

duETS

DOWN. UP. EQUITY. TRUST. SECURITIES

Expanding the Toolbox for Real Estate Investing

DUETS US COMMERCIAL PROPERTY

Sponsored by

 **GLOBAL INDEX GROUP**

Executive summary

- Real Estate is one of the world's largest asset classes with an important role in diversified investment portfolios
- Real Estate is relatively Illiquid with historically limited risk management tools for Investors compared to other asset classes
 - REITs are excellent alternative investment vehicles but only cover a small percentage of the total value of real estate in the US
 - Including private real estate equity in portfolios is very difficult
 - To date there has been no successful tool for hedging
 - Existing financial tools are designed for more liquid markets (stocks and bonds)
- The duETS design allows investors to effectively and efficiently access private real estate exposure
- GIG designed duETS, to work with the leading private real estate indexes used by institutional investors as a measurement of performance

What are duETS US Commercial Property?

duETS are private equity synthetics in the form of fully funded securities linked to the NCREIF NPI Market Value Index (MVI)

duETS consist of two classes of securities:

- **Down** securities and **Up** securities – issued simultaneously at creation
- A multiplier of 2x the index value when purchased at par
- Securities issued with maturities of two calendar years (e.g. 2017-2018)

duETS manage exposure to core US real estate – an illiquid and infrequently traded market – without having to transact in the underlying assets

At Valuation Dates:

- Value of Down security + Value of Up security = NAV of duETS series trust
- Gains in Down securities are mirrored by losses in Up (and vice versa)
- Valuation occurs at the end of each 2 calendar-year period

duETS are sponsored by Global Index Group (GIG)

- Senior team with 60+ years of combined industry and indexing experience
- GIG has designed a new patent-pending structure for duETS



Index	NCREIF MVI
Index measures	Change in value of U.S. commercial real estate
Publication frequency	Quarterly
Index continuously published since	1977
Index methodology	Appraisals and repeat sales
duETS Valuation dates	Every two calendar years
Index Provider	NCREIF is the most used benchmark provider for U.S. institutional real estate
Index Measures	\$500 billion of asset value 35,000 properties

Global Index Group

The senior executive team of Global Index Group has more than 60 years of combined financial industry experience, with leadership in developing new indexing concepts



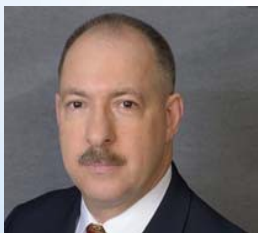
Kelly Haughton, President and CEO

- 30 years of indexing experience
- Created the Russell 2000 and other Russell Indexes
- Formerly Director of Russell Investments' Institutional Client Service
- Member of the Index Hall of Fame



Paul Starkey, Managing Principal

- A driving force behind the global index services firm Indxis (acquired by NASDAQ, 2012)
- Managing Director of Global Strategy for Mergent Inc.
- Managing Director of Kenetic Information Systems Services Ltd.



