Commercial Real Estate (CRE) Mortgage Portfolio Managers can quickly and easily adjust their risk exposure to Commercial Real Estate Mortgages in line with anticipated market downturns.

duETS

DOWN/UP EQUITY TRUST SECURITIES

Real Estate Markets are cyclical by nature; neither regular nor predictable. Your Real Estate Portfolio doesn't have to be.

Hedging Commercial Mortgages in an Overall Investment Strategy?

Market Situation:

While the headlines during the financial crisis were about the problems in the residential real estate market, there was a parallel in commercial real estate (CRE). The value of CRE declined and some properties were valued at less than the mortgage on the property. Holders of these mortgages were negatively impacted by the decline. How can you hedge this risk?

Investment Problem:

Insurance companies and other institutional investors are traditional lenders to purchasers of CRE in the US. During the financial crisis, their portfolios were affected by the decline in CRE property values. How do lenders and holders of CRE mortgage portfolios manage risk from a declining market?

Investment Solution:

Owners of commercial mortgages can hedge the equity risk in their portfolios including duETS US Commercial Property 2X Down Shares into their portfolios. A 2X-Multipler at par value of securities reduces the cost of hedging and capital; enhances the effectiveness of the product. Having this hedge in place would ease the investment pain in the event of the next real estate financial crisis, while not incurring counterparty risks.

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