
From: [REDACTED]
Sent: Wednesday, February 5, 2014 6:31 PM
To: Jeffrey Epstein
Subject: Fwd: ATorus - Daily Portfolio Report - 2/3 & 2/4
Attachments: Atorus_BacktestNAV_020314.pdf; Untitled attachment 00509.htm;
Atorus_BacktestNAV_020414.pdf; Untitled attachment 00512.htm

Sent from my iPhone

Begin forwarded message:

From: Michael Fowler [REDACTED]
Date: February 5, 2014, 1:26:38 PM EST
To: [REDACTED]
Subject: ATorus - Daily Portfolio Report - 2/3 & 2/4

[REDACTED]
I've attached Daily Portfolio Report for 2/3/14 and 2/4/14. Also, below is a short daily commentary.

Daily Commentary:

"Always Catching the Big Move"

Inherent to the foundation of the strategy, is the ability to get generate positive absolute returns in significant market declines (where many years of gains can be eliminated in short order). We consistently say "we are not worried about catching the big move in either direction." A case in point is the current short position in OGXP3 BZ Equity. In this case, we received a short signal on April 2012 at 4.45. The price has subsequently fallen to 0.11. During this period we added to the position, as to leverage the winners. To the extent broad markets were to experience a move similar to the decline in OGXP3 BZ, the fund would generate returns similar to those experienced in that position.

"Impact of Correlation, Vol, & Leverage on NAV"

We have what we believe is a unique dynamic approach in managing correlation and volatility (position sizing & global universe opportunity set), wherein we do not over manage and thereby severely reduce absolute returns. Yet varying correlations and realized volatility are states of the system/market and are out of our control in terms of effecting them. We can only manage them prudently.

"You want a valve that doesn't leak and you try everything to develop one, but the real world provides you with a leaky valve. You have to determine how much leaking you can tolerate" - Arthur Rudolph, scientist who developed first Saturn 5 rocket for Apollo mission

Specifically, in periods of significant consistent directionality (in other words a lot of correlation) our daily volatility will increase, but with right way risk. Since we leverage winners when experiencing +MTM gains, naturally our daily vol increases at potential inflection points. Longer term correlations do not spike to 1 or -1 in short intervals as the required variance would have to be multiples of the total variance. The correlations we measure (in units of time) are proportional to our targeted return profile, which as we've noted previously, occur over longer term intervals of time. With our broad universe of securities, which reduces correlation, we mitigate the potential of all our respective positions receiving the same trade signals at the same. Naturally, some securities will receive an opposing signal, and our net exposures will be reduced. Yet changes in our net exposure oscillating between short or long occurs infrequently (8 times since 1995).

Best Regards,

Michael J. Fowler

[REDACTED] Intl. Mobile

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