Rui M. Moura, Managing Principal

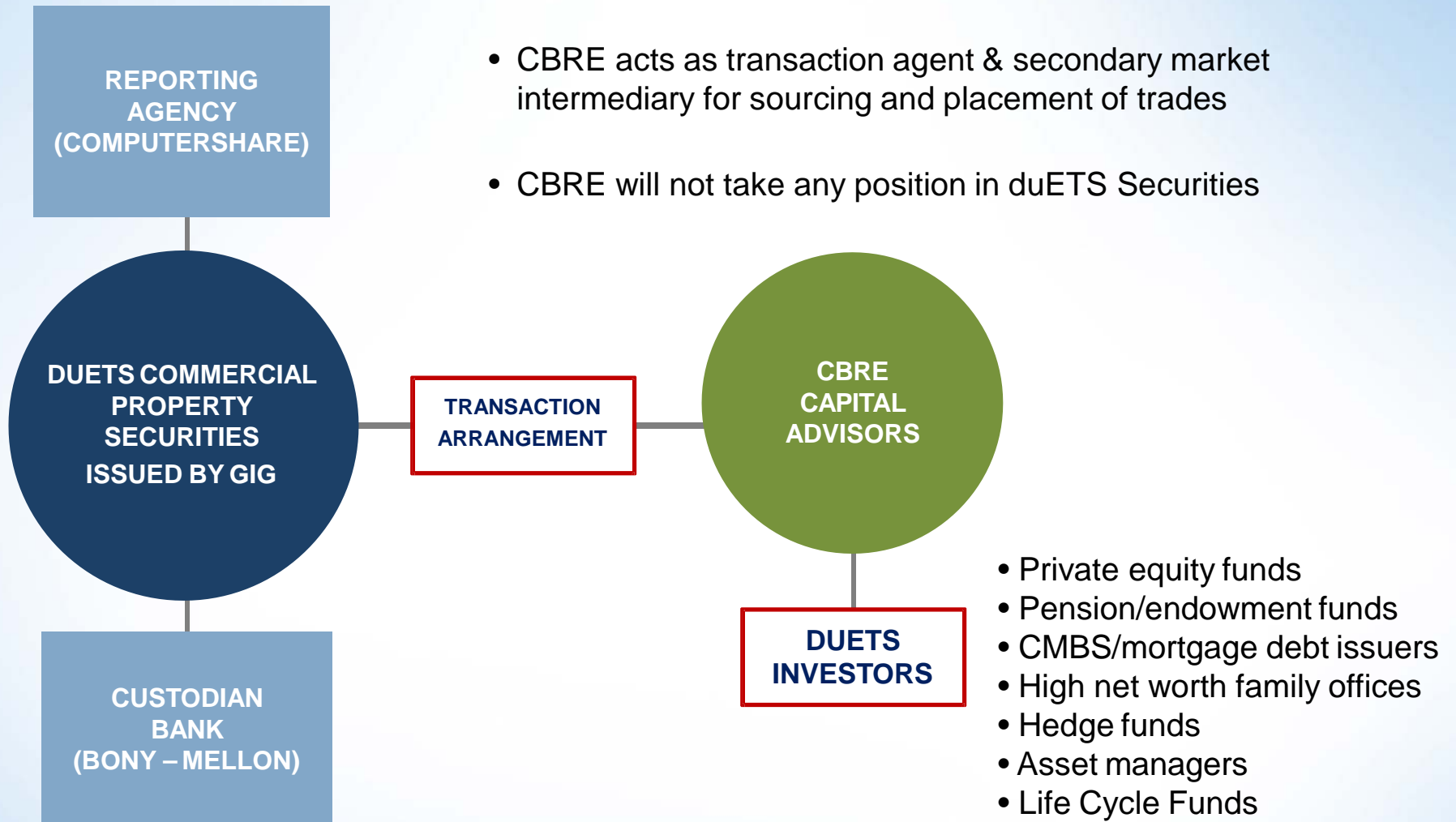
- 25 years in the financial services industry
- Co- Founder and General Manager at Funds Distributor Inc.
- Former Managing Director of Global Corporate Marketing for Russell Investments
- Former Commanding Officer and 23 years veteran of the U.S. Marine Corps and Reserve

Benefits of Investing in Real Estate duETS

duETS give U.S. real estate investors more options and flexibility

- Compared to owning physical or other forms of indirect real estate, duETS offer:
 - Increased liquidity features of a tradable security
 - Improved timing and flexibility
 - Reduced cost of ownership: 50-85 bps annual fund management fee *(based on the invested amount)*
 - Secondary market-trading capability – every security has a CUSIP
- A 2X multiplier when purchased at par value
- Minimal counterparty risk – structured as a security
 - Assets held by custodial bank in the form of short term duration U.S. Treasuries (T-bills/notes)
 - Treasury income is included in duETS NAV (offsetting fees)
- Unique hedging opportunities utilizing Down securities
- Option to roll over securities efficiently to the next series (next two calendar years)
 - Potential to minimize/delay tax impact
- Cross-border marketing: duETS are not subject to FIRPTA (for foreign non-pensions)
- duETS do not have mark-to-market features of futures contracts (full funded; no margin requirements)

CBRE's Role



CBRE's Role

- CBRE is the exclusive broker-agent matching buyers and sellers
- With significant experience in developing alternative real estate investment products, CBRE is uniquely positioned to represent duETS to the marketplace
 - Created and successfully transacted over \$20 billion in global alternative investments
 - Connected to the target investor audience (pensions, endowments, asset managers etc.)
 - Deep solution toolbox to meet clients' needs
 - Cross-border marketing: International distribution

