario:

- I have one million USD and you have one million USD and we both decide to buy a holding of bonds *with the same rating* (for the sake of argument)
- You buy bonds with a higher coupon, holding A
- I buy bonds with a lower coupon, holding B
- At the time of purchase holding A= holding B (USD 1m)

 Inline image 1

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