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7-13-2007

### **Bear Stearns Email Kerr to Dibari re High Grade Enhanced Leverage Q and A**

Evan Kerr

William A. Best III

<https://elischolar.library.yale.edu/ypfs-documents/4194>

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• From: Kerr, Evan (Exchange)  
Sent: Wednesday, June 13, 2007 5:49 PM  
To: Dibari, Lynda (Exchange)  
Subject: Fw: Emailing: High Grade – Enhanced Leverage Q&A June 13, 2007 (watermark and Malloy contact).pdf

Attachments: High Grade – Enhanced Leverage Q&A June 13, 2007 (watermark and Malloy contact).pdf

This must have taken 3 months to create.

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Evan Kerr  
Managing Director  
Bear Stearns Asset Management  
237 Park Avenue  
New York, NY 10017  
(212) 272 - 8225 phone  
(917) 849 - 1647 fax  
ekerr@bear.com

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-----Original Message-----

From: Best, Bill (Exchange)  
To: #BSAM Sales  
Sent: Wed Jun 13 17:45:51 2007  
Subject: FW: Emailing: High Grade – Enhanced Leverage Q&A June 13, 2007 (watermark and Malloy contact).pdf

<<High Grade – Enhanced Leverage Q&A June 13, 2007 (watermark and Malloy contact).pdf>> <<High Grade – Enhanced Leverage Q&A June 13, 2007 (watermark and Malloy contact).pdf>> Hi all-

One of the questions that has arisen often over the last few days relates to the sub-prime exposure of our High Grade Enhanced Leverage Fund.

Please find attached an approved answer to that question.

Best,

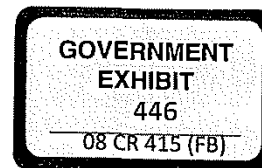
Bill

William A. Best III  
Senior Managing Director  
Bear Stearns Asset Management  
237 Park Avenue  
New York, New York 10017  
bbest@bear.com  
Office: 212-272-6794  
Cell: 917-528-1969

-----Original Message-----

From: Tepper, Eric (Exchange)

1645760



BS-SEC2248163

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Sent: Wednesday, June 13, 2007 5:13 PM  
To: Best, Bill (Exchange)  
Subject: Emailing: High Grade -- Enhanced Leverage Q&A June 13, 2007 (watermark and Malloy contact).pdf

1645760

BS-SEC2248164

SEC\_ENF\_FCIC\_020996

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High Grade – Enhanced Leverage Q&A  
June 13, 2007

Question: "I thought I was invested in a "high grade fund" but it sounds now like the fund (s) may have invested a fair amount of its assets in sub-prime mortgages".

Enhanced Leveraged

Answer: As of May, 31, 2007, over 90% of the High Grade Structured Credit Strategies Enhanced Leverage Fund's assets are invested in securities rated AAA and AA. Much of the underlying collateral supporting these AAA and AA securities consists of sub-prime mortgages. Hence, although over 90% of the securities in the fund are AAA and AA rated, these securities are backed in part by sub prime collateral, thus the press has referred to this portfolio as a sub prime fund. Based upon our portfolio managements' analysis, the percentage of underlying collateral in our investment grade structures collateralized by "sub-prime" mortgages is approximately 60%.

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If you have any questions, please call Heather Malloy 8-383-3225.