
From: Lesley Groff [REDACTED]>
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To: Jeffrey Epstein
Subject: Fwd: ATorus Daily Portfolio Report 3/4 & 3/5
Attachments: Atorus_BacktestNAV_030514.pdf; Untitled attachment 00078.htm; Atorus_BacktestNAV_030414.pdf; Untitled attachment 00081.htm

For example, as at March 3rd while market commentators and headlines point to events around Ukraine to explain the drop, we are frankly agnostic to the cause given our assumption that market price is an outcome of overlapping sets of probabilities associated with events, assumptions, problems, and opportunities. Therefore, trying to analyze the reasons and be correct consistently is a Herculean task of dubious outcome.

We point out the Cuban Missile Crisis as a case in point. In this period, there were no instances of exceeding our typical volatility. This is quite surprising to us, as one would think that if the world had even a 1% chance to end significantly above the stochastic probability) the market vol would potentially behave "unconditionally." It didn't, and we confess to not know why.

We are well aware of what we don't know. We assume, and it is an assumption, that the distribution of vol scaling exponents is rather constant and coupled with our risk parameters and timing model mitigates the impact of these errors in the aggregate.

Furthermore, if the change in volatility persists you can be sure that our risk levers (timing, position sizing, directionality etc.) adjust accordingly. Not at the immediate moment of the change (we never get the top or the bottom), but in reasonable time such that we consistently generate a solid IRR.

March 3rd was for some markets (Germany specifically), an unusually large move given current level of realized vol. While many of those securities gave back some MTM gains, by design we did not over react in anyway nor doubt our methodology. We hope the above explains why.

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Best Regards,

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