

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% p.a., 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% p.a.)] x Notional  
Client Rcvs: [DBUSSDUT Perf - (3mLibor + 0.80% p.a.)] 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 Inedex (source: Bloomberg, as of close 4/7/14)  
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(See attached file: FINAL I-34272-1 slimCROCI 12-31-13.pdf)

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Tazia Smith