

**From:** Tazia Smith <[REDACTED]>

**To:** jeevacation@gmail.com

**Cc:** [REDACTED], Paul Morris <[REDACTED]>, Vahe Stepanian <[REDACTED]>, Vinit Sahni <[REDACTED]>, Nav Gupta <[REDACTED]>

**Subject:** Fw: Consider: \$10-15mm Total Return Swap on Cash Return On Capital Invested (CROCI), 3mL+85bps or relative value TRS vs S&P... [C]

**Date:** Thu, 15 May 2014 19:51:48 +0000

**Attachments:** FINAL\_I-34272-1\_slimCROCI\_12-31-13.pdf

**Inline-Images:** unnamed; unnamed(1); unnamed(2); unnamed(3); unnamed(4); unnamed(5); unnamed(6)

---

Classification: Confidential

Jeffrey -

Our global colleagues are re-highlighting the CROCI solution at current levels and/or for outperformance in this rotational environment. sending their commentary and resending implementation solutions here (full detail if you scroll down):

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% [REDACTED])] x Notional

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

Initial Margin: 20%

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

Indicative levels. Source: DB GM Equity Derivatives.

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

----- Forwarded by Tazia Smith/db/dbcom on 05/15/2014 03:28 PM -----

From: Pierluigi Amicarella/db/swiss/dbcom@dbcom

To: [REDACTED], [REDACTED], [REDACTED]

Date: 05/15/2014 06:24 AM

Subject: Bond Yields and DB Dividend Strategies [!]

---

Classification: For internal use only

Ciao

as bond yields are still going down (US 10Y to the lowest YTD (chart 1) and bunds to the lowest in 12mths (Chart 2)) we could see further inflows in favour of "income" strategies in the equity space. Dividends could come back again as a theme to play in this "anaemic" market for returns.

A part from **CROCI DIVIDEND** strategies (the core for an asset allocation in dividend stocks via dynamic strategies), here are a few DB custom synthetic baskets that are investing in "dividend" related stocks (static baskets):

EFTA01202453

**DBCDD3N**      Dependable Dividends  
**DBCTDGYN**    Dividend Growth, high yield  
**DBCTUQDN**    UK Quality Dividend  
**DBUSDIVG**    US Dividend Growth

You can invest in the baskets easily via delta 1 certificates.

You can find the constituents on bloomberg (page DBCU) or ask me if you need.

**Chart 1: US 10Y**



**Chart 2: Bunds**



Kind regards,  
Pierluigi Amicarella



Pierluigi Amicarella

Deutsche Bank (Suisse) SA  
Key Client Partner  
Prime Tower Hardstrasse 201, 8005 Zurich, Switzerland  
Tel. [REDACTED]  
Fax [REDACTED]  
Mobile +41 791202631  
Email [REDACTED]

The proposed ideas are being delivered to you by the DBS Key Client Partners ("KCP") EMEA Switzerland desk on your request for discussion purposes only and strictly on a non advisory basis. The proposed ideas do not create any legally binding obligation on the part of Deutsche Bank AG and / or its affiliates ("DB"). These ideas are for the consideration of the intended recipients of this mail only.

NOTE: The KCP EMEA Switzerland desk does not provide investment advice. All intended recipients are sophisticated, qualified investors within the meaning of the Swiss Collective Investment Schemes Act of June 23, 2006 (CISA) and MIFID professionals who understand the strategy, characteristics and risks associated with the ideas proposed herein and will be able to evaluate it independently.

The products mentioned in this presentation may not be registered with the Swiss Financial Market Supervisory Authority (FINMA), and therefore, not supervised by the FINMA. As a result, you cannot claim any protection for unregistered products under the CISA. No assurance can be given that the objectives of the mentioned products/services will be achieved. Moreover, a decision to invest in the mentioned products may have accounting, tax, legal and other implications. Therefore, you should discuss and review the content of this document and the offering documentation of the mentioned products with your own advisors and/or counsel, and conduct your own investigation to independently determine the suitability and consequences of such investments on your own financial circumstances prior to any decision. This document is confidential and personal to you and is being presented for informational and discussion purposes only. Any reproduction and/or redistribution thereof, in whole or in part, and any disclosure of its content without our consent is strictly forbidden.

All trades on proposed ideas shall be subject to the relevant internal approvals prior to execution.

----- Forwarded by Tazia Smith/db/dbcom on 05/15/2014 03:27 PM -----

From: Tazia Smith/db/dbcom  
To: jeevacation@gmail.com,  
Cc: Joe Hall/db/dbcom@DBAMERICAS, [REDACTED], [REDACTED], Paul Morris, Vahe Stepanian/db/dbcom@DBAmericas, Vinit Sahni/db/dbcom@DBEMEA, Nav Gupta/db/dbcom@DBEMEA  
Date: 04/08/2014 01:42 PM  
Subject: Consider: \$10-15mm Total Return Swap on Cash Return On Capital Invested (CROCI), 3mL+85bps [C]

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

EFTA01202455

- **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% ████, x Notional compounded quarterly  
 Client Rcv: 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)



Used with permission of Bloomberg Finance LP

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



CROCI Index	Benchmark index	Index live date <sup>1</sup>	Cumulative growth	Compounded annual growth	Excess annualised return <sup>2</sup>
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.

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

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



Tazia Smith

Director | Key Client Partners - US

DB Securities Inc  
 Deutsche Asset & Wealth Management  
 345 Park Avenue, 10154-0004 New York, NY, USA  
 Tel. [REDACTED]  
 Fax [REDACTED]  
 Mobile [REDACTED]  
 Email [REDACTED]

*Passion to Perform*

---  
 This communication may contain confidential and/or privileged information. If you are not the intended recipient (or have received this communication in error) please notify the sender immediately and destroy this communication. Any unauthorized copying, disclosure or distribution of the material in this communication is strictly forbidden.

Deutsche Bank does not render legal or tax advice, and the information contained in this communication should not be regarded as such.