From: Lesley Groff <[redacted]>
Sent: Thursday, March 6, 2014 5:38 PM
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 =arch 3rd while market commentators and headlines point to events around =kraine to explain the drop, we are frankly agnostic to the cause given =ur assumption that market price is an outcome of overlapping sets of =robabilities associated with events, assumptions, problems, and =pportunities. Therefore, trying to analyze the reasons and be correct =onsistently is a Herculean task of dubious outcome.

We point out the =uban Missile Crisis as a case in point. In this period, there were no =nstances of exceeding our typical volatility. This is quite surprising =o 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 =otentially behave "unconditionally." It didn't, and we confess to not =now why.

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

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

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

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Best Regards,

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