

**From:** Grace Reksten Skaugen <[REDACTED]>  
**To:** "jeevacation@gmail.com" <jeevacation@gmail.com>  
**CC:** Terje Røed Larsen ([REDACTED]) <[REDACTED]>  
**Subject:** VS: use this chart .  
**Date:** Mon, 30 Sep 2013 10:51:43 +0000  
**Attachments:** BondQuestionGrace.pdf  
**Inline-Images:** Screen\_Shot\_2013-09-29\_at\_5.00.17\_PM.png

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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)

The question:

IF the interest rate scenario going forward is pointing UP or DOWN, will those two holdings not have a different value - at a given later point in time - depending on the development of interest rates (your chart)?

So if I am very clever and guess correctly, I will prefer one holding before the other. Or, God forbid, if I KNOW the way rates will move.. (Your friend Larry had he gone down the other path?..) But theoretically there is no difference, and therefore they have the same price..

I think I am probably misunderstanding something here, but I am sure you will clarify it for me.

Best, Grace ☺

PS

The enclosed scan is from when I originally posed the question, as a summer student at NYU. Before you extinguish the validity of the question, I will in defense, say that my finance professor then did not have an answer. :-/ (Maybe she did not really listen?)

**Fra:** Terje Rod-Larsen [mailto:[REDACTED]]

**Sendt:** 30. september 2013 03:55

**Til:** [REDACTED]

**Emne:** Fw: use this chart .

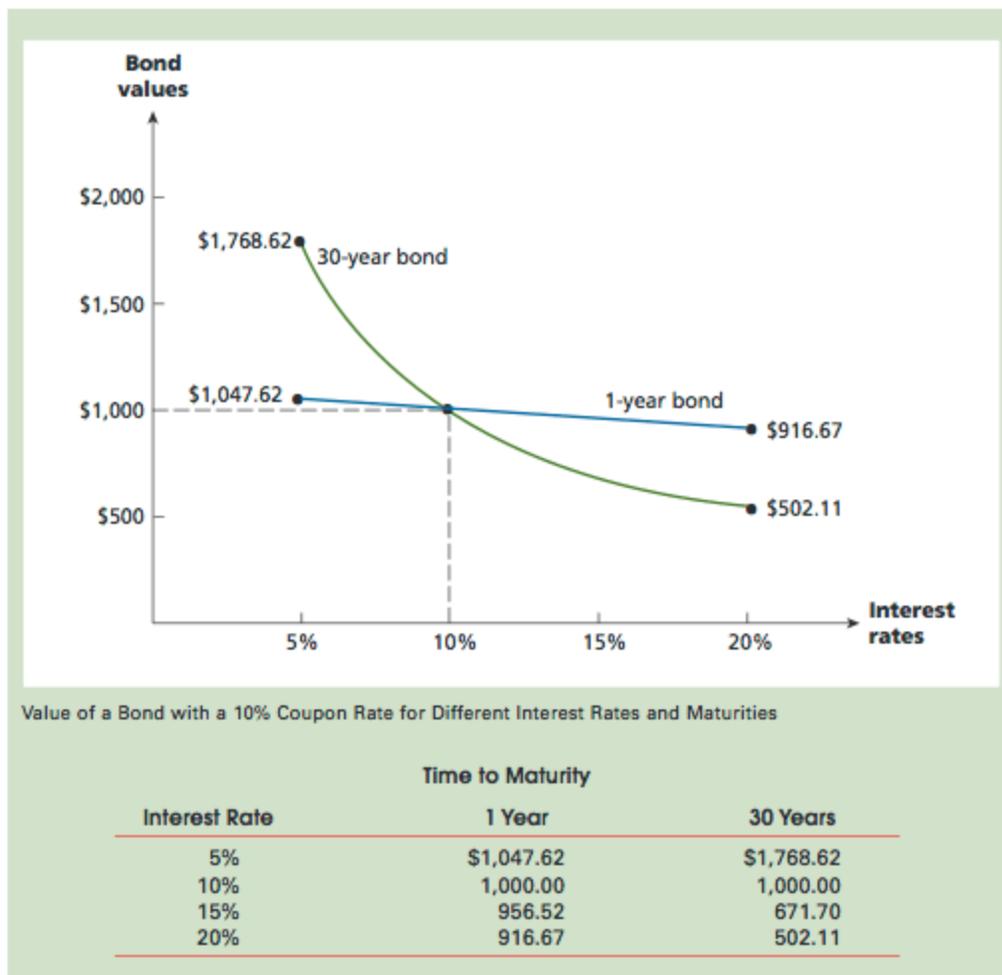
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**From:** Jeffrey Epstein [mailto:jeevacation@gmail.com]

**Sent:** Sunday, September 29, 2013 05:01 PM

**To:** Terje Rod-Larsen

**Subject:** use this chart .



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