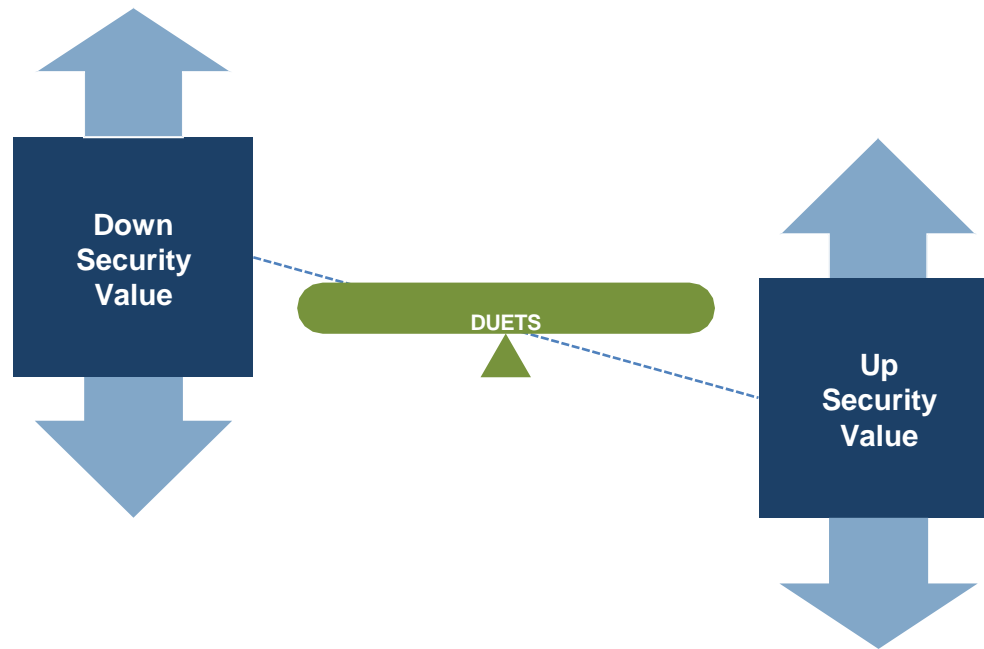
CBRE will:

- Arrange for new unit creations, as warranted by demand
- Facilitate rollovers at the end of each two-year valuation period
- Source secondary pricing to enable existing shareholders to sell holdings
- Handle product pricing inquiries including mark-to-market valuations
- Continue to act as institutional broker-agent after duETS' expected public market launch

GIG, the custodian and the reporting agency will handle trade administration/reporting

duETS Creation Process

- Prices are driven by supply and demand for each security, at creation and throughout securities' life
- Simple product construction (calendar years) enables easy continuous value comparison
- Analytics firms will provide valuation metrics
- The process provides broker-agents a book of non-executed bid/offers, enabling efficient secondary market pricing

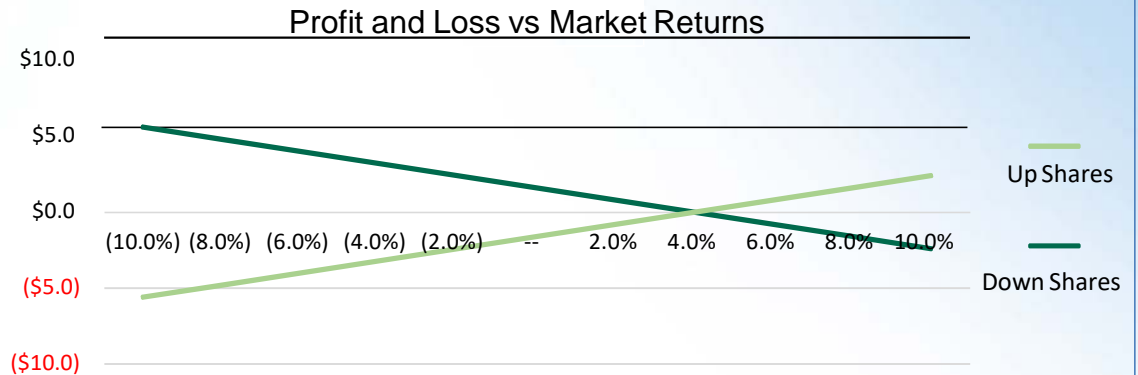


If demand is strong for Up securities, it creates an undervaluation and buying opportunity in the Down securities – and visa versa

Pricing and Return Matrix

Price matrix example for duETS transacted at implied index appreciation rate of 4% to maturity

NCREIF NPI Capital Appreciation	
Current Trust NAV	\$40.00
Implied Growth	4.0%
Down Shares Purchase Price	\$18.40
Up Shares Purchase Price	\$21.60
Measurement Period	Cal 2017-2018
Valuation Date	1/25/2019



Realized Growth Rate	Index Value of Securites		\$ Profit / Loss		% Profit / Loss	
	Down Shares	Up Shares	Down Shares	Up Shares	Down Shares	Up Shares
(10.0%)	\$24.00	\$16.00	\$5.60	(\$5.60)	30.4%	(25.9%)
(8.0%)	\$23.20	\$16.80	\$4.80	(\$4.80)	26.1%	(22.2%)
(6.0%)	\$22.40	\$17.60	\$4.00	(\$4.00)	21.7%	(18.5%)
(4.0%)	\$21.60	\$18.40	\$3.20	(\$3.20)	17.4%	(14.8%)
(2.0%)	\$20.80	\$19.20	\$2.40	(\$2.40)	13.0%	(11.1%)
--	\$20.00	\$20.00	\$1.60	(\$1.60)	8.7%	(7.4%)
2.0%	\$19.20	\$20.80	\$0.80	(\$0.80)	4.3%	(3.7%)
4.0%	\$18.40	\$21.60	Breakeven	Breakeven	Breakeven	Breakeven
6.0%	\$17.60	\$22.40	(\$0.80)	\$0.80	(4.3%)	3.7%
8.0%	\$16.80	\$23.20	(\$1.60)	\$1.60	(8.7%)	7.4%
10.0%	\$16.00	\$24.00	(\$2.40)	\$2.40	(13.0%)	11.1%

