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**From:** Lesley Groff [REDACTED]  
**Sent:** Thursday, February 6, 2014 5:04 PM  
**To:** Jeffrey Epstein  
**Subject:** Fwd: ATorus - Daily Portfolio Report - 2/5  
**Attachments:** Atorus\_BacktestNAV\_020514.pdf; Untitled attachment 00446.htm

Begin forwarded message:

From: Michael Fowler =[REDACTED]  
Subject: =/b>ATorus - Daily Portfolio Report - =/5

Date: February 6, 2014 12:02:25 PM EST

To: Lesley Groff [REDACTED]

Lesley,  
=nbsp; Please see attache Daily Portfolio Report for =/5.

Daily =ommentary:

We added two =dditional metrics in the report. Firstly, we broke down the number of =ndividual names long and short by category, instead of just net and =ross exposure by category. In times of potential broad market =nflexion points, you will see our number of individual shorts increase =rior to our net exposures changing materially. This is a result of the =ay we position size and then leverage the winners, rather than =targeting a specific net exposure level. We let the market's trajectory =ictate our exposures, when we are experiencing positive MTM =ains.

Secondly, we displayed our P/L per position in what =e call "vol days." To us the notion of looking at the MTM gains =djusted for the realized volatility (recalculated daily), determines =hat part of the gains are significant and what is random oscillations. =eparating the signal from the noise, if you will. Our key insight in =ow the distribution of the exponents of how volatility can scale =eriod/period being nearly constant, allows us to determine the =robability of actually monetizing the current gains. For example, given =hat the 99th percentile of the distribution of the exponents is 3, any =ain of less than 6 vol days is, in our mind, statistical noise. In =ther words, if the entry and exit days were both 3X vol day moves, the =ensitivity to entry and exit days (2 periods @ 3X vol days) would =epresent a large amount of the total return. We can not forecast the =recise amount of volatility at the next day, but we do know with =ertainty the range of outcomes. In summary, any MTM gains in excess of =0 vol days have a high probability of monetization. The higher the gain =n vol days is proportional to the percentage realized of peak =TM.

Lastly, given our strategy of leveraging winners and =ever adding to losers, the Percentile Distribution of Current MTM =ains in Vol Days will naturally show an asymmetry to the =positive side.

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Best regards,

Michael J. Fowler

[REDACTED]=ntl. Mobile

Work Email - [REDACTED]

Trading Desk Email - [REDACTED]

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