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Sent: 7/10/2014 1:40:12 PM
To: jeevacation@gmail.com; [REDACTED]
CC: Paul Morris [REDACTED]
Subject: Loan Fund [C]
Attachments: pic30662.gif; pic29943.gif; pic11187.gif; pic09474.gif; pic10048.gif

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

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