Market Liquidity

- duETS may be traded by (QIBs) per Rule 144A and certain Offshore Investors per Regulation S
- All trades are reported to ComputerShare, enhancing transparency
- Each class of securities is assigned a separate CUSIP
- The Trust is open-end; each series can create or redeem securities to meet market demand
- Secondary transactions are between buyers and seller of duETS Ups, or between buyers and sellers of duETS Downs, but not between Ups and Downs at the same time (this would be a create)

To create new securities,
participants exchange
cash for baskets
of securities

To redeem securities,
participants exchange
baskets of securities
for cash

The cash/securities exchange rate is based on Net Asset Value (NAV)

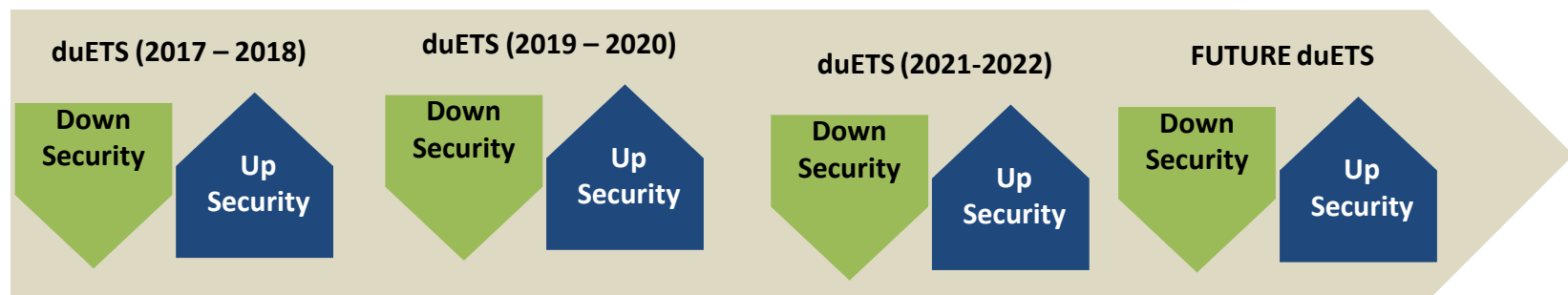
Basket of Securities

5,000 Down

5,000 Up

duETS US Commercial Property Series

Issued in pairs every calendar year with 2-year Valuation Period



Summary / Conclusions

- **The duETS family of synthetic real estate products provide new, useful and efficient position and risk management tools to the private equity real estate market**
- **The ability to initiate downside protection, linked to the benchmark index, enables hedging strategies that were previously difficult or impossible / impractical to construct**
- **Synthetic products can provide additional position and risk management solutions as the market evolves and matures**
- **These synthetic products represent a significant step forward for the U.S. Capital Markets and real estate investing**

Terminology

NAV	The value of the Trusts' only assets, U.S. T-bills + interest, less trust expenses. NAV remains relatively stable over time. On Valuation Dates, NAV is allocated by formula between Down and Up securities, based on the index level.
Counterparty risk	GIG has designed duETS to minimize counterparty risk – e.g., Lehman ETNs. The collateral backing shareholder claims are U.S. T-bills held in custody.
Security rolling at valuation dates	GIG has developed a patent-pending design for rolling securities at each Valuation Date. Security values (Down and Up) are reset to the underlying index level by formula by a combination of a reverse security split and a cash distribution. The design minimizes tax impact for taxable investors.
Open-end trust	<p>Each Trust can create or redeem securities to meet demand.</p> <p>Create – Market-makers exchange cash-for-securities in baskets of 5,000 Down/Up securities</p> <p>Redeem – Market-makers exchange securities for cash in baskets of 5,000 Down/Up securities</p>
Consensus Value (CV)	An implied current price of Down and Up securities based on a consensus estimate (by analysts) of the index level at the next Valuation Date. CV sets a baseline for valuing securities. CV is used to initiate the value of securities in the create/redeem process.
Forecast Value (FV)	The implied current calculated US\$ price of Down and Up securities based on independent forecasts of the index level at the next Valuation Date by investors. The difference between the Forecast Value and the Market Value (current trading price in secondary market / Mark-to-Market) represents implied profit and loss potential.

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