
From: Lesley Groff <[REDACTED]>
Sent: Wednesday, February 12, 2014 4:13 AM
To: Jeffrey Epstein
Subject: Fwd: ATours - Daily Portfolio Report 2/7 & 2/10
Attachments: Atorus_BacktestNAV_021014.pdf; Untitled attachment 00096.htm;
Atorus_BacktestNAV_020714.pdf; Untitled attachment 00099.htm

Sent from my iPhone

Begin forwarded message:

From: Michael Fowler <[REDACTED]> <[REDACTED]>
Date: February 11, 2014, 7:54:25 PM EST
To: Lesley Groff <[REDACTED]> <mailto:[REDACTED]>
Subject: ATours - Daily Portfolio Report 2/7 & 2/10

Lesley,
Please see attached Daily Portfolio Reports for 2/7 & 2/10.

Daily Commentary:

"The Shape Factor and Median of the CDF of Vol Day Returns in the Opportunity Set"

The main driver of returns of the strategy, at any one moment in time, is conditional on the gradient (the shape factor) and the median value of the cumulative distribution function of the absolute vol day returns of the universe of securities measured over an interval of time in excess of 6-months. The higher the median value and the larger gradient the greater the returns will be.

While we do not have control of the CDF and is dynamic, we have attempted to ensure as much stability in the CDF as possible. This is driven by the characteristics of the opportunity set. Namely, having a constant method for determining the universe of names and having 100s of positions to trade allows us to impose some stability to the distribution. This would be contrast to having less individual positions, having the majority of the portfolio in one sector, asset class, etc., or having an inherent bias to any factor model, which would make the CDF much more volatile over time. Put another way, we use the randomness to make the distribution more stable. Overall this increases the Sharpe ratio and reduces volatility over time, in comparison to the alternative.

Ultimately the CDF is driven by the market itself. There will be periods where the shape factor and the median value are both large, and there will periods where both values are lower. Yet, in the latter case we believe the position sizing and keeping losses small disciplines mitigate NAV downside. We would also challenge the notion that the shape factor and median value would degrade to an extreme low value. Natural uncertainty in the future negates the ability for the system to reach a steady state.

"What's Noise? What's Significant?"

We added in an additional metric that shows the portions of the portfolio's NAV that is "noise" and "significant." As we discussed in the email of February 6th, gains/losses of 7 vol days or less are random oscillations (the "noise"). We feel important to show this metric, as if the portfolio were experiencing gains, but the super majority of returns were driven by the "noise" we could caution reading into anything of the results. It is the opposite in the case where the majority of the gains are "significant," with obviously the greater the average the increased probability of monetizing the gains.

Best Regards,

Michael J. Fowler
Partner/CIO

[REDACTED] - Intl. Mobile

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