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Subject: Consider: \$10-15mm Total Return Swap on Cash Return On Capital Invested (CROCI), 3mL+85bps [C]

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Attachments: FINAL_I-34272-1_slimCROCI_12-31-13.pdf

Inline-Images: unnamed; unnamed(1); unnamed(2); unnamed(3)

Classification: Confidential

* * Prepared exclusively for Jeffrey Epstein, Key Client Partners (KCP) * * *

Jeffrey -

Globally you are seeing the rotation from high-beta, small cap and growth stocks into large-cap value. This is inline with your early call for us to pull out a concentrated five names. Entry point here.

Instead of those single stocks, consider a \$10-15mm total return swap on Cash Return On Capital Invested (CROCI) index. Specifically, the CROCI sub-index focused on dividend paying/dividend-growing US equities.

I've included my colleague, Joe Hall, who sits on the CROCI team and will gladly detail this stock-selection strategy with you directly at any point.

Full presentation is attached, a few key points here:

- Achieve benefits of active valuation for passive price
- **Bottoms-up valuation** - DB CROCI Analyst team (60 people globally) assess each company in it's global universe (800 stocks) from an Economic PE* perspective, adjusting balance sheets to reconcile operating cash flow across sectors for comparable stock-valuation
- **Quantitative selection** - stocks selected each month based on the lowest price-to-operating-earnings ratio, based on their valuation metrics (above)
- Stock universe is ex-financials
- Re-sets monthly
- Transparent - pull up the CROCI indices on Bloomberg for mark-to-market (ex: DBUSSDUT = CROCI US Dividends)
- Implementation can be customized via a separately managed account (SMA) of single stocks
- Tax-efficient, liquid, levered exposure can be achieved via total-return swap (TRS)
- 10 principal indices in the CROCI family: **US, UK, Japan, Germany, Euro, World, World Ex-Japan, Sectors III, Global Dividends and US Dividends**
- CROCI Dividends targets companies with sustainable dividends AND attractive valuations (performance below and p 7 of the attached)

Long only - TRS on CROCI US Dividends (DBUSSDUT):

Underlying: CROCI Div (DBUSSDUT)

Client Pays: 3mLibor + 0.85% [REDACTED], x Notional compounded quarterly

Client Rcvs: Notional x [Final/Initial - 1]

Initial Margin: 20%

Long/short US Only - Long CROCI US Dividends vs. Short S&P 500 (two swaps):

Underlying: CROCI Div (DBUSSDUT) and S&P 500 (SPTR)

Client Pays: [SPTR Perf - (3mLibor + 0.20%)] x Notional

Client Rcv: [DBUSSDUT Perf - (3mLibor + 0.80%)] x Notional

Initial Margin: 20%

Index Perf = [(Final/Initial - 1)]

Indicative levels as of 4/8/14. Source: DB GM Equity Derivatives.

* (Enterprise Value/Net Capital Invested)/(Cash Return on Capital Invested)

5-Year History of CROCI US DIVIDENDS vs. S&P 500 Index (source: Bloomberg, as of close 4/7/14)



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Index performance since live date vs. benchmark indices as of 1/31/14



| CROCI Index | Benchmark index | Index live date ¹ | Cumulative growth | Compounded annual growth | Excess annualised return ² |
|----------------------|--|------------------------------|-------------------|--------------------------|---------------------------------------|
| US | S&P 500 Index TR | 2/1/04 | 151.4% | 9.7% | 2.9% |
| Euro | EuroSTOXX 50 TR | 2/1/04 | 102.6% | 7.3% | 3.7% |
| Japan | TOPIX 100 TR | 2/1/04 | 42.7% | 3.6% | 1.4% |
| World USD | MSCI World USD Net TR Index | 11/25/10 | 47.9% | 13.1% | 2.0% |
| Sectors III USD | MSCI World USD Net TR Index | 3/31/05 | 184.8% | 12.6% | 6.6% |
| Germany | DAX Index | 7/29/05 | 123.2% | 9.9% | 2.0% |
| UK | FTSE 100 TR Index | 2/1/07 | 92.5% | 9.8% | 5.5% |
| World ex Japan | MSCI Kokusai Net USD Index | 8/31/10 | 78.0% | 18.3% | 3.2% |
| Global Dividends USD | MSCI World HDY Net USD Index | 3/15/12 | 28.7% | 14.3% | 1.7% |
| US Dividends Net | S&P High Yield Dividend Aristocrats TR Index | 5/28/12 | 43.6% | 24.0% | 3.7% |

Source: Deutsche Bank and Bloomberg as of 1/31/14. Performance is historical and does not guarantee future results. Indices are sponsored by DB AG London. Performance information for indices was not calculated by an independent calculation agent. Index returns assume reinvestment of dividends and do not reflect any fees or expenses. It is not possible to invest directly in an index. This performance is not representative of the performance any DIMA investment strategy or mandate. This represents performance of the CROCI indices. DIMA is not a party to the management or publication of these indices. While DIMA expects to manage investment strategies based on CROCI and these indices, this is not intended to represent that activity. Performance of the indices do not take into account the effect of management fees and other transaction costs associated with the management of a separate account strategy implementing the CROCI valuation process. These fees and expenses will reduce an investor's overall return.

¹ Index live date refers to the first date that CROCI levels were calculated on a live basis (i.e., not backtested).

² Excess annualized return is the difference in the compounded annual growth rate (CAGR) for a particular index and that of its benchmark.



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