

**From:** Vahe Stepanian <[REDACTED]>  
**To:** jeevacation@gmail.com, [REDACTED]  
**Cc:** Paul Morris <[REDACTED]>, [REDACTED], Nav Gupta  
<[REDACTED]>, [REDACTED]  
**Subject:** Loan Fund [C]  
**Date:** Thu, 10 Jul 2014 17:40:12 +0000  
**Inline-Images:** unnamed; unnamed(1); unnamed(2); unnamed(3); unnamed(4)

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Classification: Confidential

Jeffrey - following up on your conversation yesterday with Vinit. His team likes the below implementation of the loan deal.

Buy \$20mm (\$10mm with cash + \$10mm on margin) of the DWS Floating rate loan fund (Ticker: DFRTX) which is a \$3.3bn institutional class mutual fund investing in senior 1st lien collateralised loans. It is managed by Deutsche. The terms of the leverage (which we would require DB credit approval for) indicatively are 50% LTV at 3mL+125bp. The purpose is to lever your return.

We compared several funds and like this DWS fund in particular for the following reasons:

1. Performance - top third morningstar in 2008 when mkts tanked, 2009 when mkts recovered and 2010 when mkts went sideways. It currently yields just below 4% net of fees and has had an annualised yield over the past year of 3.5% to 4.25% depending on the NAV
2. Fees are middle of the pack at 82bp (range is 60-100bp)
3. Portfolio management team of two have 32y and 33y experience respectively. Both joined Deutsche in eight years ago. The key to performance is proper loan due diligence combined with market timing
4. Fund size is \$3.3bn. This is a huge benefit. Unlike some funds they don't have to buy every loan that is issued and instead can be highly selective
5. Both entry and exit are at close of business NAV. i.e. zero entry or exit transaction costs
6. Daily liquidity where some other funds are 30/60/90days. Even in 2008 when all credit markets tanked and became this fund maintained daily liquidity.
7. Credit rating of loans held is presently approx. 35% BB and 60% single-B which are fine while defaults are low
8. Monthly income (as coupon)
9. US based fund

BTW - US brokerage a/c margin lending regulations require that for the first 30days you'd need to put up the whole \$20mm and after that borrow \$10mm.

Please let us know if you have questions.

Thank you,  
Vahe



**Vahe Stepanian**  
Associate | Wealth Investment Coverage

Deutsche Bank Securities Inc.  
Deutsche Asset & Wealth Management  
345 Park Avenue - 26th Floor  
New York, NY 10154-0004  
Tel. [REDACTED]  
Fax [REDACTED]  
Mob [REDACTED]  
Email [REDACTED]

All trade execution information contained herein is being provided as an accommodation at your request in advance of your receipt of the official trade confirmation(s). Additional trade detail information available upon request. The terms of the trade(s) may be subject to change prior to settlement, and therefore the

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----- Forwarded by Nav Gupta/db/dbcom on 10/07/2014 17:08 -----

From: [REDACTED]  
To: jeevacation@gmail.com,  
Cc: [REDACTED]  
Date: 09/07/2014 14:41  
Subject: Re: Jeffrey - can we have a quick chat this am ? [C]

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Hi Jeffrey - looping in Nav and Paul. To recap:

We will find a few funds, which we think have best performance characteristic and best fees for u. Loan Funds better than single loans as u don't need to bother booking single loans and servicing them. If we do decide to go bespoke best to do it in stage 2.

just giving u broad characteristics of loan funds so that we are on the same page.

- 1) typical ratings for loans range between single B to BBB, the best loan funds concentrate on first lien collateralized senior loans
- 2) have daily NAV and MTM typically (to clarify these funds are not money market funds where price is par). Redemption liquidity ranges from daily to 90 days depending on fund.
- 3) spreads still around L + 3%-3.5%, duration close to zero as floating rate product.
- 4) size we are thinking is 10mm of cash from you, with 70% LTV so total size is 33mm levered right ?

Vinit



**Vinit Sahni**

Managing Director | Global Head - Professional Client Group & Key Client Partners Capital Markets Group

Deutsche Asset & Wealth Management  
105/108 Old Broad St (Pinners Hall),  
EC2N 1EN London, United Kingdom  
Tel. [REDACTED]  
Mob [REDACTED]  
Email [REDACTED]

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From: "Jeffrey E." <jeevacation@gmail.com>  
To: [REDACTED]  
Date: 09/07/2014 11:59  
Subject: Re: Jeffrey - can we have a quick chat this am ? [C]

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340 775 8111 now?

On Wed, Jul 9, 2014 at 6:49 AM, Vinit Sahni <[REDACTED]> wrote:  
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Best  
Vinit

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## Vinit Sahni

Managing Director | Global Head - Professional Client Group & Key Client Partners Capital Markets Group

Deutsche Asset & Wealth Management  
105/108 Old Broad St (Pinners Hall),  
EC2N 1EN London, United Kingdom  
Tel. [REDACTED]  
Mob [REDACTED]  
Email [REDACTED]

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