Hedging Real Estate Risk

Down Securities hedge Real Estate exposure

duETS
DOWN/UP EQUITY TRUST SECURITIES

duETS Downs Inversely Correlated to Commercial Real Estate Values

- US Commercial Property Down securities hedge commercial real estate risk in mortgages and REO
- US Commercial Property Downs have negligible counterparty risk
- duETS are backed by Treasuries and will reduce portfolio risk

What are NCREIF NPI duETS and How do they Work?

- NCREIF NPI duETS, short for Down/Up Equity Trust Securities, are synthetic securities tied to the National Council of Real Estate Investment Fiduciaries (NCREIF). The Up and Down securities are issued (created) as a pair, and there must be an Up and Down security of equal number for a creation to occur. Both the Downs and Ups are fully funded so there is no counterparty risk. Market demand determines the prices of the Up and Down securities in the secondary market.

- At Valuation Dates, which occur once every 2 years for the current series, investors can cash out of their securities at a price determined by the change in the value of the broad market. The current Up securities are designed to yield a 2.5X multiplier to the return stream, while the Down securities yield a 10X multiplier.

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